Template 2

Fit for the Future

# Council Improvement Proposal

(Existing structure)


Office of Local Government

NSW GOVERNMENT

# Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do <u>not</u> intend to merge or become a Rural Council should complete this template (Template 2)

- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question

- You have completed the self-assessment of your current performance, using the tool provided

- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.

- Your Proposal has been endorsed by a resolution of your Council.

| | |
|---|---|
| **Council name:** | **Fairfield City Council** |
| **Date of Council resolution endorsing this submission:** | **23 June 2015** |

## 1.1 Executive Summary

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

Fairfield City Council (FCC) believes it should standalone as a city council as:

- It has demonstrated it has the scale and capacity to do so (refer template Part 1.2 and Chapter 1 Business Case). It is the third largest Council in Metropolitan Sydney, comparable in size to other Councils recommended to standalone and with greater projected population growth.
- It is financially sustainable and will meet all required benchmarks within the set criteria (refer template Parts 2 and 4 and Chapter 2 Business Case). FCC's Plans include the resources to achieve objectives. Elected members and staff are focussed on the financial bottom line at all times.
- The Independent Panel's (ILGRP) preferred option was based on an incorrect contention of 'Close functional interaction and economic/social links' between Fairfield and Liverpool. FCC's Social and Community Context evidence (refer Chapter 3 Business Case) and the ILGRP's own NIEIR research report clearly shows the two Cities have very different communities in many respects.
- FCC has a challenging environment, characterised by unique migrant settlement issues, requiring innovative social programs to meet the needs of the disadvantaged and multicultural sections of our community. This focus is very different to the regional centre and urban release area priorities of Liverpool City Council (LCC).
- 91% of FCC's community oppose amalgamation (refer Chapter 4 Business Case) and are concerned they will have reduced services and increases in their rates.

Additionally, LCC does not agree to the recommended amalgamation, for similar reasons to FCC.
FCC supports the notion of a strong Joint Organisation through strategic alliances, as well as possible boundary adjustments to further improve service (refer Chapter 5 Business Case). Strategic alliances could be developed with the flexibility for Councils to opt in and out depending upon the relevance of a particular issue to the Council. Fixed membership can cause alliances to lose effectiveness because members can sometimes feel disenfranchised if some of the priorities of the alliance are not directly relevant to them.

For many years, FCC has been a leader and innovator in both community and organisational issues. It knows what its community wants, determines the need within available resources, applies those resources diligently and retains enough in reserve for unexpected events, without unnecessarily curbing spending.

FCC successfully achieves its objectives by a visionary approach, sound planning, prudent application of finances and knowledgeable service delivery. Council's position is forecast on normal operations, anticipated service level changes and Special Rate Variation (SRV) initiatives. This is underpinned by conservative assumptions and ongoing efficiency improvements.

Planned improvement strategies (refer template Parts 3 and 5) are contained within FCC's strategic documents including the Long Term Financial Plan. They include commitments within our 2014/15 SRV, residential and commercial developments, prioritised infrastructure spending, organisation efficiency measures and productivity improvements and regular review of fees and charges. In addition to Council's strong strategic approach to delivery of community outcomes, the organisation is well resourced and structured towards the achievement of these outcomes, with a strong, stable leadership team and well qualified and skilled staff.

# Scale and Capacity

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

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

Yes / **No**

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

Fairfield City Council (FCC) is not proceeding with a voluntary merger as recommended by the Independent Panel because it has the scale and capacity to be 'Fit for the Future'. Scale is demonstrated by FCC:

- being the third largest Council, by population at 203,109 (estimated 239,900 by 2031), in Metropolitan Sydney. Bankstown and Sutherland Councils, with similar populations have not been recommended for amalgamation so it is reasonable to contend these population sizes are deemed to be of the appropriate scale. FCC has greater population growth projections than other Councils not recommended for amalgamation, namely Bankstown, Hawkesbury, Blue Mountains and Wollondilly.
- serving a large land area of 102 $km^2$.
- servicing 5 town centres.
- having one of the largest industrial areas in the southern hemisphere (Smithfield-Wetherill Park industrial area), a large rural residential area and many thriving business sectors.
- being led by a full-time, popularly elected Mayor and 12 Councillors. The population to elected member representation for FCC is already lower than recommended.
- containing 4 State electorates.

