Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)

NSW GOVERNMENT | Office of Local Government

Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do 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: Bankstown City Council

Date of Council resolution endorsing this submission: 24 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.

Bankstown Council presents this improvement proposal as a signpost of Council's unique position within metropolitan Sydney. Council has a demonstrated record of strong performance across financial and workforce indicators, and a sound track record of asset management.

Fit for the Future has presented Bankstown Council with an opportunity to reaffirm its long term financial vision. Prior to the State Government's plan, Council was tracking along a Ten-Year plan, designed to deliver high quality services to the community at the lowest possible price point (from a rating perspective). With the dawn of the Fit for the Future program, however, and the revised performance benchmarks and criteria, Council has been forced to re-evaluate its approach.

This document sets out to demonstrate Council's current capacity, and its strategy for becoming *fit for the future*, underpinned by a slight adjustment to its rating income. This adjustment (1.5% a year for five years above IPART) is designed to sustainably transition Councils towards satisfying each of the Fit for the Future benchmarks within a timeframe that is acceptable to the community. Council also proposes a minor boundary readjustment on its northern border with Strathfield Council in order to smooth current built and natural boundaries, and enable it to more appropriately manage infrastructure programs surrounding major heavy-transit corridors surrounding the Enfield Intermodal.

Overall, Council takes its approach as a response to the disproportionate level of disadvantage in its community. Financially, the ratepayers in the Bankstown LGA are amongst the lower percentiles of household income across metropolitan Sydney. As a result, it is critically important that Council respond to the Fit for the Future package in a way that is sustainable not only for Council itself, but for the community it serves. To that end, Council will also be looking to progress its Resourcing Strategy (made up of the Asset Management Strategy, Workforce Strategy and Long Term Financial Strategy). In doing so, Council looks to ensure that it is positioned as capably as possible to respond to the evolving needs of the community.

It is on this basis that Council presents an improvement proposal that is, in relation to asset performance, tracking towards meeting the required 2% backlog benchmark. That said, Council is, as outlined in its Action Plan, looking to integrate *fit for the future* and its underlying methodologies and aspirations as part of all staff's day-to-day working lives. Whether that be in the pursuit of lowering real OPEX over time, or in the alignment of key policy positions with community expectations following fit for the future, Council is committed to providing its ratepayers effective leadership and sound governance.

It is this same effective leadership that has enabled Council to be recognised as an industry leader; most recently recognised as the most progressive Council in NSW with the 2014 AR Bluett Memorial Award. It is this commitment to excellence that drives staff at Bankstown, and makes Council an attractive place to work. As outlined in this report, all staff are committed to promoting excellence in their day-to-day tasks, fostering a culture of continuous improvement and innovation. In doing so, Council is able to maintain exceptional performance against the vast majority of Fit for the Future benchmarks.

Council is confident that it satisfies the threshold criteria and ratios, and is therefore *fit for the future*.

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

(Council notes that ILGRP provided Bankstown Council with a no change option. In support of this position, Council notes the discussion below)

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).

Bankstown City Council

Bankstown Council is uniquely positioned. Standing as one of the largest Councils in the State, and positioned between the inner-western and western suburbs, Bankstown is a populous hub with a diverse cultural mix and strong sense of community.

The ILGRP has determined that Bankstown Council has the scale and capacity to meet the opportunities and challenges for delivering high quality, sustainable governance into the future. In its draft methodology, IPART repeats this conclusion, highlighting that Bankstown Council is one of few Councils with a preferred “no change” option, already holding the necessary scale to stand-alone. This reflects Bankstown’s sound position as an industry leader, and a sought after place to live and work. Bankstown’s population is expected to reach over 225,000 by 2031, accelerated on the back of Council’s newly defined Local Area Plans (LAP’s).

Financially, Bankstown Council is considered sound and stable, a position reiterated by TCorp in its recent external review (annexed to this report). Prior to the State Government’s *fit for the future* initiative, Council was progressing along a 10-Year plan of infrastructure management and financial sustainability, focused on meeting the levels of service expected by our community. On the basis that the assumptions in this report are endorsed, the Fit for the Future program does little more than accelerate Council’s ambitions, albeit to a position that is trending to meeting, rather than significantly exceeding, all benchmarks.

As a Council, Bankstown enjoys strong strategic capacity – both as defined by IPART and in the broader sense as a reflection of Council’s role in the community through planning and other initiatives. Council’s approach within this improvement proposal strengthens this role by leveraging a minor rating adjustment (the first ever above IPART) to enhance the level of services provided to the community, and to compensate for recent cost shifting and a decline in grant funding. In doing so, Council is able to meet each of the Fit for the Future benchmarks, as defined by IPART in its methodology document.

Through Council’s plan, particularly in relation to assets and facility use and management, Council looks to increase the breadth of its revenue base, while maintaining its underlying ability to undertake new functions and major projects through effective liquidity structuring. In doing so, Council becomes a more attractive borrower for major projects (major community buildings), and a capable self-funding organisation over the long term. This comes as a result of Council finding itself in a sound financial position, underpinned by an array of revenue streams and a strong asset foundation.

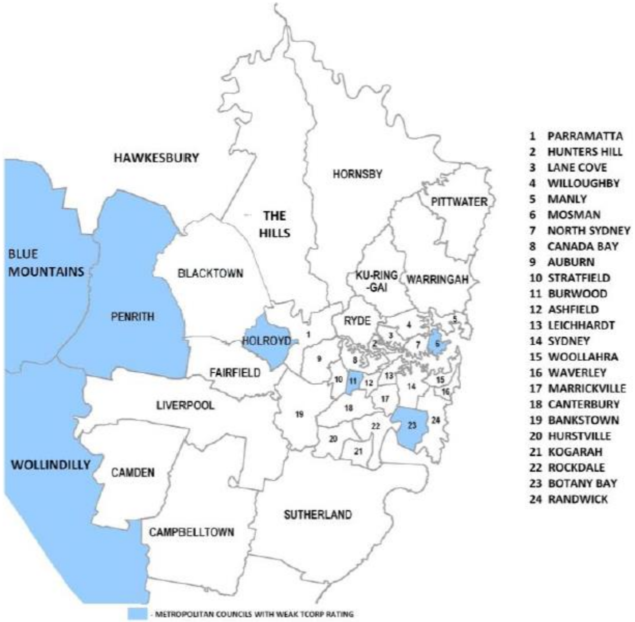
In combination with these elements of strategic capacity, Council is also an attractive employer of highly skilled staff. Council recognises the importance of investing heavily in staff, be that in terms of their personal or professional lives. Council offers flexible work arrangements within an environment of excellence and innovation. Council's successes were recently recognised in the recent AR Bluett Memorial Award. Council has a high-performing and self-motivating culture that consistently scores industry leading staff satisfaction ratings.

Through a combination of the factors above, Council stands as a strong regional partner for all levels of government, and an appealing candidate for inter-council collaboration and service integration, especially to Councils without the requisite scale and capacity.

To that end, Bankstown is mindful of the potential amalgamation pattern as foreshadowed in the ILGRP materials, and in various reports handed down to date. Bankstown has considered these issues, and concludes that, in the event that the Government determines, due to regional factors, that Bankstown is unable to stand alone as currently suggested, a northern amalgamation with components of the Strathfield Council area present the greatest synergy to Bankstown's existing position.

This synergy is driven by a number of factors, not the least including boundary smoothing and more effective regional planning. Should the Government's amalgamation pattern transform Bankstown's surrounding area into a grouping of a number of "super" Councils, with populations in excess of 300,000, Bankstown's own position as a regional leader will undoubtedly be compromised. Bankstown suggests, then, that in any amalgamation pattern, should it be considered appropriate to reconcile large areas of surrounding Councils, that Bankstown is well placed to absorb sections of neighbouring Councils – most especially along major transport and natural boundaries.

In any event, Bankstown notes that its position has not been identified by the ILGRP as "at risk", nor has it been identified as a headline merger candidate in the same report:



Independent Local Government Review Panel – Final Report

Accordingly, on the basis of the ILGRP's report and its own internal investigations, Council considers that it meets the relevant scale and capacity threshold criteria, satisfying each of the items identified by Sansom, and by IPART in its methodology framework.

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 City of Bankstown is one of the most multicultural Local Government Areas in Australia. It is currently home to 200,357 (ABS 2014) residents, speaking more than 120 different languages. The city is characterised by its affordable housing and commercial space, excellent transport and distribution links, large expanses of native bushland, and quality sporting facilities, recreational parkland and reserves. The traditional custodians of the area are the Darug peoples.

Bankstown is known for the diversity of its people, its strong sense of local identity and its strategic location within Sydney's primary transport and freight corridors. Located 20 kilometres south-west of the Sydney CBD it is only 30 minutes by train or road from Sydney Airport. Bankstown is accessible via air (Bankstown Airport), rail (Bankstown and East Hill (Airport) lines), road and sea. Major roads to access
Bankstown include the M5 Motorway, the Hume Highway and Roberts Rd, Davies Rd and Milperra Rd.

In contrast to its urban density, Bankstown also offers large expanses of native bushland, 330 public open spaces and parks including access to the Georges River and home to quality sporting facilities, including Memorial Oval, quoted as the *best suburban cricket pitch in the world* by current Australian Cricket Capitan Michael Clarke.

Financially, Bankstown is in a sound position, both as internally assessed and as assessed by TCorp in its external review. Council recognises that its current position requires some adjustment (as reflected in its Long Term Financial Strategy), however holistically Council remains able to provide the level of service expected by the Community, to a high standard.

Bankstown's organisational vision is that of ***a culture, place and City of excellence***. This commitment to excellence is incorporated in Council's approach to delivery of services to our community. Considering though the level of disadvantage in its community, Council recognises that the support of the State Government and IPART is required through endorsing this proposal to commit to the future that the Bankstown community wants and deserves.

2.2 Key challenges and opportunities

Strengths

- **Organisational Values**. Council has a strong set of organisational values that underpin its day-to-day functions. These values, **Respect, Integrity, Teamwork, Sustainability, Service**, align Council's culture with its aspiration to be a leading Council in NSW. Council regularly rewards employees who espouse these values in their day to day work.

- **Community Satisfaction**. Council maintains a strong community satisfaction result. Following the most recent community satisfaction survey (2014), over 92% of residents were satisfied with Council's performance. This is a reflection of Council's ongoing efforts to ensure that it is collaborating with and serving the community in the most effective way possible.

- **Self-Insured.** Bankstown Council has been self-insured since 1985, without any substantial claims made against the fund. As a result, premiums paid remain low, thereby increasing Council's ability fund alternate projects.

- **Staff Retention**. Council prides itself on the tenure of its employees and its relatively low turnover rates. Staff are enthusiastic about working at Council and display an ongoing willingness to stay with the organisation, despite prospects outside of Bankstown.

- **Flexible Work Practices.** Council offers a highly flexible work arrangement to staff through a nine day fortnight accrued time off system. This system is used by the vast majority of staff providing a mechanism for ensuring all staff have a good quality of life, while remaining engaged with their work. This results in a high levels of discretionary effort, and a general uplift in the quality of work produced by staff at Council.

- **Process Management**. Process Management and improvement is a core component of day-to-day business at Council. By leveraging process mapping technology, Council staff are able to observe, improve and discuss workflows and methods of operation to ensure that we are, at all times, operating as effectively as possible.

- **Ongoing Business Improvement**. Council has a culture of continuous improvement, fostered by our ambition to be a *city of excellence*. This ambition and focus on improvement has resulted in savings of over $5M each year over the past five years.

- **Regional collaboration**. Bankstown has consistently demonstrated its ability to lead regional projects, most notably in recognising the need for a multi-jurisdictional approach to combat the issue of illegal dumping. Council actively lobbied the EPA to establish a new RID Squad in Bankstown. Using Bankstown City Council as host, the strategic alliance of Auburn, Canada Bay, Canterbury and Strathfield Councils began operating as the Inner West RID Squad in September 2014. Rates of successful prosecutions are up, incidents of illegal dumping are down, service is improved and costs reduced.

- **Leadership Recognition**. Council employs highly talented staff. Most recently, Council's Manager, People Learning & Culture was awarded the HR Manager of the Year award (across both the private and public sector), and its Coordinator, Leisure and Aquatics, was awarded the countries best emerging leader. Council was also the recent recipient of the 2014 AR Bluett Memorial Award for metropolitan Councils.

- **Business Excellence**. Council is committed to fostering a culture of excellence. Bankstown is the host council of the Local Government Business Excellence Network, an organisation focused on collaboration around industry best practice in operational excellence. Moreover, Council has adopted a modified "excellence wheel" to use for problem solving, forward planning and crisis management.

- **Information Technology.** Council has recently rolled out a new information management system (iShare), designed to allow for easy sharing of critical documents and knowledge across the organisation through the use of cloud databases and online forums. All staff are required to regularly update their relevant team pages with information and key knowledge articles on a regular basis. Council is also investing heavily in other software to ensure that it remains on the forefront of effective IT implementation.

Weaknesses

- **Asset Backlog**. Council's size, relative to its ratepayer's particular disadvantage (on the SEIFA index) means that asset management occurs on an "as required" basis for the majority of major projects. Although renewal works do frequently take place, they are often overshadowed by maintenance works required on Council's wide asset base.

  Council also finds itself in a unique position where a number of its assets are currently either approaching the end of their useful life, or transitioning towards a period where substantial maintenance will be required. Post World War II, the Bankstown area entered a period of rejuvenation and construction of major assets. These post-war assets are now drawing towards the end of their useful life, requiring further substantial investment to keep them within Council's and the community's standards.

  That said, over the past five years Council has invested heavily in soft and hard assets to allow it to transition to a more effective asset management plan, focused on reversing this trend over the medium term. Council is confident that it will be able to position itself well into the future.

- **Ageing Workforce**. A by-product of a high factor of staff retention is the propensity to thereby employ an ageing workforce. Although the issue is not critical at present, Council recognises the weaknesses in the potential for organisational knowledge to be lost by the transition to retirement of aged staff.

- **Bargaining Power**. Although Council is in a sound economic position, its relative bargaining power does not enable it to better commercial construction rates. As a result, Council is often left to look to itself to find operational efficiencies to offset the difference between yearly rate increases and the cost of asset maintenance across such a wide area.

Despite this weakness, Council is making some progress along collective bargaining agreements with other Councils in regional blocs (SSROC, WSROC). In doing so, Council is able to pool the scope of each organisation to create a more appealing prospect for private contractors.

- Reliance on Cash. Council has adopted a “no debt” policy in its day-to-day operations. Council intends to have repaid all outstanding debt by 2018. Consequently, into the future Council will fund major works with cash, rather than debt, potentially exposing itself, in real terms, to ineffective use of funding.

  Conversely, Council is no longer exposed to interest rate risks across the short to long term. Council is able to redirect these payments into other areas of its business, including asset expenditure and maintenance. In doing so, Council benefits from a balanced approach to managing its investments, in order to secure its long term financial sustainability, while resisting the need to enter into intergenerational debt arrangements.

  It should also be noted that Council has not been impacted by the GFC or the recurring cost of holding Collateral Debt Obligations (CDO’s). This has allowed Council to more effectively manage its financial position, and take a more balanced approach to its risk profile over time.

Opportunities

- **Potential for Growth**. Bankstown covers a significant area bordering Sydney's inner and western suburbs. As such, Council stands to benefit from population growth and an increase in residential developments, each of which will directly impact the level of service that Council is able to provide.

- **Major Infrastructure Hub**. Council is one of few local government areas in NSW to accommodate an airport, alongside major road networks and rail interchanges. Council's position enables it to leverage these advantages into the future to deliver a higher quality of service and opportunity to residents, and to the Council itself.

- **Urban Renewal**. The Bankstown LGA is still in a phase of growth and redevelopment. Assisted by Council's recent LAP amendment, the Bankstown area provides a rich canvas for change and renewal, thereby attracting more ratepayers (both residential and business) to the area.

- **Land Reuse and Investment**. Council currently holds a portfolio of land assets that pay little to no return. A diversified approach to income generation would allow Council to consider leveraging its portfolio to create opportunities for growth and collaborative service delivery with major community groups.

Threats

- **Fit for the Future.** Council's financial position is sound, as is its current approach to asset management, as aligned with the community'sexpectations. Fit for the Future, however, forces Council to consider strategies for income generation that will have adverse impact on both the residential and business community.

- **Community Engagement Levels.** Although Council represents a highly satisfied community, the level of participation in Council engagement activities is relatively low. Taking for example the fit for the future engagement process Council has recently finalised, which was the highest ever return on a Council circular, less than 1% of all residents replied. This presents a threat to Council's long term ambitions, which may become misaligned with the communities expectations and aspirations.

- **Cost Shifting.** Cost shifting has been a significant issue for Council in the last five years. In total, approximately $11M in costs have been redirected to Council from both the State and Federal Governments. Council has been forced to make significant reforms to compensate for this loss in funding. Should cost shifting continue, the ability for Council to provide services to its community becomes a significant issue.

- **Cost of Construction.** Rising construction costs make it difficult for Council to progress its asset renewal strategy as quickly as anticipated in the majority of cases. Rising costs are not compensated for by the annual rate peg increase, which often requires Council to remove assets from its program. Should this continue into the future, and Council's improvement proposal is not accepted, the serious threat exists of Council not being in a position to maintain an array of its assets to the standard required by the community.

- **Context following reform**. Although Council is a relatively large Council as compared to its current neighbours, the Fit for the Future reform process and the potential for large scale amalgamations could result in its regional bargaining power significantly declining. Council is conscious that any decision made by the State Government may have an adverse impact on Council's day-to-day operations.

- **2016 Council Elections**. Council is mindful that any resolution passed within this term may change as a result of any newly elected Councillors or a change in majority. This poses an underlying risk to the fit for the future package, where Council's endorsement of this improvement proposal and the assumed rating increase is reversed some one year later.

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)	(0.055)	No	0.068	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	89.2%	Yes	91%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	88.4%	No	127%	Yes

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

Council notes that the figures provided above are point-in-time, that is, they are not calculated based on running averages, as doing so would distort the impact of Council's improvement plan, which begins in 2017/2018. That said, even on an averaged basis (as presented in part 6 below), Council meets each of the Sustainability benchmarks within the requisite timeframe.

Council’s Approach

Under Council’s fit for the future plan, all sustainability benchmarks are met in 2017/2018. This is the result of an adjustment to both residential and business rates. This adjustment includes the introduction of business categories, in combination with an uplift in the residential minimum rate, and the underlying residential rate itself (by 1.5% for five years).

Notably, each of the sustainability benchmarks continue to track upwards to 2020 and beyond, aligned with Council’s 10-year improvement plan. This plan is purposely designed to sustainably manage Council’s approach to its infrastructure backlog management program.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	**2013 /2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Infrastructure Backlog Ratio (Less than 2%)	3.89%	No	5%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	65.2%	No	110%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.83%	Yes	0.57%	Yes

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

As with its *sustainability* calculations, Council notes that the figures provided above are point-in-time. This is especially relevant to the calculation of the *infrastructure backlog ratio*, with it being at the centre of Council's fit for the future plan. This plan realises a significant ramp-up in asset expenditure beginning in 2017/2018. Consequently, a premature averaging of the relevant ratio would do little more than present a distorted perspective on Council's plan.

Council's Approach

Infrastructure management, and in particular the infrastructure backlog ratio is closely monitored by Council, forming part of day-to-day operations, and annual budgeting/forecasting.

As at 2017/2018, Council will not be in a position to meet the required 2% infrastructure backlog ratio. It is, however, reducing its overall backlog position along a sustainable curve. Council is realistic in its ability to meet the fit for the future benchmarks without drastically changing the assumptions underpinning its backlog calculation.

It would be a simple thing, should Council elect to do so, to alter the basis on which current renewal cost is calculated by adjusting the acceptable level of asset degradation or recalculating depreciable expenses for example. Instead, Council considers the most appropriate course is to maintain its current approach to backlog valuation and asset categorisation, as it forms an essential pillar of our overall community satisfaction.

Accordingly, Council's approach to meeting the fit for the future benchmark is to embark on an asset maintenance and renewal acceleration program, fostered by an uplift in rateable income. This suggested uplift is outlined in detail in the following section of this submission.

In short, Council will look to increase rates on the following basis:

- An increase of the minimum residential rate from $585 to $700;

- An increase in residential rates (excluding minimum rates) of 1.5% per year above the standard IPART rate, for a period of five years;

- Introduce business categories to more effectively draw from centres of activity, after a careful study of capacity to pay in those centres; and

- Following the creation of said categories, uplift business rates by a total of $10,000,000 across the LGA. No fixed increase other than standard growth is to apply after the first year.

Using this model, and Council's philosophy of taking a gradual, sustainable approach to asset management, Council looks to direct funding towards its backlog acceleration program from 2017 onwards, enabling it to completely erode its current backlog value by 2024/2025, with the fit for the benchmark met in 2022. It should be noted that Council has, in its Long Term Financial Strategy, already taken the position that an uplift in rates is required in order to satisfy all asset benchmarks.

A more substantive discussion of this approach is detailed under the section headed *Council's proposed Rating Model.* Further to this discussion, Council invites IPART to consider its recently adopted Long Term Financial Strategy, in combination with its Asset Management Strategy, which have each been designed to facilitate this transition towards achieving a 2% infrastructure backlog ratio within our 10 year planning cycle.

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	0.64	Yes	0.79	Yes

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

Council's approach to determining real OPEX saw a factor of 2.5% applied to present value calculations. Although above IPART's most recent rating decision for the sector sat at 2.4%, Council considers a slight increase (if not more) to that factor appropriate when attempting to forecast real OPEX over the long term, in order to apply smoothing of costs caused by increases in day-to-day operating costs.

Council's Approach

Under Council's fit for the future plan, the efficiency benchmark is met in 2017/2018. This is a result of Council's ongoing commitment to lean business practices, and its forecast capacity for OPEX savings over the short and medium term, in real dollar terms.

Council expects that the efficiency benchmark will continue to track downwards (improving) to 2020 and beyond, aligned with Council's 10 year improvement plan. This remains the case despite the required ramp-up in staffing and other costs as a result of Council's backlog acceleration program.

Council also takes the approach of regularly reviewing those costs which are classed as "core services" or "discretionary". This process enables Council to consider its position in relation to ongoing funding gaps, while allowing for the identification of key community initiatives as a "core service", despite not being so on a purely objective basis.

2.4 Water utility performance

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

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

Yes / No

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

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

2.4 Water utility performance

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

Capital works

Proposed works	Timeframe	Cost	Grants or external funding

2.4 Water utility performance

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

Yes / No

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

2.4 Water utility performance

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

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1.		

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.

Overview

Council's approach to meeting the State Government's "Fit for the Future" (**FFTF**) benchmarks is underpinned by an increase in rateable income, drawn from all ratepayers in the LGA.

Over the past 40 years, Council has, for a number of reasons particular to this LGA, elected not to seek a variation to the standard yearly IPART rate increase. In order to maintain this approach, over the past decade Council has undertaken a substantial internal rationalisation process, leveraging the "business excellence" framework and lean strategic thinking to position itself as a leading Council, operating on one of the lowest OPEX per capita cost models of any metropolitan Council.

Despite the substantial community benefit that has arisen as a result of the above (in a monetary sense), Council must now respond to the various benchmarks set by the fit for the future model. Doing so, however, will not call for a substantial rating increase (as compared to neighbouring Council's recent successful SRV's), despite the reasonably large amount of income that Council forecasts that it requires over the next ten years.

Benchmark Performance

Bankstown Council projects performance against the three sustainability criteria as follows:

Measure / Benchmark	2016/2017	2017/2018	2018/2019	2019/2020	Yes/No
Operating performance ratio	(0.031)	0.068	0.076	0.080	Yes
Own source revenue	90%	91%	91%	92%	Yes
Building & Infrastructure asset renewal ratio	65%	127%	130%	151%	Yes

These projections are based on robust modelling, with full budgetary integrations including across all assumptions used by Council in its day-to-day operations. These outcomes are presented as point-in-time, relevant to the particular years as identified.

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.

Background to Council's Rating Model

Put simply, Council's primary focus in the fit for the future program is a decrease in its infrastructure backlog ratio. It should be noted, however, that council's current position is in its view sustainable and appropriate. Community satisfaction surveys indicate widespread community positivity towards the way in which Council maintains both major and minor infrastructure.

Nevertheless, Council is required to reassess its asset assumptions to facilitate a decline in the infrastructure backlog ratio to 2%. We raise this issue, and the topic of rating models here for two reasons:

1. The assumed increase in revenue will have significant flow-on effects to all other ratios, especially in circumstances where Council's intention is to spend 100% of the additional income on its backlog improvement program; and

2. The additional spending on the backlog improvement program will cause a dramatic uplift in the "building and infrastructure asset renewal ratio", caused by a significant injection of working funds.

Council's approach to meeting the fit for the future benchmark is to embark on an asset maintenance and renewal acceleration program, fostered by an uplift in rateable income. In short, Council will look to increase rates on the following basis:

- An increase of the minimum residential rate from $585 to $700;

- An increase in residential rates (excluding minimum rates) of 1.5% per year above the standard IPART rate, for a period of five years;

- Introduce business categories to more effectively draw from centres of activity, after a careful study of capacity to pay in those centres; and

- Following the creation of said categories, uplift business rates by a total of $10,000,000 across the LGA. No fixed increase other than standard growth is to apply after the first year.