Strategic Capacity is demonstrated by FCC's record of service, achievement and financial acumen, specifically by:

- A robust revenue base, where 81.81% of income is own source revenue, a low reliance on grants and contributions for regular operations and a capacity to strategically take up borrowings for maximum advantage. FCC is intent on keeping Rates and Charges at a level that is affordable to its community. This is underpinned by a dynamic, long term financial plan, realistically based on Council operations, current and planned.
- Scope and ability to undertake new functions and major projects with a 2014/15 capital works budget of $65M. In recent years, it has introduced a free community bus service to make up for deficiencies in State public transport, built or in the process of completing multi-million dollar projects, such as an innovative Adventure Playground, a Youth and Community Centre, major commercial and residential developments and a range of other additional services. A $7.5M Water Adventure Park is planned for completion in 2016.
- Having a strong learning and development organisation, where staff are well qualified and are attracted from across Sydney and beyond.
- Applying knowledge, creativity and innovation to work practices that are directly relevant to community needs. For example, community development programs that specifically address the needs of our hard-to-reach, multicultural and disadvantaged groups.
- Strong strategic planning and policy development. FCC was an innovator of Place Management approach to community strategic planning and it is acknowledged by the State Government for its expertise in migrant settlement, problem gambling and alcohol policy development.
- Being an effective regional collaborator and capable partner for Government agencies to support Local, Regional and State-wide Objectives. FCC is a foundation partner in successful insurance partnering organisations, as well as in WSROC. It also partners government agencies in issues relating to Health, Housing, Flood Management, Crime, Road and other Civil Works.
- A strong team approach by elected members and staff, working together to take the initiative and ownership of issues to service the needs of the community.

# 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.*

Fairfield City is a large LGA:

- A population of 203,109 (ERP, 2014).
- Growth of 36,791 to 239,900 by 2031.
- Attracts almost 50,000 workers each day.
- Land area of 102 $km^2$.
- 14,610 businesses and a Gross Regional Product of $7.5 billion (2013/14).
- Similar population to other non-release area councils recommended to standalone - Bankstown (200,357) and Sutherland (225,070).

Fairfield City is home to a large multiculturally diverse population:

- 133 languages spoken across the community.
- 70% of the population speaks a language other than English at home (primarily Vietnamese, Assyrian and Arabic).
- Approximately 20% of Fairfield residents do not speak English very well or at all.
- In the 5 years to October 2014, 14,170 migrants settled in the City with over one third being humanitarian entrants, while only 8% were skilled migrants.

Fairfield LGA is the most disadvantaged area of Sydney and the third most disadvantaged LGA in NSW:

- Only two metropolitan councils feature in the 20 most disadvantaged LGAs being Fairfield (3rd) and Auburn (17th), the rest are rural and remote areas of NSW.
- 4th highest unemployment in NSW (11.6 %).
- Low incomes – Fairfield median is 71% of the Sydney median.
- High dependency on income support payments - in 2013 7.3% of residents aged 16 to 64 received Disability Support Pensions, 83.6% of people aged 65 and over received Aged Pensions.

The ILGRP's preferred option for an amalgamation between Fairfield City and Liverpool City Council was based on the two LGAs having *'Close functional interactions and social/economic links'*. However the NIEIR 2013[1] report, (commissioned by the ILGRP) shows that Fairfield and Liverpool Cities have different social and community contexts with only 7/14 areas of similarity.

Fairfield LGA has many unique features that distinguish it from our immediate neighbours and the rest of metropolitan Sydney. Differences include age structure, knowledge economy, multicultural diversity, income levels and overall disadvantage.

Fairfield City has an extensive network of non-government organisations that deliver specialised services to meet resident needs. Fairfield City Council works in partnership with Federal, State and community organisations to meet the needs of its disadvantaged and changing multicultural community. Fairfield City plays a critical role in settlement and migration for both businesses and residents

These unique features create many opportunities and challenges for Council in delivering affordable services and achieving our community's specific goals.

The top 10 Fairfield community priorities are[2]:

- Improved community safety
- A clean and attractive place
- Better health services
- Less rubbish dumping
- Cleaner environment
- Improved roads
- Better public transport
- Access to schools, universities and TAFE
- More parking
- More activities for children and youth

A review of the Community Strategic Plans for FCC and Liverpool City Council (LCC) reinforces the findings that the communities are very different and have different goals and priorities. LCC has also recognised the very different needs of the two communities in its FFF proposal.