Using this model, Council is able to direct funding towards its backlog acceleration program, thereby enabling it to completely erode its current backlog value by 2023/2024, with the fit for the future benchmark met in 2022. It should be noted that Council has, in its Long Term Financial Strategy, already taken the position that an uplift in rates is required in order to satisfy all asset benchmarks.

Council's Proposed Rating Model

Council, with the assistance of an external rates modelling firm (IBIS) has analysed a substantial amount of potential rating scenarios to deliver sustainable solutions to the Government's revised benchmark requirements. In total, Council reviewed over 150 individual rating scenarios in order to identify the most effective mix possible for the Bankstown LGA.

In combination with this modelling, Council developed a comprehensive financial calculator that combines its asset and financial projections with its rating data to allow live modelling to track the impact of income increases across all key business units.

This calculator allows Council to make projections based on the fit for the future criteria for all years until 2040, to closely examine the impact on the infrastructure backlog, amongst other things. In doing so, Council is confident that its approach is sustainable, not only over the "fit for the future timeline", but for the next generation of ratepayers.

Summary conclusions from Council's Rating Model

Following extensive investigation, consultation with the community and close introspection of Council's short and long term financial and asset projections, two key conclusions were drawn:

1. In the context of the State Government's plan, in order to achieve all *fit for the future* benchmarks *within* five years would require an increase in income of $25,000,000, beginning in 2017/2018.

2. Achieving all benchmarks within a *ten-year* timeframe (with all but the infrastructure backlog achieved within 5 years), requires $17,000,000 in additional income. This lesser amount of more readily able to be gradually drawn from all rateable properties; i.e. Council's proposed *gradual rates increase*.

On the basis of the above, Council proposes the following rating structure. Council considers that this will enable it to draw the appropriate increase from its residential ratepayers over a five year period, noting that this increase would mark the first occasion, in some 40 years, that Council will have applied for an increase above the standard IPART rate peg.

Part One: Approach to Residential Rates

Council's Strategy	Financial Impact
Increase residential minimum rate across whole LGA to $700 per household	**$1,500,000** increase in rateable income per year
Increase other residential rates by **1.5%** over IPART for five years	**$1,363,463** increase in rateable income in the first year.
	Total increase to council in the first year is ~**$2,863,463** from residential properties

Part Two: Approach to Business Rates

Council's Strategy

Here, Council proposes to introduce business categories in order to implement a tiered rating structure. Bankstown Council is one of few Councils without *business categorisation*. Council considers that its current approach (based on a flat, single tiered structure), although appropriate in the past, is no longer able to offer a robust solution to taxation in the LGA. Equally proportionate *ad valorem* distribution disadvantages those businesses with far less capacity to pay, such as local corner stores within the Bankstown CBD.

By introducing categorisation, Council aims to redistribute its rating approach similarly to a progressive taxation system, focused on capacity to pay and zones of activity. In doing so, Council is able to consider the particular circumstances and character of particular business zones, and apply more appropriate rating models to them.

Council has also conducted extensive comparative analysis of structures in neighbouring Councils and across similar business types, in an attempt to determine the most equitable distribution of rating income, whilst still maintaining the comparative advantage of businesses within the LGA, to ensure that the vibrancy of the business community in Bankstown remains strong.

Following the instruction of this categorisation, Council will look to uplift rates across its business categorisation by **$10,000,000 in year one** of its plan (2017). Following this, rates will increase in line with IPART's annual determination. There will be no ongoing adjustment to business rates.

Council's proposed categorisation is as follows.

Category	Suggested Rating Impact
Business Ordinary	current base rate **+5%**
Minor Industrial Centres	*business ordinary* rate **+25%**
Major Industrial Centres	*business ordinary* rate **+85%**
Major Shopping Centres	*business ordinary* rate **+85%**
Central Shopping Centre	*business ordinary* rate **+125%**

Cumulative Impact

The combined effect of council's proposed model is **$12,863,436** in the first year of implementation, increasing gradually towards an estimated **$17,000,000** in year five, in line with Council's overall fit for the future improvement plan.

This impact is designed to be as accommodating as possible for our community's particular needs. Council has determined that the most effective system of rating is one that looks closely at capacity to pay, which identifies particular industry and capabilities which are more appropriately taxed at a higher level, similar to a progressive taxation system. As will be discussed, this comes as a result of a number of factors, including demographics, particular disadvantage and the distribution of wealth across the LGA.

Understanding Council's Approach

Council is confident that its approach is framed in the best possible way for its residents, and for its own approach to asset and infrastructure management. Plainly, Council's suggested increase is small. In the context of recent increases across metropolitan Sydney, a cumulative 7.6% increase over five years represents a modest elevation to headline rates, and an approach that can more easily be absorbed by the community, especially those at relative disadvantage.

In order to provide IPART with some detailed clarity surrounding Council's approach, we provide the following rating formula that has been applied to underpin a number of assumptions made in this paper. This formula aims to calculate the rolling increase in rateable income, underpinned by Council's budgetary assumptions.

Residential Rates Formula

The following formula presents what Council considers to be the most accurate representation of standardised income growth across time, allowing for variable change across timeframes. This formula presents a base-case calculation, and has been adapted where necessary to provide more robust forecasts.

$$R_n = [R_{(n-1)} + (Rt_{(n-1)} \times (i + ai)) + (RPG \times M^r)]$$

Where;

R_n	Additional residential rate revenue in year n
Rt	Total projected residential rates as at year n
i	Standard IPART rate peg increase
ai	Model rate above IPART
RPG	Residential property growth
M^r	Minimum rate

Council notes that this formula includes the ability to make an assumption for residential property growth. For transparency, Council notes that it has across all cases assumed a growth rate of 600 properties per year, each on minimum rate. This assumption aims to smooth out the overall curve of our forecast model by considering the proportion of high density developments against lower density changes in our LGA.

Business Rates Formula

Council has also applied a similar formula to its calculation of business rate growth.

As discussed, the underlying assumption Council makes is that it will receive $10,000,000 in rate income in the first year, with standard IPART increases thereafter. As a result it is not necessary to include in this formula any variance for a rate increase above the nominal level. The sample business rates formula used by council is as follows.

$$B_n = [B_{(n-1)} + (Bt_{(n-1)} \times (i + ai))]$$

Where;

B_n	Additional business rate revenue in year n
Bt	Total projected business rates as at year n
i	Standard IPART rate peg increase
ai	Model rate above IPART

As is apparent, Council's business rate formula takes the same approach as taken for residential properties, save for the exclusion of property growth. Notably, Council does not make projections based on changing business property use, as the currently adopted zoning assumptions are robust enough to compensate for any change. Accordingly, Council provides no adjustment.

Income Growth Projections

To illustrate the projected growth of this increase, Council provides the following table, highlighting uplift until FY2020/2021. Council's long term projection of the same uplift demonstrates a similar curve adopted, highlighting the pull-back in rate increases above IPART following 2021/2022.

Financial Year	Additional Rate Revenue (additional to IPART increases on base)	
	Residential	Business
2015-2016	-	-
2016-2017	-	-
2017-2018	$2,836,463.70	$10,000,000.00
2018-2019	$4,283,549.48	$10,240,000.00
2019-2020	$5,809,066.74	$10,485,760.00
2020-2021	$7,416,602.19	$10,737,418.24

As expected in Council's modelling, and as demonstrated above, Council achieves its $17,000,000 required increase by 2021. This increase is insignificant in the context of Council's current position, allowing Council to do no more than position itself to be able to continue to provide its current level of services into the foreseeable future; that is, it does not allow for changes to service expectations that might increase expenditure. This includes an inability to construct new facilities such as community buildings, playgrounds, or the creation of additional infrastructure. Simply put, although Council's position following the implementation of its plan will allow it to appropriately manage all existing infrastructure, it will not be in the position to fund major asset construction, such as its recent funding of the new Bankstown Learning and Knowledge Centre (BlaKc).

That said, Council's approach has been and continues to be one that is focused on reducing the overall impact on its LGA over both the short and long term. From a purely financial perspective, a more significant increase to Council's rates was the more financially prudent course to follow. However, taking such an approach would do little to consider the community's particular needs, and would risk placing an unnecessary level of burden on our ratepayers.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Council's existing strategies set out methodologies for ensuring ongoing performance against each of the sustainability benchmarks. Council does not need to take significant steps in this regard, other than the ongoing endorsement of our well-established strategies for sustainability. Nevertheless, Council notes the following objective as consequential on this Improvement Proposal and the anticipated rates increase.				
Increase spending on asset renewals.	(a) Align Council's Long Term Financial Strategy with spending in line with rates allocation towards asset renewals.	Council's Long Term Financial Strategy endorsed to ensure alignment with Council's Fit for the Future implementation plan.	Ongoing sustainable performance against each of the sustainability benchmarks.	Consequential improvement in the infrastructure backlog ratio as a result of increased spending on assets.

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.

Overview

As discussed in the mirroring question under "Sustainability", Council has embarked on a rigorous review of its key strategic assumptions and frameworks. The focus of this review was, in the most part, on the infrastructure backlog ratio.

This ratio presents the greatest challenge to Council. Council currently holds over $2 billion in assets, with the majority of those being roads and underground piping. Clearly, these are assets which do not lend themselves to rationalisation or modification in any substantive way, and therefore, exist as an ongoing issue to be addressed.

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

Benchmark Performance

Council's performance against the series of efficiency benchmarks is sound. Council's adopted Asset Management Strategy (annexed to this submission) provides a sustainable and well-reasoned approach to asset management, designed to gradually move council towards a long term infrastructure solution.

Measure / Benchmark	2015/2016	2017/2018	2018/2019	2019/2020	Yes/No
Infrastructure backlog ratio	5%	5%	5%	4%	No
Note: Under this improvement proposal, the infrastructure backlog ratio is met in 2022, with the backlog brought to nil by 2025.					
Asset maintenance	71%	110%	112%	123%	Yes
Debt service ratio	0.93%	0.57%	0.01%	0.01%	Yes

As evidenced above, the start of Council's fit for the future improvement plan in 2017/2018 results in a significant change to each of the benchmarks above. With a significant first year and ongoing ramp up in asset maintenance spending, Council embarks along its suggested backlog acceleration program, heading towards an infrastructure backlog ratio of less than 2% by 2022.

Approach to asset and infrastructure management

The majority of Council's road infrastructure is in a sound operating state. Over 75% of Council's total road network has at least a mean asset rating below 2.5, as noted in the following illustration.

Over the past year, Council has embarked on an unprecedented spatial mapping exercise of its current road assets. In doing so, Council has modified its approach to polygon mapping (away from a square-area only approach), allowing it to more accurately identify and measure all curved road spaces, which enables Council to determine far more accurate maintenance and renewal costs, in combination with a better understanding of the true value of the asset.

In doing so, Council is also able to more accurately project asset maintenance requirements. This means that Council's fit for the future renewal program can be directly aligned with its existing accelerated works program. Further, it allows Council to more confidently project required works and timeframes over the next 10 years to provide a realistic approximation of how the uplift in rateable income will be applied to Council's assets.

Accordingly, council is able to make the following projection as to its backlog:

Financial Year	Additional Rate Revenue (additional to IPART increases on base)		Infrastructure Backlog Value
	Residential	Business	
2015-2016	-	-	$61,837,000.77
2016-2017	-	-	$75,760,000.99
2017-2018	$2,836,463.70	$10,000,000.00	$76,648,297.61
2018-2019	$4,283,549.48	$10,240,000.00	$70,891,604.37
2019-2020	$5,809,066.74	$10,485,760.00	$65,111,960.27
2020-2021	$7,416,602.19	$10,737,418.24	$57,587,850.88
2021-2022	$9,109,895.08	$10,995,116.28	$47,648,123.94
2022-2023	$9,748,532.56	$11,258,999.07	$35,589,444.22
2023-2024	$10,402,497.34	$11,529,215.05	$23,777,058.17
2024-2025	$11,072,157.28	$11,805,916.21	$11,626,254.79
2025-2026	$1,757,889.05	$12,089,258.20	Nil.

It is important to note that these projections also include the impact of fluctuating OPEX costs over the period (which includes staffing costs associated with the increase in workload resulting from an accelerated asset renewal program), amongst other things.

Council has assumed for the purposes of this improvement proposal and for its own internal projections that the backlog will be eroded in full by 2025. Relevantly, the infrastructure backlog ratio will be met in 2023/2024. This projection includes Council's forecasts on asset revaluations and estimated written down values.

Asset Methodology

Bankstown’s Lifecycle model and approach to asset maintenance is relatively simple. It is, of course, a very subjective process and the results heavily depend on the expertise of the officers involved. For each asset or asset collection, the model quantifies the Minimum Average Annual Lifecycle Expenditure (MAALE) required to ensure the asset or asset collection will achieve its set Effective Useful Life (EUL). The MAALE comprises an annualised estimate for the replacement of the asset and an annualised estimate of the total cost of Operations and Maintenance.

The premise of the model is that if the MAALE is banked each year to an asset reserve fund, sufficient funds will be available when required, over the life of the asset, for its operation, maintenance, partial renewal/rehabilitation and eventual replacement. The current model does not include inflation or interest - these may be added as the accuracy of the other inputs are refined.

The cost of renewal (construction/acquisition/reconstruction) of an asset is assumed to be the Current Replacement Cost (CRC) of the asset as determined through Council’s valuation processes. These valuation processes are detailed in Council’s Infrastructure Assets Valuation Methodology Manual. For the Lifecycle Model and the AMS, the CRC value is annualised by dividing the CRC by Effective Useful Life (CRC/EUL).

The cost of Operations and Maintenance has been estimated from an apportionment of Councils Operational Budget (OPEX) between Operations, Maintenance and other activities. Generally, it has been assumed that our OPEX budgets adequately provide for day to day Operations and Maintenance.

The apportionment of OPEX expenditure has been completed by Council’s assets team each year from 2008 onwards. As stated above the apportionment is subjective. It is based on the understanding and experience of the AST staff involved in OPEX budgeting. In 2012, changes occurred to the way that Council treats depreciation expense and its overall depreciation methodology. As a result today, two year average figures are used in the lifecycle models (2012-2013). Finally, the 2012 figures have been brought to 2013 Present Value by applying inflation.

Infrastructure Backlog Management

As part of its fit for the future investigations and planning, Council considered its approach towards infrastructure backlog projections. To date, and as is common industry practice, asset management is largely informed by financial capacity, guided by both short and long term financial strategies.

Simply put, standard industry practice is for long term financial forecasting to inform the dollar value of initiatives and replacement works that an asset plan is able to allocate.

Council considered that in the context of the fit for the future reforms, this approach required modification if it was to fully respond to the demands of the proposed package. Accordingly, Council developed an integrated financial and asset modelling system.

This model is designed to take a modest approach to backlog calculations over time; that is, it overweights underlying OPEX assumptions to factor in potential future uncertainty. Simply put, the model looks to assess all of the inputs and outputs surrounding backlog growth, which are for all intents and purposes the different things that Council spends its cash on. It also enables Council to factor in the impact of any special levy or major asset sale, although no such projections are included within this improvement proposal.

As a result of this process and full financial/assets integration, Council is more readily able to compensate for financial forecasts and changes to underlying assumptions such as inflation or the cost of materials, and apply these to a long term view of the infrastructure backlog. Relevantly, Council applies the following formula to determine backlog erosion over time.

$$B^n = (B^{n-1} \times i) - (R^n + B^n + SL + \mu) + (\alpha + \beta + nOPEX)$$

Where;

B	Infrastructure Backlog
^{n}	Year
i	Inflation Rate
R	Residential Rate Increase
B	Business Rate Increase
SL	Special Levy Adjustment
μ	Sale of Asset
α	Lifecycle Maintenance and Renewal Gap
β	Estimated FAG Grant Shortfall
nOPEX	Nominal OPEX gap

Asset Management Plan

Overview

A number of Council's assets are in the later stages of their life cycles and their maintenance needs are becoming more significant. Some of these assets are degraded and their condition is below the nominal operating standards for these classes of assets. Many others are well maintained and operating at appropriate standards.

In broad terms, for the four major Asset Groups (Roads and Transport, Buildings and Other Structures, Parks and Recreation, and Stormwater Drainage), with a Current Replacement Value of about $1.8B, the total average annual funds available (capital renewal and maintenance) for asset lifecycle maintenance is about $46 million per annum (actual varies from year to year).

The minimum average annual expenditure required to keep the assets of the four major groups at or around their current condition is of the order of $65 million per annum (as at 2015). Thus, the current Renewal Gap (the difference between the required funding to keep the assets in good condition and the actual funds available) is about $12 million per annum. And the Unfunded Renewals balance (the cost of all asset works that are currently due or past due but have not been funded) is about $46 million or about 2.5% of the total asset stock for the four major groups

It should be noted that these figures are skewed by the Roads and Transport Asset Group. For the Roads and Transport Group alone the total average annual funds required for lifecycle maintenance is about $27 million and the total average annual funds available (capital and maintenance) for asset lifecycle maintenance is about $21 million per annum, leaving a Renewal Gap of about $6 million p.a. for the Roads and Transport Group alone.

Most other NSW Councils are in a similar or worse position. New South Wales Council's own and/or manage over $70 billion in local community infrastructure and other assets. The Independent Inquiry into the Financial Sustainability of Local Government in NSW (the Allan Report, 2006) estimated that NSW Councils expended about $350 million p.a. on asset maintenance and renewal.

It also estimated that this was more than $500 million below what the councils should be spending to maintain the assets at an appropriate standard (the Renewal Gap). The Allan Report also estimated the Infrastructure Unfunded Renewals total in 2006 was at least $5.3 billion and if no action was taken to address the Renewal Gap, the Infrastructure Unfunded Renewals Total would grow to about $20 billion by 2027.

Asset Categorisation Methodology

Many of Council's assets are known as "complex assets" as they are built up from a number of component assets. For example an urban road is composed of at least the pavement and the surface layers; and a building is made up of a structure, a roof, services, fit out and so on. To achieve its designed service life, some of the components of each complex asset must be replaced or refurbished during the service life of the complex asset.

For example, a road surface will need to be replaced a few times during the life of the pavement layer and a roof may need replacing about half way or so through the life of a building. If the component replacements/refurbishments for a complex asset are not carried out on time, the complex asset as a whole may fail prematurely, with its actual service life falling far short of its designed service life.

Analysis of the costs associated with the maintenance of the types of complex assets managed by Council show that (generally) the least cost lifecycle service life is about the lifespan of the longest lived component asset and that the average annual cost of the component replacement/refurbishment to achieve the least cost service life is of the order of 1~3% of the Current Replacement Cost (CRC) of the complex asset.

It should be noted that although the average annual expenditure is of the order of 1~3%, actual annual expenditure will vary greatly, depending on the significance of component works for each year. For instance, a roof replacement may cost up to 20% of the CRC of a building. These "lumps" in expenditure are usually managed by establishing cash flows into component replacement reserves.

Generally, the replacement/refurbishment strategy that will lead to the least cost service life tends to be that which leads to the asset being kept in Good Condition.

A key element of lifecycle asset management is minimising the overall lifecycle cost of an asset by ensuring the required budget is available on time so that appropriate replacements, refurbishments and other maintenance can be carried out when required.

Current Asset Position

Bankstown's extensive asset portfolio includes:

- infrastructure like roads, footpaths, drains and parks;
- community buildings like parks amenities, town halls and community centres;
- operational buildings and plant & equipment; and
- natural and heritage assets.

Council also has some residential and commercial properties.

Generally, infrastructure assets directly provide a service to the community (e.g., roads provide transport services); community assets are used to enable a service to be provided or are used in the delivery of a service to the community (e.g., a community hall being used by a playgroup); and operational assets are utilised by Council directly to administer and facilitate its operations (e.g., Council's depots support the field teams who maintain the parks).

Natural and heritage assets are managed by Council on an ongoing basis for the benefit of the current and future Bankstown communities.

Council has assets that would cost about $2,772 million or more to build today (CRC - Current Replacement Cost). Their Written Down Value (WDV) is about $2,083 million. For the purposes of asset management, similar assets have been put together in several Asset Management Groups

These Groups are:

- Roads and Transport;
- Buildings and Other Structures;
- Parks and Recreation;
- Stormwater Drainage;
- Plant and Equipment;
- Other Assets; and

- Land

Importantly, Council notes that its long term strategy focuses on formalising Strategic Asset Management (SAM) across Council. Informally, in various ways and over many years, the Council has been practicing strategic asset management (to greater or lesser extent, as available budgets have permitted). This Strategy and the SAM Program builds on this foundation, reinforcing many existing organisational practices and developing new practices, as required, establishing Service Focussed and Sustainable Asset Management for the Bankstown community.

These practices include lifecycle maintenance management, targeted maintenance for assets in good condition (to keep them in that condition) and promoting replacement projects for aged or obsolete assets as capital initiatives.

This will become especially relevant in the context of significant changes to Town Centres proposed by Bankstown's newest LAP, which is focused on fostering growth through a transition to higher density centres of activity, clustered around major town centres. This resulting increase in population will need to be catered for, and additional assets will need to be built (parking lots, community centres etc.) to accommodate the needs of the expanded community. At same time, and as discussed in the following section, Council will also need to be mindful of the impact that marked population growth has on community expectations. Current service levels may no longer satisfy the community's needs, and as a result, changes would need to be made by Council to its approach to asset maintenance.

Community Expectations

A significant element of the Integrated Planning and Reporting Framework is communication with the community. Council has a long standing history of consultation with its community, and this trend will continue into the future, where our community will be widely canvassed and involved in the decision making process. This will help to ensure the decisions taken about services and assets reflect the needs of the community and can be funded by the community, especially in areas experiencing high levels of growth on the back of Council's development plans.

For Council's Asset Management Strategy and its supporting Asset Management Plans, the needs of the community have been assessed by considering the demographic projections for the Bankstown LGA, the recent Customer Request history and, the preliminary findings of the consultation for the development of the Bankstown Community Plan. Details are documented in the individual Asset Management Plans, as attached to this submission.

Debt Methodology

Bankstown City Council acknowledges that debt is an available option to assist in financing its asset management strategy, in particular to assist in addressing Council's asset backlog.

In brief, Council's approach to assessing the use of debt is based on the premise that:

- Debt should not be considered a source of funding for recurrent operations (i.e. recurrent income source) or a substitute for income.

- Based on the above, any funding shortfall for recurrent asset maintenance purposes should be met from recurrent income sources, and
- Council should have the financial capacity to meet debt servicing costs, as and when they fall due (ie. a net surplus in its operational performance).

As an alternate option, Council has assessed the financial implications of borrowing funds based on the above parameters, in particular to service its asset backlog, as a comparison to raising revenue and determine the estimated long term cost to its Ratepayers.

Council's modelling is based on the assumption that Council will borrow the 2017 value of its backlog (~$79M) - $7M per annum for 10 years, each loan fixed for 20 years and at an interest rate of 4% (taking advantage of the State Government's preferential loan program offered as part of the *fit for the future* package), with no additional costs assumed for debt services, such as establishment or ongoing fees.

Based on the above parameters and assumptions, Council has compared the financial impact of borrowing versus increasing rates as follows:

No Debt Option – Rate Increase Option

Rate increase required to fund operating gap	$2,030,000
Rate increase required to fund maintenance and renewals	$9,980,000
Rate increase required to fund backlog repair	$5,300,000

Based on this scenario, the financial impact of increasing rates (year 1) to address the three (3) components is estimated at an additional $17,300,000 in income.

Debt Option – Rate Increase and Borrowing Option

Rate increase required to fund operating gap	$2,030,000
Rate increase required to fund maintenance and renewals	$9,980,000
Rate Increase to fund Debt Servicing Cost	$5,780,000

Based on this scenario, the financial impact of increasing rates (year 1) to address the three (3) components is estimated at an additional $17,800,000 in income.

Put simply, debt is approximately $500,000 more expensive to fund on a yearly basis when compared to cash funding. As expected, the gradual ramp up of debt servicing costs (as yearly loans begin to accumulate) outstrip the proposed growth in Council's rateable income, meaning that Council cannot repay its debt any more aggressively, at least in the short term, than would be required under the loan.

To that end, Council also notes that even in a situation where surplus funds are allocated to debt repayments following full backlog repair, the length of debt servicing is still in the order of 20 years. Over the proposed life of the loan, debt is some ~$40M more expensive than cash in real terms. This is, in Council's opinion, a modest approach, considering the underlying assumption that rates will remain at 4%, which is unlikely in the context of the current economic climate.

Considering the above, Council takes the view that using debt to finance the backlog would have a negative impact on its financial sustainability, requiring a further rate than that which is currently being proposed.