[1] National Institute of Economic and Industry Research March 2013 NSW Local Government Areas: Similarities and Differences: A Report for the Independent Local Government Review Panel
[2] Fairfield City Plan 2012-2022

## 2.2 Key challenges and opportunities

| Strengths | Weaknesses |
|---|---|
| **Large and sustainable council**<br>- High capacity to deliver community outcomes<br><br>**Civic leadership and culture**<br>- Mayor, councillors, executives and staff - strong team approach and elected members reflective of the community demographics<br>- Strong constructive and outcomes focused culture<br>- Learning and development environment<br>- History of strong and stable leadership<br>- Good governance demonstrated through results of Office of Local Government Promoting Better Practice Program<br><br>**Skilled Staff**<br>- Able to attract staff due to its reputation as an employer of choice<br>- Skilled staff and strategic capacity to deliver Council's long term programs<br><br>**Strong long term community strategic planning**<br>- Commitment to IPR and integration into Council's activities – Delivery Program is underpinned by robust Resourcing Strategy and response to the Fairfield City Plan (CSP)<br>- Strategic capacity to continue delivering community outcomes<br>- Effective environmental programs<br><br>**Long term financial sustainability**<br>- Meets all the FFF criteria in the future<br>- Robust Long Term Financial Plan reflective of Council practice<br>- A diversified income base including strong own source revenue<br>- TCorp Assessment of sustainability – FCC found to have a sound financial position and a neutral outlook<br>- Local Government Infrastructure Audit results – FCC's infrastructure management assessment was found to be strong | **Red tape restraining the organisation and making it less agile**<br>- Legislative and regulatory compliance and reporting burdens<br>- Industrial constraints on the public sector<br>- Number of compliance requirements<br><br>**Rate pegging**<br>- Restricted rate income in an environment where Council is still required to maintain local government infrastructure and services at a high level for changing community needs<br><br>**Legislative and regulatory change**<br>- Constant changes to the planning system<br><br>**Community understanding**<br>- Lack of understanding from the community about Council's role and the range of services that Council delivers<br><br>**Relationship with State agencies**<br>- Lack of responsiveness from State agencies on matters relevant to achieving Council's outcomes |

| | |
|---|---|
| - Productivity and Cost Containment Strategy<br>- Asset Management – Effective plans that direct the maintenance and renewal program<br>- Successful IPART application for SRV in 2014 to address asset backlog and new community facilities<br><br>**Strong understanding of the community's needs**<br>- Clear commitment to the community's priorities<br>- High level of community trust and satisfaction with Council's services<br>- Strong history of community engagement and responsiveness<br>- Commitment to affordable services<br>- Intimate knowledge of the community and ability to work in partnership with community organisations<br>- Proven ability to meet the needs of a multicultural and disadvantaged community<br>- Advocacy for our community's priorities and needs<br><br>**Long history of effective collaborations and resource sharing**<br>- WestPool, Western Sydney Regional Organisation of Councils (WSROC), United Independent Pools (UIP), Health Partnership, Flooding and Emergency Services, other councils, Georges River Combined Councils Committee (GRCCC)<br><br>**Capacity to partner with State and Federal governments**<br>- Demonstrated ability to effectively partner with State and Federal governments to produce necessary community outcomes and works | |

| Opportunities | Threats |
|---|---|
| **Strategic Alliance**<br>- To advocate and partner on regional and subregional issues and infrastructure through a south west strategic alliance<br><br>**Finance and assets**<br>- Successful IPART application for SRV in 2014 will see continued improvements in assets sustainability<br>- Council will meet the FFF financial benchmarks<br>- Continue maturing the asset management methodology<br>- Increase own source revenue through continued commitment to commercial developments and, leveraging borrowing capacity if required<br><br>**Local Government Reform**<br>- Implementation of many of the financial and governance recommendations from the ILGRP's final report that are deemed beneficial to Local Government<br><br>**Community outcomes**<br>- To increase the community's understanding of Council's role and the services that it provides<br>- Greater community participation in decisions about services and service levels<br>- To provide information and build community capacity and knowledge through various Council programs such as the Open Libraries Program<br>- Deliver the community's vision and priorities as stated in Fairfield City Plan (Community Strategic Plan)<br>- Innovative outcomes for the community by leveraging public benefit from large scale commercial developments<br>- Meet housing targets by implementing Council's Residential Strategy | **Local Government Reform**<br>- Disruption from forced amalgamation<br><br>**Infrastructure**<br>- Lack of development of regional infrastructure from government to support changing and ageing populations<br><br>**Government relations**<br>- Lack of consultation about new legislation<br>- Future cost shifting<br>- Future changes to legislation that place increased burdens and/or impacts on councils e.g. additional requirements of private swimming pool inspections<br><br>**Finance**<br>- Unpredictable financial market conditions e.g. impact on investments<br>- Continued changes to children and family services funding e.g. Family Day Care funding<br>- Waste levy funding changes – reduction in scope of eligible projects<br>- Reduction in Financial Assistance Grants, Federal and State government changes<br><br>**Community**<br>- Increased demands from a disadvantaged community in a changing economic climate |