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
Reduce the Infrastructure Backlog Ratio to below 2%, and to nil within ten years.	(a) Review Asset Management Strategy to ensure alignment with Fit for the Future objectives. (b) Conduct extensive mapping and scoping exercise to ensure all assets within backlog are categorised and a priority work plan is creates.	(a) Council endorsement of revised Asset Management Strategy (b) Executive report prepared and endorsed on asset mapping and categorisation exercise.	Infrastructure Backlog Ratio tracking downwards, and reduced below benchmark within ten years.	Consequential impact on asset maintenance due to a concurrent ramp up in expenditure necessary to complete the backlog works.
Align internal documentation with revised backlog acceleration program.	(a) Ensure that all policies and works programs are aligned with Council's	(a) Policy documents reviewed and amended where necessary, in line	Infrastructure Backlog Ratio tracking downwards, and reduced below	Consequential impact on asset maintenance due to a concurrent ramp

	overarching direction as to backlog repair and maintenance within the desired timeframe. (b) Review Council’s Workforce Strategy to ensure that workforce issues are resolved prior to and during the implementation of the backlog acceleration plan.	with the Fit for the Future Action Plan proposed within this paper.	benchmark within ten years.	up in expenditure necessary to complete the backlog works.

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's strategies to improve performance against this benchmark are diverse. Over the next five years, Council will:

1. **Ongoing strategic service reviews**

   Council operates by the methodology that "just because it's how we've done it in the past, doesn't mean it's how we do it in the future".

   Living this methodology means having a robust approach to ongoing analysis of individual business units. Council treats each of its core operating areas as individual businesses, each contributing to the overall mechanism of Council. In taking this view, Council expects that each manager regularly reviews the operation of his or her team to ensure that it is operating in the most effective way possible.

   Invariably, operating in such an environment will lead to efficiency savings across the board, which will immediately impact on council's running OPEX cost, assisting in the long-term reduction of real OPEX per capita.

2. **Process Mapping and Improvement**

   Council has invested heavily in ProMapp – a closed system cloud-based process management application designed to provide visual aids to process mapping and improvement. This system allows Council to create robust process frameworks, underpinned by the view that possessing a strong process foundation is critical to overarching organisational success.

   Council will continue to develop comprehensive process maps across all business units, looking to improve processes where possible to drive greater efficiencies, thereby reducing real OPEX over time.

3. **Invest in Information Technology solutions**.

   Council recognises the significant impact that effective technology solutions can have on an organisation. Ongoing efficiencies are difficult to achieve unless Council remains on the forefront of innovation through more effective use of technology. Accordingly, Council is embarking on a significant IT software upgrade and investment program (valued at over $5M), designed to position Council with the necessary tools to remain efficient and effective over the long term.

4. **Create an integrated corporate indicator reporting system.**

   Similarly to many Councils across NSW, Council currently operates a quarterly reporting system with a number of Key Performance Indicators, designed to provide a snapshot of Council's operations (via its adherence to the State IPR Framework).

   Within the next year, Council is aiming to design and implement a live corporate indicator system which allows all managers access to live operational data to better inform decision making and long term planning.

   The aim of this strategy is to enable confidence in decision making, and identify potential weaknesses in organisational fluidity as observed through variances in, for example, application turn-around times or replies to work requests.

   Following the implementation of this system Bankstown will look to review KPI's for all staff. This review will look to closely align each staff member's individual performance with key operational objectives. This will, by its very nature, assist in an uplift in performance through measurement and consequently the ability to more precisely monitor variance in activity for efficiency savings.

5. **Aim to achieve a “Gold” rating for business excellence, and embed an “excellence way of thinking” within the organisation**.

   Council is currently rated as a “Bronze” organisation within the Australian Organisational Excellence Foundation’s rating system, which is of itself a great accolade and recognition of our tireless work towards making our organisation as effective as possible.

   The pursuit of a “Gold” award for business excellence will require Council to not only lead the Local Government industry in its approach to organisational excellence and efficiencies, but the private industry also. The award is designed to recognise those organisations with the most effective approach to business improvement, and most especially those organisations that value ongoing improvement as a core priority.

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

Overview

Council is already positioned as an extremely lean organisation. With one of the lowest OPEX per capita costs of any metropolitan Council, Bankstown is confident in its ability to apply agile strategic and organisational frameworks to its day to day operations, focused on delivering enhanced efficiencies across the board.

Benchmark Performance

Council's ongoing commitment to the Business Excellence Framework and its focus on delivering sustainable and efficient services to the community has stood as a pillar of our financial sustainability over the last decade.

Council's ten year fit for the future improvement plan builds on this success to deliver a declining real OPEX over time. This calculation, represented as point-in-time, assumes a linear present value formula (that is, no change in inflation over the calculated period).

Measure / Benchmark	2015/2016	2017/2018	2018/2019	2019/2020	Yes/No
Real OPEX per capita	0.79	0.78	0.78	0.77	Yes

Council notes that the calculation of this ratio includes a smoothing of the impact of election-year anomalies. Council currently allocates $1M in extra OPEX funding in an election year. For the purposes of the benchmark above, this has been adjusted to $250,000 over each four year period. Nonetheless, following 2017/2018, Council estimates a gradual decline in real OPEX per capita, assisted by growing population forecasts and more sustainable infrastructure management practices.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Improve delivery of Council services	a) Undertake ongoing strategic service reviews; b) Identify new approaches to traditional service delivery and opportunities for improvement; c) Implement recommendations of service reviews	Key review findings reported quarterly to the Executive Leadership Team.	Improved service delivery; Efficiency savings across the board	Impact on Council's running OPEX cost, assisting in the long-term reduction of real OPEX per capita.
Process Mapping and Improvement	a) Develop comprehensive process maps across all business units	Key organisational processes mapped	Improved internal processes which in turn drive efficiencies	Reduction in real OPEX over time

Information Technology solutions	a) Identify technology solutions to improve processes and service delivery b) Undertake significant investment in software upgrades	Roll out of information technology solutions	Council equipped with the necessary tools to remain efficient and effective over the long term	Cost savings in the long term
Implement an organisational corporate indicator reporting system	a) Develop a ‘live’ integrated corporate indicator reporting system b) Review KPI’s for all staff	Implementation of corporate indicator reporting system	Provide Managers with live operational reporting to better inform decision making and long term planning	
Further develop Council’s Business Excellence approach	a) Achieve a “Gold” rating within the Australian Organisational Excellence Foundation’s rating system; b) Embed an “excellence way of thinking” within the organisation; c) Undertake a regular organisational self-assessment	Improvement in Council’s Business Excellence rating	Strategic and organisational frameworks applied to Council’s day to day operations	Enhanced efficiencies and service delivery across the board

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
Revise Council's Workforce Strategy and current strategies and policies to address short term high skilled staffing needs.	Draft *fit for the future ready* Workforce Strategy prepared and delivered to the Executive Leadership Team (**ELT**). Draft *fit for the future ready* Workforce Strategy placed on the staff intranet for feedback. Final *fit for the future ready* Workforce Strategy endorsed by the "new Council".
Revise Council's approach to procurement to ensure capacity to deliver services into the future.	Draft *fit for the future ready* procurement policy delivered to the ELT. Manager, Financial Services delivers suggested team composition and structure to the ELT for endorsement ELT endorses revised procurement policy and approach to contractors. Council endorses revised approach to procurement.

Conduct comprehensive scoping exercise for all *fit for the future acceleration program* works.	All assets surveyed and logged; draft approach endorsed by Manager, and provided to the ELT. ELT endorses asset categorisation and suggested renewals approach. Report to Council on suggested assets approach. Council endorsement.
Design performance monitoring system for asset management to allow the ELT to track Council's adopted renewal program.	System created and/or purchased. System integrated with Council's asset base and live mapping commences.
Prepare amended integrated planning and corporate reporting framework to focus on deliverables under the fit for the future program.	Manager, Strategy, Policy & Governance to prepare proposed amendments to approach, alongside revised reporting framework. Proposed amendments provided in draft to the ELT. Amendments and approach endorsed by the ELT; quarterly reporting begins in Q4 FY2016.

Review structure of Council Standing Committees (including those involving Councillors) to ensure robust operational leadership into the future.	Manager, Strategy Policy & Governance to conduct review. The ELT to receive proposed structured for consideration. Revised structure endorsed by the ELT. Revised structure endorsed by the Council. Revised structure implemented.
Review Council's Community Strategic Plan to ensure alignment with feedback received during the *fit for the future* process.	Policy & Integrated Planning Units to conduct comprehensive review of all components of the Community Strategic Plan. Policy Unit to provide draft of the revised Community Strategic Plan to the ELT for endorsement prior to release to public exhibition. Draft release to the community for feedback.
Conduct community consultation surrounding the Community Strategic Plan.	Engagement officers to prepare key engagement materials and promote exhibition of the Strategy. Community provides feedback to strategy; any required amendments made to reflect community needs and aspirations.

Review Council's Delivery Program to ensure alignment with core *fit for the future* objectives.	Integrated Planning Unit to conduct comprehensive review of all components of the Delivery Program to ensure alignment with *fit for the future* objectives and outcomes. Integrated Planning Unit to provide draft of the revised Delivery Program to the ELT for endorsement prior to release to public exhibition. Draft release to the community for feedback.
Conduct community consultation surrounding the Delivery Program.	Engagement officers to prepare key engagement materials and promote exhibition of the Strategy. Community provides feedback to strategy; any required amendments made to reflect community needs and aspirations.
Review Council's standing Resourcing Strategy to ensure alignment between each of the Asset Management Strategy, Workforce Strategy and Long Term Financial Plan.	Comprehensive review of push-pull factors across all strategies to ensure alignment with necessary long-term projections for asset, workforce and financial factors (i.e. each strategy accounts for the operation of the other to ensure a rounded approach to the fit for the future acceleration program).

Ensure overarching Asset Management Strategy alignment following Resourcing Strategy Review.	The ELT endorses the approach to Asset Management suggested as part of the Resourcing Strategy Review. Asset Management approach reviewed and endorsed separately due to significance to Council's approach to *fit for the future*.
Create standing report template on Council's fit for the future acceleration program for monthly council meetings.	Integrated Planning and Policy teams to create framework for reporting progress to Councillors. The ELT to review and adopt approach to reporting.
Facilitate Councillor workshops on Council's renewed approach to asset management.	Integrated Planning and Assets Teams to prepare Councillor workshop to ensure community priorities are accounted for in Council's cyclical asset renewal program as part of the *fit for the future acceleration program.* Facilitate Councillor workshop on asset management.
Create Annual Reporting template to include all *fit for the future* benchmarks as required by the State Government.	Manager, Financial Services to prepare amended template for annual reporting to include fit for the future benchmarks. Manager, Financial Services to ensure integration of *fit for the future* benchmarks in all financial reporting.

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

Overview

Council's improvement action plan is based largely on its ongoing approach to asset maintenance and backlog managements. The following action plan focuses on a number of critical issues surrounding staffing, contracts and associated works as necessary for an organisation maintaining its vision of embarking on an accelerated works program.

Financially, Council needs little to no change in the way in which it operates under this plan. The additional rating income proposed within this document does not necessitate any variance to standard practice, nor will the foreshadowed approach to OPEX management require any changes to ordinary day-to-day work plans. Council believes in its adopted approach, and is confident that its plan will deliver successes in both the short and long term.

Action Plan

For the purpose of this improvement proposal, Council's plan commences in FY2016, or one year before the proposed and assumed rating increase is implemented. Council takes this approach as its plan will require a change in its approach to workforce management and procurement policies, all of which will need to be finalised prior to the first year of project works foreshadowed in this document. Accordingly, the following Action Plan represents Council's view of critical objectives which are necessary to the facilitation of Council's *fit for the future acceleration program*.

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.

Background

As part of its evaluation process surrounding fit for the future, Council sought to investigate every option available to it, including a potential merger. In doing so, Council has positioned itself with a comprehensive understanding of each potential variable across both a stand-alone and merger option.

This section first deals with Council's options under a merger, or in some cases, boundary adjustment scenario. Although both the Strathfield and Canterbury options analysed by Council showed some positive results (in some cases resulting in no rate increase to ordinary residential rates), our community was nonetheless more concerned with a loss of local identity and unforeseen change. Following this merger discussion, Council comments on the other actions considered in preparation of this plan, commencing with alternate rating models.

Merger / Boundary Adjustment Options

Canterbury Council

Under the Government's proposed *fit for the future* plan, an ancillary option presented to Bankstown was a merger with Canterbury Council. As Bankstown resolved to consider all options available to it in order to make as informed a decision as possible, Council has investigated the potential benefits and drawbacks of a merger to the degree possible with publically available information.

Council notes that it was not able to obtain any significant volume of non-public information from Canterbury Council, especially following its resolution in February 2015 to not entertain a merger with Bankstown Council, and instead pursue discussion with the St George grouping of Councils.

Financial Considerations

Summarily, modelling suggests that a merger with Canterbury Council would provide greater efficiencies over time, allowing Council to maintain its current ordinary residential rates position. Business rates, however, would adapt to suit Bankstown's proposed model (with the introduction of categories), which would result in a further increase to business rate revenue (estimated at an additional $3M), thereby alleviating some of the upfront financial pressures caused as a result of the merger.

Concurrent to this financial opportunity, Council expects that it would be able to recognise the following returns and benefits for the combined Bankstown/Canterbury community, should a merger or boundary consolidation take place:

- Opportunities to harmonise planning instruments and gain efficiencies through more efficient regulatory practices;
- Consolidation of corporate support functions, including finance, human resources, procurement, plant and fleet management and communications, with little to no substantial impact on community service;
- Potential to reassess Council's approach to asset management and the pursuit of economies of scale though the creation of a larger serviceable area.

These opportunities would of themselves lead to further financial savings for Council over both the short and long term. To that end, Council also identifies a number of upfront savings likely to be realised in the event of a merger, including:

Type	**Saving**
Workers Compensation Premiums	$1,000,000
Senior Management Restructure	$1,800,000
Major Systems Integration	$1,250,000
Consolidated Contract Provisioning	$1,000,000
	$5,050,000

Combined with these savings, Council projects that it will be able to secure significant one-off savings following a merger through the rationalisation of service sites and the sale of major assets (Council buildings), which would be able to be spent on asset renewals across the new LGA. Of course, this rationalisation would of itself provide further savings through a reduction in staffing and maintenance costs for those facilities themselves.

Returning then to the issue of rateable income which would be generated in a merger, Council defers to a preliminary analysis of *ad valorem* values across each Council. Council notes that the following projections account for the full impact of Canterbury's recent Special Rate Variation application, and assumed that it is passed on in full.

First, Council notes its projections for **residential ad valorem** changes.

	Bankstown Council	Canterbury Council
2014	0.32048	0.28029
2015	0.32817	0.30132
2016	0.33605	0.32392
2017	0.34411	0.34821

Evidently, Canterbury Council's *ad valorem* rate adjustment following its special rate variation places its relative rate in the dollar slightly higher than Bankstown's comparative rate (notwithstanding differences in property values across each LGA).

This means, among other things, that the adoption of Bankstown's rating model would have little to no substantive impact on Canterbury's ordinary residential ratepayers. Considering especially that a 1.5% increase on Bankstown's base ad valorem as projected in 2017 would increase its factor by 0.005. On that basis, Council can conclude that its model would be palatable for both IPART and Canterbury's residents, considering that the relative uplift to their rates would be minor, if at all changed.

Next, Council considers the projected **business ad valorem** rate across each LGA, again factoring in the impact of Canterbury's Special Rate Variation.

	Bankstown Council	Canterbury Council
2014	0.72239	0.74409
2015	0.73973	0.79990
2016	0.75748	0.85990
2017	0.77566	0.92439

This projection reveals a significant disparity in underlying ad valorem rates across Bankstown and Canterbury. Accordingly, Bankstown takes the view that its rating model would not cause any financial burden to Canterbury based businesses, considering that the likely output would be a smoothing of rates across the respective LGA's.

Combined, the effect of a merger on the ratepayers will be nil for ordinary ratepayers in the Bankstown LGA, and close to the same for those in the current Canterbury LGA. This is as a result of Council's ability to redirect surplus cash funding towards Bankstown's infrastructure backlog over the short term.

Strategic Planning

There are a number of key arterial channels common to the Bankstown and Canterbury area. Most relevantly, the M5 Motorway, Canterbury Road and the south-western rail corridor. At present, there exists a disparity in holistic planning approaches for cross-regional projects which sit on these major corridors. Bankstown considers that a merger or partial boundary adjustment would offer the required scope to conduct more effective regional planning, in line with the character of the area and particular community considerations.

Combined with the above, Bankstown's geographic position on the border of both S.S.R.O.C. & W.S.R.O.C. boundaries places us in a unique position at the gateway to Western Sydney, but also strategically positioned to have an affinity to the east and south east with Councils such as Canterbury, with a highly diversified multicultural community.

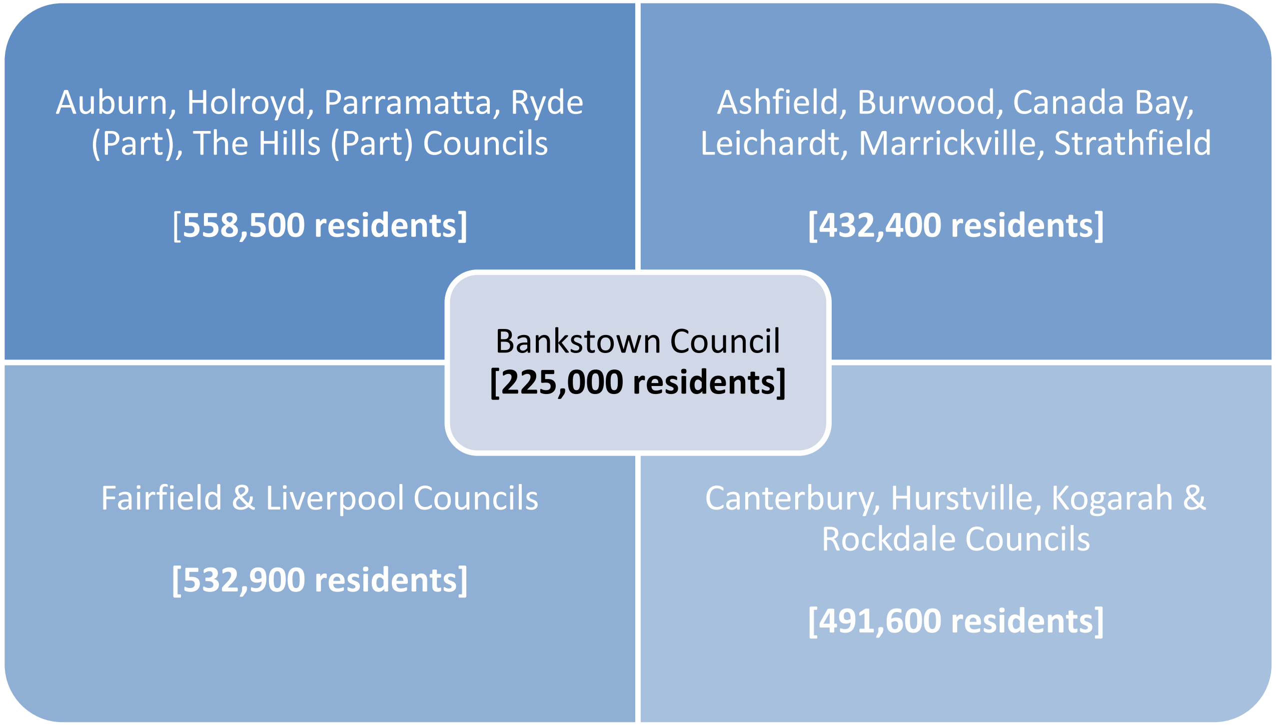
Community Planning

Under any model, a larger Council would have a greater "strategic capacity" to respond to its communities' needs, more potential to derive service improvements, and broader efficiencies and bring about a culture of innovation. Local Government is the most able tier of government to understand the unique characteristics of its individual communities. The goal in any merger would be to create the optimum space and place in which our unique communities will want to live, work and play; and to capitalise on the quality of that space as our competitive advantage.

Fit for the Future Amalgamation Pattern

Throughout this improvement proposal, Council notes the issue of its current scale and position being substantially reduced should the NSW Governments amalgamation pattern result in Councils of over 350,000 residents encircling the Bankstown LGA.

The ILGRP's suggested pattern would realise the following residential demographic in 2031.



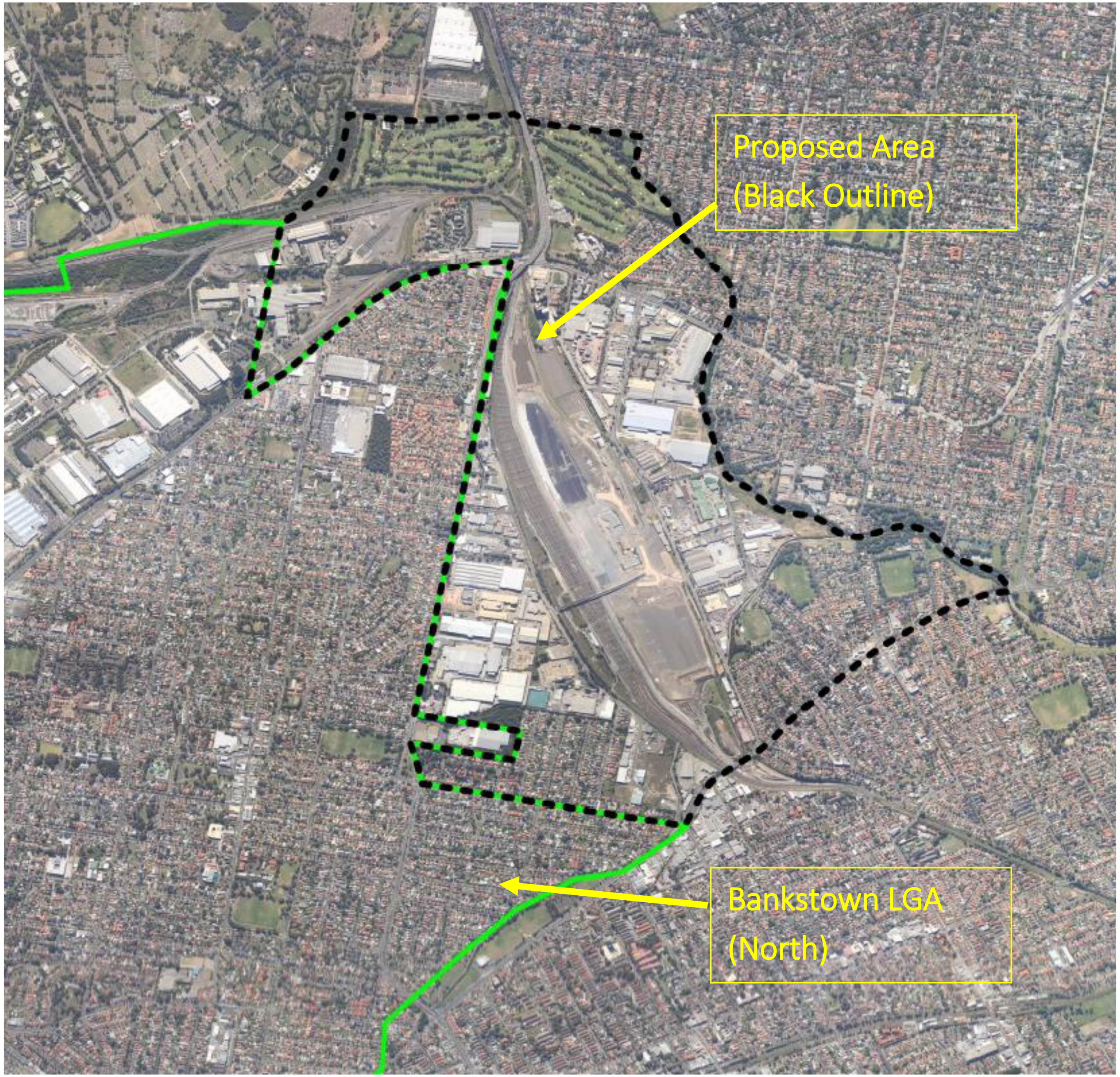
Clearly, the proposed amalgamation pattern would see Bankstown Council reverse its position from being one of the most populous LGA's in metropolitan Sydney, to a far smaller Council, surrounded by Councils of on average double its size, should Canterbury be joined with the St George grouping of Councils.

Strathfield Council

Council has also investigated the potential for a boundary adjustment taking in a southern portion of Strathfield Council. This adjustment would result in an increased ability for effective regional planning through the observance of more natural boundaries, including the intake of the remaining portion of the suburb of Greenacre. Moreover, it would allow Council to plan more effectively for asset maintenance in the areas surrounding the Enfield Intermodal, where high load traffic frequently travels.

Alongside these objectives, Council notes that the relative population intake would be low, impacting only 3,337 residents across a limited number of residential property blocks. Culturally, the bloc identified by Council is of a similar demographic to those areas in Northern Bankstown, each with similar needs surrounding facilities, open spaces and infrastructure.

To provide some perspective, Council provides the following map of the proposed boundary readjustment, marked with dotted black lines below.