## 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) | -0.59% | NO | 0.87% | YES |
| **Own Source Revenue** Ratio (Greater than 60% average over 3 years) | 81.81% | YES | 81.0% | YES |
| **Building and Infrastructure Asset Renewal** Ratio (Greater than 100% average over 3 years) | 73.06% | NO | 94.2% | NO |

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

**Operating Performance – FCC will meet this benchmark in 2015/16 and the 3 year rolling average benchmark in 2016/17 and then continue to meet it throughout the remainder of the LTFP period.** The Special Rate Variation (SRV) took effect from 1 July 2014 and efficiency initiatives reducing costs (such as structural changes reducing labour expenses by 4.5%) will return Council to surplus for 2015/16. These operating surpluses will be further improved by the application of the revised depreciation accounting treatment endorsed by our external auditors for application in 2014/15. Accordingly, the rolling three year average improves from the 2013/14 shortfall with the benchmark expected to be achieved in 2016/17. Continued actions to improve productivity, generate additional revenue and contain costs are expected to result in operating surpluses for the foreseeable future

**Own Source Revenue – Council is currently significantly exceeding this benchmark with a 3 year average of 81.81% and this is anticipated to continue in the future.** Council has taken actions with the development of a retail centre in Dutton Lane as part of a Property Development Fund (PDF) and a commercial recycling business in the Sustainable Resource Centre (SRC) to reduce its reliance on both grants and rates. A further property development is planned to be commenced in 2018/19 which will generate $1.2M p.a. recurring income from 2020/21 year. Continuation of current plans and strategies will ensure continued achievement of this benchmark.

**Building and Infrastructure Renewal – FCC is expected to exceed the 100% benchmark from 2015/16 and meet the 3 year rolling average benchmark in the 2017/18 year, and continue to meet the benchmark from that point forward.** The 2016/17 position is significantly improved compared to 2013/14. Council has strengthened its internal classification processes for the renewal of assets as part of its depreciation and assets review. This results in separately identifying renewal components from improvements or extensions. In the past, asset renewals were understated due to the classification of work performed as 'new projects'. This classification problem occurred because most renewal work also accommodates improvements that respond to community expectations. Additionally, the change in depreciation measurement will further improve the ratio. The SRV commits $42.41M for infrastructure renewal over 10 years, of which $1.7M per annum ($15.3M for 10 years from 2014/15) is for buildings, and this also improves this ratio.

NOTE: IN ACCORDANCE WITH TEMPLATE 2 COMPLETION GUIDELINES (PART 2.3) PLEASE FIND AT THE END OF THIS COMPLETED TEMPLATE, THE FIT FOR THE FUTURE WORKING SHEETS WHICH DEMONSTRATE THE ROBUSTNESS OF FCC'S CURRENT RESULTS AND FORECAST PERFORMANCE.

## 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%) | 3.88% | NO | 1.92% | YES |
| **Asset Maintenance Ratio** (Greater than 100% average over 3 years) | 91.12% | NO | 101.25% | YES |
| **Debt Service Ratio** (Greater than 0% and less than or equal to 20% average over 3 years) | 1.32% | YES | 0.27% | YES |

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

**Infrastructure Backlog – FCC is forecast to achieve this benchmark in 2014/15 and then into the future.** Council has previously calculated this ratio on the basis that all assets requiring renewal were restored to new condition (condition1). The outcome for Fairfield, with this more rigorous approach was still only 3.88%. Changes in the measurement approach will improve this asset backlog percentage by measuring the cost to bring the assets to a satisfactory condition as prescribed by the Office of Local Government as condition 2. Further, the Special Rate Variation (SRV) applying from 1 July 2014 included a recognition that Asset Management Plans addressing asset backlog was a priority for Council.  This results in an additional $42.41M over 10 years to be spent on asset upgrades.