Proposed Area
(Black Outline)
Bankstown LGA
(North)

This proposed realignment looks to adjust Bankstown's boundary to:

- North East along Punchbowl Road to the Cooks River
- North West along the Cooks River to Strathfield Golf Club
- Encompassing Strathfield Golf Club to connect with existing Bankstown Boundary

In doing so, Council would also absorb major key infrastructure including Strathfield Golf Club, Greenacre Bowling and Recreation Club, the Enfield Intermodal Terminal and the Greenacre Industrial Area. The area also included five open space reserves.

Without access to its rating data, Council is not able to prepare impact projections for Strathfield Council. That said, applying Bankstown's model would result in an additional $2,500,000 (approx.) in rateable income. This would assist in reducing the need for the full 1.5% uplift to Bankstown's ratepayers, albeit, not to a significant extent.

Bankstown City Council – Other Actions Considered

Financial Modelling

In order to satisfy the Governments set benchmarks, Council would need a further $25M a year to meet the required criteria within the given 5-year timeframe. Needless to say, this would have both a significant and detrimental impact on Bankstown's residents.

Instead, a more modest and/or prudent approach should be taken to achieve the criteria by implementing a longer term strategy, being say ten (10) years, to achieve the same desired and expected outcome. This would reduce the level of annual income required to around $17M per annum.

In principle, Council can approach the issue by:

1. Increasing income through rates;
2. Decreasing expenditure by reducing service levels to the community; or
3. A combination of both.

Interestingly and as one would expect, despite decreasing our service levels being an option, Council's community consultation has clearly indicated that this is not our residents' preferred option, particularly the varied nature and type of service provided as well as the standard/level of each service.

As indicated earlier, Council's approach to managing its operations is regarded as one of the most efficient throughout NSW. The recent IPART report regarding the Fit for the Future criteria highlighted the level of expenditure per head of population for each metropolitan Council.

As noted in said report, Bankstown's spend per population is one of the lowest throughout the metropolitan area, a level largely attributable to the reduction in around $7M of net operational costs on an annual basis over the past five years. Despite the reduction in net operational costs, Council has employed a further forty staff and increase its net income while not varying and/or reducing its service levels.

Council's Approach

For some time, Council has been able to demonstrate a strong and sound approach to fiscal management, in terms of reducing certain operating costs whilst also absorbing the escalation of non-discretionary costs.

Whilst our organisation has a strong corporate culture and commitment to business excellence, it does not have the capacity to further reduce our operational costs without reducing its service levels – an approach that the community does not support.

Notwithstanding this, it is also becoming apparent that the NSW Government will be reviewing their approach to the allocation of the Federal Government's Financial Assistance Grants, whereby it proposes to shift more funds to regional areas throughout NSW.

Its affect has already had an impact on Council. Council's 2014/15 allocation has reduced by $400,000 from the previous year. Assuming Council continues to receive similar reductions down to the minimum level whilst also taking into account the effect of inflation and population growth, it is anticipated this shortfall could blow out to over $5M over the next ten years.

The Fit for the Future phone poll conducted in February 2015 indicated that the following service areas were the highest priority for our community:

- Maintenance of local transport infrastructure;
- Effective management of existing assets such as sporting fields, parks, libraries and leisure centres;
- Ensuring high standards of cleanliness and waste management;
- Preserving a safe and pleasant community environment;
- Meeting the development needs of a growing population; and
- Dealing effectively with traffic congestion.

The results of the phone poll indicate that there was a preference for Council to maintain its current service levels, with only 9% of respondents confirming they would prefer Council to decrease service levels to the community. Responses during Council's engagement with the community revealed that residents would prefer a small increase in rates rather than a cut in services.

Bankstown Council has a history of prudent financial management and efficient service delivery, and for almost 40 years, has not increased rates above the state-wide benchmark set by IPART. This annual minimal increase though has not kept up with inflation, meaning that Council has carried the shortfall and been increasingly reliant on grant funding (refer to figure 3).

Under Fit for the Future, the definition of financial sustainability has changed and in responding to this package, Council must amend its current approach to financial management to reflect the new benchmarks and sustainability criteria as set by the NSW Government.

In responding to the Fit for the Future criteria and based on community feedback to date, Council has undertaken a thorough investigation and developed new possible rates models to achieve the proposed additional $17M under the preferred no merge approach.

For Ratepayers who own residential properties, the suggested options were:

- Gradual Rate Increase
    - Around 1.5% above inflation each year for five years for standard houses (equating to less than 50 cents a week).
    - Adjust rate for most duplexes, townhouses and units by up to $2.20 a week.
    - Under this option, increases will also apply to business premises.
- Upfront Rate Increase
    - Around 10% above inflation in the first year for standard houses (equating to around $2 a week or less than the cost of a cup of coffee).
    - Adjust rate for most duplexes, townhouses and units by up to $2.20 a week.
    - Under this option, increases will also apply to business premises.

In proposing the above, it is also envisaged that our Ratepayers who own Business properties, will similarly need to contribute to raising the required revenue of around $10M.

Given the divergent nature and type of businesses throughout the City, Council, like many other Councils, sees benefits in establishing various business rating categories as a way to equitably levy rates across the city.

Like any broad based tax system, the principles that underpin how best to raise required revenue are generally driven by the notion of ability/capacity-to-pay and the likely benefits that one would derive/receive, both directly and indirectly through various services provided by Council.

Whilst each local government area has its own unique features and approach to applying a business rating structure, the common element amongst most sub-category structures is the focus on "centres of activity" (eg. Major shopping centres and industrial areas).

Having assessed various options/structures throughout the Sydney metropolitan area, Council has identified the business sub-category rating option (as discussed in Part Four) as the most reasonable, fair and equitable structure to apply amongst our business properties and how any additional revenue would be applied/obtained from those categories.

Understandably there are many options that may form the basis to how a sub-category structure is developed and indeed would be subject to further detailed consideration by Council as part of its future Integrated Planning and Reporting Framework.

Nevertheless, as is the case with all policy decisions, it's important to gauge our community's sentiment on all major issues facing our city, particularly on an important issue such as Rates.

As indicated above, this approach provides a reasonable, fair and equitable option addressing our business rate structure and raising the required revenue for Council to meet the NSW Government's Fit for the Future reform criteria.

Meeting the Infrastructure Backlog Ratio

The Infrastructure Backlog Ratio has a benchmark of 2%. Achieving the 2% target by 2019/2020 would require Council to find an additional $25 million a year in a combination of additional revenue and reduced expenditure.

In considering an appropriate response to meet the Infrastructure Backlog Ratio benchmark, Council decided to instead raise an additional $17 million through a rating increase. The response was based on two principles, the Benefit Principle and the communities Capacity to Pay.

Council infrastructure are long duration assets, intended to indefinitely service the community and external users and the current Infrastructure Backlog is the result of past underspending on asset maintenance and renewal. Effectively, past asset users did not pay enough to maintain the assets that they were using and have shifted the burden to pay for those assets to current users. In addition when current users renew assets currently in the infrastructure backlog they are effectively paying for the use of those assets to the benefit of future users. Council is therefore of the opinion, that the Infrastructure backlog should be reduced by finding a balance between allocating the cost of renewals to those that will benefit and ensuring that Council is Fit for the Future. As a result, Council holds that as far as it is possible those that benefit from asset renewal should carry the financial burden. Council holds that an equitable compromise can be found by raising $17 million and meeting the required benchmark by 2025.

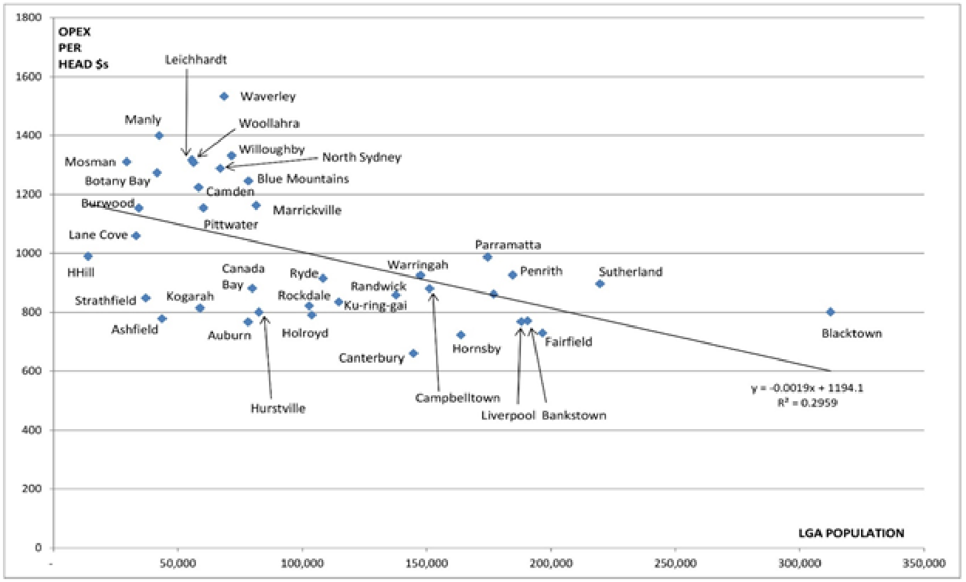
The decision not to raise $25 million is further reinforced by the demographics of the LGA. A comparison of equivalised household income in the Bankstown LGA compared to Greater Sydney shows that Bankstown has a higher percentage of households in the low to medium low quartiles and the proportion of those quartiles is growing.

Bankstown LGA also has a SEIFA Index of Disadvantage of 931.7, placing Bankstown LGA in the bottom decile when compared to metro councils. Bankstown City Council proposes that a more prudent option that takes into account the Capacity to pay of its ratepayers would be a more gradual repair of its backlog.

Changes to service delivery

In considering strategies to alleviate the financial burden imposed on Ratepayers, alternate strategies focusing on changes to service delivery were considered. It was found that Bankstown Council operated efficiently when compared with similar and nearby councils. For the purposes of Bankstown City Council's Fit for the Future proposal it was determined that the low operating cost per resident indicated most changes that could significantly contribute to becoming Fit for the Future had already been implemented.

Council has not abandoned its drive to improving its status as a 'City of Excellence' and will continue in reducing operating costs wherever possible. However, changes to service delivery do not form part of the proposed strategy.



Bankstown Council – Performance against metropolitan Councils – OPEX per head.

Community Consultation

Council has also consulted extensively with its community. This consultation has taken place in two key stages. These stages can be summarised as follows:

Consultation Stage One

On 16 December 2014, Council adopted its Fit for the Future Community Consultation Plan and Schedule. The Plan and associated Schedule detail the various engagement methods used by Council to gauge community sentiment on the options presented to Bankstown and in turn guide Council's decision making.

Stage One of the Community Consultation was implemented between December 2014 and early February 2015, incorporating:

- Council's Fit for the Future Have Your Say website (with Google translate);
- Dedicated Fit for the Future phone line and email address with residents also encouraged to write directly to the General Manager with suggestions or questions;
- Development of a Fit for the Future FAQ/Information Sheet;
- A quick reference pocket guide, also translated into Arabic, Chinese and Vietnamese;
- Information on display at Customer Service, Library & Knowledge Centres, Chester Hill Community Centre and Bankstown Arts Centre;
- A pocket card for residents to register to stay involved;
- Seven dedicated Fit for the Future Information Booths across the LGA;
- Distribution of a Ratepayer survey;
- Phone poll of residents to gauge initial community sentiment;

- Receiving feedback via the dedicated phone line, online feedback forms and email;
- Briefing the Community Network Interagency, Sports Operational Committee, Council's Social Planning Workshops and key stakeholders; and
- Establishment of Council's "Employee Engagement Group";

These various engagement methods provide Council with both qualitative and quantitative data and more importantly, an accurate snapshot of community sentiment.

The following summary provides an overview of two main elements of the consultation, with Councillors having been provided a detailed analysis of the outcomes at briefings and workshops.

Phone Poll

Bankstown City Council engaged Micromex Research to carry out its phone poll during the period 9th – 14th February 2015 where a total of 605 interviews were conducted.

Council has a history of undertaking statistically valid community satisfaction surveys and with this experience can ascertain that a sample size of 605 provides a maximum sampling error of plus or minus 4.0% at 95% confidence. Therefore, the research findings documented in the attached report can be interpreted as not just the opinions of 605 residents, but as an accurate representation of the community's attitudes.

The phone poll indicated that:

- The overall satisfaction with Council is strong, with 90% of residents indicating that they are at least 'somewhat satisfied' with the performance of Council;
- Initially nearly 90% of residents were at least 'somewhat supportive' of Bankstown standing alone;
- That even with the potential for a rate rise or service reduction, residents are still more supportive of standing alone (54%) than merging with Canterbury Council. Notwithstanding the margin of error, at this stage there is no indication that there is a community preference towards amalgamating with Canterbury Council.

Some of the key themes expressed by residents for supporting the stand alone option were that:

- A bigger Council will be less responsive to local/community issues;
- The size and population of the merged Council area would be detrimental to services;
- The current good performance of Bankstown Council makes amalgamation with another Council, particularly Canterbury, unattractive;
- The varied service levels between Bankstown and Canterbury;
- Loss of local identity and incompatibility with other merged areas; and
- A rate increase was an affordable alternative to a merger with Canterbury.

Ratepayer Survey

To coincide with the distribution of the January rates notice, Council undertook a direct mail out to all Bankstown Ratepayers requesting their views on the options available under the Fit for the Future package. The documentation consisted of a letter from the Mayor, information sheet as well as a survey card which contained anticipated costs and benefits associated with each option for Bankstown.

Approximately 60,000 surveys were distributed and provided 28 days to respond. In total 2,282 (3.8%) were returned from the distribution date of 27 January 2015 to close of business Monday 2 March 2015. 77% of respondents indicated their preference was the 'no merge' option, with 22% in favour of merging with Canterbury and 1% not indicating a response.

Comments provided by Ratepayers were similar to those received during the phone poll.

Following this first round of consultation, it became clear there was a strong preference for Bankstown to stand alone and not merge with Canterbury City Council. Accordingly, Council's investigative focus shifted towards rating models which considered only a stand-alone option.

Consultation Stage Two.

Stage Two of Council's Community Consultation Plan was implemented throughout April 2015. The focus of these engagement activities was on gauging community sentiment on the revenue options for Bankstown in order to raise the required $17M under Council's preferred approach to address the Fit for the Future benchmarks. This entailed:

- A phone poll of residential Ratepayers;
- Second Ratepayer survey to residential households;
- Letter to business premises regarding proposed business rating structure;
- Holding four Fit for the Future Information Booths across the LGA; and
- Receiving feedback via the dedicated phone line, online feedback forms and email;

These various engagement methods provide Council with both qualitative and quantitative data and more importantly, an understanding of the community's sentiments on the matter.

The following summary provides an overview of two main elements of the consultation, with Councillors having been provided a detailed analysis of the outcomes at briefings and workshops.

Phone Poll

Bankstown City Council engaged Micromex Research to undertake its second phone poll between 14 – 18 April 2015.

The phone poll indicated that there was a strong community preference for Option A i.e. the gradual rate increase over five years (as supported in this improvement proposal).

The top rationale for selecting Option A was:

- Easier to adapt financially to a more gradual increase;
- More affordable for less well-off members of the community; and

- Upfront increase would be too great an expense for residents.

At the time of the phone poll, due to the uncertainty around the criteria to be used to determine whether a Council was Fit for the Future and “in the event that the State Government were to force amalgamations”, further data was gathered on residents’ support of a merger should it offset potential rate increases.

Based on this scenario, a number of residents were at least ‘somewhat supportive’ of an amalgamation, however, without the ability to conduct further due diligence, Council was unable to provide any additional information to its ratepayers to this end. This was as a direct result of Canterbury Council resolving not to engage Bankstown Council in merger discussions to any degree.

Ratepayer Survey

Council undertook a direct mail out to all Bankstown Ratepayers requesting their views on the revenue options to meet the Fit for the Future criteria. The documentation consisted of a letter from the Mayor and survey card which contained anticipated costs and benefits associated with each option for Bankstown.

Approximately 50,162 residential Ratepayer surveys were distributed and in total 2309 (4.6%) were returned. 80% of respondents indicated their preference was Option A (1.5% gradual increase), with 15% in favour of Option B (10% upfront increase) and 5% either indicating no preference or unsure.

Comments provided by Ratepayers were similar to those received during the phone poll. In undertaking this consultation, it has become clear there is a community preference for Option A, the gradual rate increase.

Similarly, Council also distributed 3918 letters to Ratepayers of business premises to inform them of the proposed adjustments for local businesses as part of a holistic review of Council’s rating structure to be Fit for the Future. Business Ratepayers were encouraged to contact Council should they wish to obtain further information on the issue.

250 calls were received during April to the dedicated Fit for the Future phone line, with approximately 15 of these being from businesses. Generally, businesses were aware of the rationale of the *fit for the future* program, with very few questioning the basis for change, instead questioning the need for said change to be implemented at the speed requested by the State Government. Notably, there was an underlying level

of acceptance for Council's approach to a tiered rating structure, despite the inherent rate rise contained within such categorisation for all businesses ratepayers.

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)	(0.032)	(0.0315)	(0.031)	0.068	0.076	0.080	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	89%	89%	90%	91%	91%	92%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	79%	76%	65%	127%	130%	151%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	4%	4%	5%	5%	5%	4%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	76%	76%	71%	110%	112%	123%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.98%	1.74%	0.93%	0.57%	0.01%	0.01%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	0.80	0.79	0.79	0.78	0.78	0.77	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.

Overall, Council achieves all fit for the future benchmarks under its ten year plan. On their face, the only benchmark not within range is the “infrastructure backlog ratio”, however, as suggested by IPART, Council need not meet 2% by 2020, rather, Council must track downwards towards this point. Bankstown Council’s plan as discussed in this proposal enables it to do so, tracking gradually towards 2% within a ten-year timeframe.

Council notes that the above indicators are presented as point-in-time, rather than as running averages as suggested by IPART. Although the averaged benchmarks appear in the attached documentation, for the purposes of its primary submission, Council considers it more appropriate to include single point in time calculations to more accurately reflect the impact of its improvement plan. This is especially so in circumstances where Council’s assumed rate increase does not trigger until 2017. The period of time in the interim represents “business as usual” as Council gears up towards its renewed program.

Bankstown Council is focused on taking a sustainable approach towards meeting each of the fit for the future benchmarks. Over the five year period commencing 2015/2016 (under the fit for the future plan), Council forecasts a transition towards meeting all of the seven measures/benchmarks, under the current IPART definitions.

That said, Council will not be below the 2% benchmark for the infrastructure backlog ratio until 2025, as the assumptions made in this paper are underpinned by a gradual approach to asset management, mindful of the special disadvantage in the Bankstown community.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Overview

Council's approach to implementation is grounded in its FY16 action plan. This plan is designed to integrate Council's assumed fit for the future program as part of its day-to-day operations and reporting. In doing so, Council looks to embed its culture of innovation and excellence across all aspects of its approach to fit for the future.

Accordingly, Council presents the following summary of key accountabilities under its Action Plan, as pillars of its long term implementation of the fit for the future package. For ease of reference, the column headed "financial impact" has been substituted with "key accountability".

Action	Milestones	Timeframe	Key Accountability
Revise Council's Workforce Strategy and current strategies and policies to address short term high skilled staffing needs.	Draft *fit for the future ready* Workforce Strategy prepared and delivered to the Executive Leadership Team (**ELT**).	Q1 FY16	General Manager. Manager, People Learning Culture
	Draft *fit for the future ready* Workforce Strategy placed on the staff intranet for feedback.	Q2 FY16	
	Final *fit for the future ready* Workforce Strategy endorsed by the "new Council".	Q3 FY16	

Action	Milestones	Timeframe	Key Accountability
Revise Council's approach to procurement to ensure capacity to deliver services into the future.	Draft *fit for the future ready* procurement policy delivered to the ELT.	Q1 FY16	Manager, Financial Services
	Manager, Financial Services delivers suggested team composition and structure to the ELT for endorsement	Q2 FY16	
	ELT endorses revised procurement policy and approach to contractors.	Q3 FY16	
	Council endorses revised approach to procurement.	Q3 FY16	
Conduct comprehensive scoping exercise for all *fit for the future acceleration program* works.	All assets surveyed and logged; draft approach endorsed by Manager, and provided to the ELT.	Q3 FY16	Manager, Roads & Infrastructure
	ELT endorses asset categorisation and suggested renewals approach.	Q4 FY16	
	Report to Council on suggested assets approach.	Q4 FY16	
	Council endorsement.	Q4 FY16	

Action	Milestones	Timeframe	Key Accountability
Design performance monitoring system for asset management to allow the ELT to track Council's adopted renewal program.	System created and/or purchased. System integrated with Council's asset base and live mapping commences.	Q3 FY16 Q4 FY16	General Manager. Manager, Strategy, Policy & Governance
Prepare amended integrated planning and corporate reporting framework to focus on deliverables under the fit for the future program.	Manager, Strategy, Policy & Governance to prepare proposed amendments to approach, alongside revised reporting framework. Proposed amendments provided in draft to the ELT. Amendments and approach endorsed by the ELT; quarterly reporting begins in Q4 FY2016.	Q3 FY16 Q3 FY16 Q4 FY16	General Manager. Manager, Strategy, Policy & Governance

Action	Milestones	Timeframe	Key Accountability
Review structure of Council Standing Committees (including those involving Councillors) to ensure robust operational leadership into the future.	Manager, Strategy Policy & Governance to conduct review.	Q1 FY16	General Manager.
	The ELT to receive proposed structured for consideration.	Q1 FY16	Manager, Strategy, Policy & Governance
	Revised structure endorsed by the ELT.	Q2 FY16	
	Revised structure endorsed by the Council.	Q3 FY16	
	Revised structure implemented.	Q4 FY16	

Action	Milestones	Timeframe	Key Accountability
Review Council's Community Strategic Plan to ensure alignment with feedback received during the *fit for the future* process.	Policy & Integrated Planning Units to conduct comprehensive review of all components of the Community Strategic Plan.	Q1 FY16	Manager, Strategy, Policy & Governance
	Policy Unit to provide draft of the revised Community Strategic Plan to the ELT for endorsement prior to release to public exhibition.	Q2 FY16	
	Draft release to the community for feedback.	Q3 FY16	
Conduct community consultation surrounding the Community Strategic Plan.	Engagement officers to prepare key engagement materials and promote exhibition of the Strategy.	Q4 FY16	Manager, Strategy, Policy & Governance
	Community provides feedback to strategy; any required amendments made to reflect community needs and aspirations.	Q1 FY17	

Action	Milestones	Timeframe	Key Accountability
Review Council's Delivery Program to ensure alignment with core *fit for the future* objectives.	Integrated Planning Unit to conduct comprehensive review of all components of the Delivery Program to ensure alignment with *fit for the future* objectives and outcomes.	Q1 FY16	General Manager. Manager, Strategy, Policy & Governance
	Integrated Planning Unit to provide draft of the revised Delivery Program to the ELT for endorsement prior to release to public exhibition.	Q2 FY16	
	Draft release to the community for feedback.	Q3 FY16	
Conduct community consultation surrounding the Delivery Program.	Engagement officers to prepare key engagement materials and promote exhibition of the Strategy.	Q3 FY16	General Manager. Manager, Strategy, Policy & Governance
	Community provides feedback to strategy; any required amendments made to reflect community needs and aspirations.	Q4 FY16	

Action	Milestones	Timeframe	Key Accountability
Review Council's standing Resourcing Strategy to ensure alignment between each of the Asset Management Strategy, Workforce Strategy and Long Term Financial Plan.	Comprehensive review of push-pull factors across all strategies to ensure alignment with necessary long-term projections for asset, workforce and financial factors (i.e. each strategy accounts for the operation of the other to ensure a rounded approach to the fit for the future acceleration program).	Q1 FY16 – Q2 FY16	General Manager. All Directors. Manager, Strategy, Policy & Governance
Ensure overarching Asset Management Strategy alignment following Resourcing Strategy Review.	The ELT endorses the approach to Asset Management suggested as part of the Resourcing Strategy Review. Asset Management approach reviewed and endorsed separately due to significance to Council's approach to *fit for the future*.	Q3 FY16	General Manager. All Directors. Manager, Strategy, Policy & Governance
Create standing report template on Council's fit for the future acceleration program for monthly council meetings.	Integrated Planning and Policy teams to create framework for reporting progress to Councillors. The ELT to review and adopt approach to reporting.	Q3 FY16 Q3 FY16	Manager, Strategy, Policy & Governance

Action	Milestones	Timeframe	Key Accountability
Facilitate Councillor workshops on Council's renewed approach to asset management.	Integrated Planning and Assets Teams to prepare Councillor workshop to ensure community priorities are accounted for in Council's cyclical asset renewal program as part of the *fit for the future acceleration program.* Facilitate Councillor workshop on asset management.	Q2 FY16 Q4 FY16	Manager, Strategy, Policy & Governance
Create Annual Reporting template to include all *fit for the future* benchmarks as required by the State Government.	Manager, Financial Services to prepare amended template for annual reporting to include fit for the future benchmarks. Manager, Financial Services to ensure integration of *fit for the future* benchmarks in all financial reporting.	Q2 FY16 Q2 FY16	Manager, Financial Services.