**Asset Maintenance – FCC will meet this benchmark in 2015/16 and will exceed 100% in the rolling 3 year average from 2016/17 and then into the future.** Council's long term target of 103.09% represents a recognition that actual maintenance sometimes exceeds the Asset Management Plan maintenance costs, due to scope creep or unforeseen problems. It also allows for some tolerance for additional maintenance caused by significant weather or other events. The SRV which commenced in July 2014 included recognition that Asset Management Plans addressing asset maintenance was a priority for Council.  This results in an additional $4.71M per annum to be spent on asset maintenance. Additional SRV funds address the asset backlog which improves the condition of assets and will reduce the demand for maintenance actions.

**Debt Service Ratio – FCC currently meets this benchmark and will continue to do so in the future.** Council has minimal debt and additional debt will only be taken when beneficial based on the whole of life costs, including servicing interest. Council is currently at the lower end of the recommended range for this benchmark. Continuation of current policy of minimal debt, with external borrowings sought only when the use of debt proves beneficial, will ensure continued achievement of this benchmark.

NOTE: IN ACCORDANCE WITH TEMPLATE 2 COMPLETION GUIDELINES (PART 2.3) PLEASE FIND AT THE END OF THIS COMPLETED TEMPLATE, THE FIT FOR THE FUTURE WORKING SHEETS WHICH DEMONSTRATE THE ROBUSTNESS OF FCC'S CURRENT RESULTS AND FORECAST PERFORMANCE.

## 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**<br>A decrease in Real Operating Expenditure per capita over time | $671.31 | NO | $648.21 | YES |

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

**Council is currently meeting the recommended reduction for this benchmark** reflecting efficiency improvements. Note that the calculation has not been adjusted to remove the impact of new services. Real operating expenditure per capita increases in the 2014/15 and 2016/17 years as a result of increases in services to the community, most of which is tied to the Special Rate Variation granted last year for effect from 1 July 2014. Projections indicate a consistent reduction in real operating expenditure per capita throughout the LTFP period, with the exception of those two years. Fairfield City Council is committed to an ongoing program of initiatives to achieve financial savings, continuous improvement and efficient/effective service delivery for our community. Productivity improvements and cost containment enable Council to maximise the services it can deliver and the value for each rate dollar for ratepayers.

NOTE: IN ACCORDANCE WITH TEMPLATE 2 COMPLETION GUIDELINES (PART 2.3) PLEASE FIND AT THE END OF THIS COMPLETED TEMPLATE, THE FIT FOR THE FUTURE WORKING SHEETS WHICH DEMONSTRATE THE ROBUSTNESS OF FCC’S CURRENT RESULTS AND FORECAST PERFORMANCE.

## 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 |
|---|---|---|---|
| | | | |
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## 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. | | |
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| | | |
| | | |

# 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.

Strategies commenced in earlier years, deliver ongoing and sustainable improvement in operating results of approximately $5.7M p.a. These include withdrawal of management of the Fairfield City Farm, structural change for salaries and wages resulting in 4.5% cost reduction, Christmas closure of non-essential services, energy and waste minimisation program and review of operations of multi-deck car parks.

Application of the revised depreciation accounting treatment will reduce depreciation expense compared to the previously projected levels. This is recognition of asset residual values and asset consumption based on condition inspections over their useful lives. Council has benchmarked itself against other Councils to confirm the approach is responsible and found that from the sample selected the revised treatment places Council within the top 4 conservative results.

Development of a retail centre in Dutton Lane (net $2.4M recurring income from 2016/17), a further property development planned for commencement in 2018/19 (net $1.2M p.a. recurring income from 2020/21 year), and a commercial recycling business in the Sustainable Resource Centre (SRC) all reduce reliance on both grants and rates.

The SRV commits $42.41M for infrastructure renewals over 10 years, of which $1.7M per annum ($15.3M for 10 years from 2014/15) is for buildings, and this also improves this ratio.

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

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

Council's LTFP (Appendix 1 of Chapter 2 Improvement Proposal Business Case) provides a comprehensive assessment of key assumptions. In summary they are:

- Previously implemented strategies continue to yield financial benefits into the future
- The depreciation treatment which currently has conditional approval from our auditors will be ratified after the completion of necessary revaluation work and substantive testing as part of the 2014/15 audit.
- New revenue initiatives earmarked from the Property Development Fund will proceed to completion, with related revenue and expenses to eventuate at or near forecast levels.
- No significant amendment to the Asset Management Plans currently in place.
- In the main, Council will operate on the basis of a continuance of "normal operations" as amended for SRV initiatives and underpinned by conservative assumptions and initiatives/efficiencies either already achieved or underway.
- Given Council demonstrates a sound financial foundation and a readiness for future challenges, then adverse impacts or shocks outside of these assumptions will be able to be offset by outcomes from continuous improvement activities not currently costed into forecasts.

## 3.1 Sustainability

Outline your strategies and outcomes in the table below.

# 3.1 Sustainability

| Objective | Strategies | Key milestones | Outcome | Impact on other measures |
|---|---|---|---|---|
| 1. Dutton Lane Development | (a) Council approval and DA consent from JRPP – completed<br>(b) Building tender awarded – completed<br>(c) Construction – estimated completion Dec 2015<br>(d) Retail letting – July 2016 | Project completion by June 2016 | $3.6M property rental p.a.<br><br>$1.2M management and operational costs p.a.<br><br>$2.4M net benefit to operating result p.a.<br><br>Improves Operating Performance and Own Source Revenue ratios | |
| 2. Implement New Depreciation Measurement | (a) Investigation and review of depreciation treatment - completed<br>(b) Engage auditors for review and approval – completed<br>(c) Prepare asset | June 2015 financial statements – audit sign off | Reduced depreciation expense after revaluation as compared to previous projection.<br><br>Improves Operating Performance ratio. | Improves Real Operating Expense Per Capita and Infrastructure Backlog ratios |

| | | | | |
|---|---|---|---|---|
| | revaluations and depreciation for 2014/15 year end for auditors to ratify - underway | | | |
| 3. Changing the waste recycling delivery resourcing model | (a) Prepare business case – completed<br>(b) Scaling resources – June 2015 completion<br>(c) Implement operation – Q1 2015/16 | Monitor performance and full year savings to ensure in line with projections | $600,000 cost saving.<br><br>Improves Operating Performance ratio | Improves Real Operating Expense Per Capita ratio |
| 4. New Property Development Fund project | (a) Council approval and DA consent – FY 2018<br>(b) Building tender awarded – FY2018<br>(c) Construction – FY2019<br>(d) Retail letting – Q3 2020 | Project commencement 2018/19<br><br>Completion 2019/20 | $1.2M p.a. net benefit to operating result<br><br>Improves Operating Performance and Own Source Revenue ratios | Minor deterioration in Debt Service ratio, but still within benchmark (at lower end of range) |
| 5. Implement SRV initiatives | (a) SRV approved – completed<br>(b) Programme of works included in Operational Plan from AMPs - completed | SRV projects reported in annual reports | The SRV commits $42.41M for infrastructure renewals over 10 years, of which $1.7M per annum ($15.3M for 10 years from 2014/15) is for buildings<br><br>Improves Building and Infrastructure Renewal ratio | Improves Infrastructure Backlog ratio |

## 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.

The Special Rate Variation (SRV) applying from 1 July 2014 results in an additional $42.41M over 10 years to be spent on asset renewals, as it included a recognition that Asset Management Plans addressing asset backlog was a priority for Council. Additionally, the SRV addressing asset backlog will improve the condition of assets and will thus also reduce the demand for maintenance actions.

Also, a more accurate measurement approach for calculating assets requiring renewal is being implemented. The ratio was previously calculated on the basis that all assets requiring renewal were restored to new condition (condition 1). However, measurement criteria as prescribed by the Office of Local Government only requires the cost being that necessary to bring the asset to condition 2.

Council has a current policy of minimal debt, with external borrowings sought only when the use of debt proves beneficial.

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

Council's LTFP (Appendix 1 of Chapter 2 Improvement Proposal Business Case) provides a comprehensive assessment of key assumptions. In summary they are:

- Council has Asset Management Plans that support the program of work.
- Council maintains the capacity and expertise to deliver the capital and asset maintenance program.
- The newly created Major Projects Division and Works Division are maintained and have the capability to deliver works programs.
- Council's internal Asset Inspectors, who are part of the City Assets Division, will continue to assess asset conditions, rate of degradation and intervention points and further improve the information upon which asset management plans and depreciation measurements are based.
- The current policy of debt only being undertaken where commercial opportunities are available to deliver an acceptable rate of return including funding costs will continue.

## 3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

# 3.2 Infrastructure and service management

| Objective | Strategies | Key milestones | Outcome | Impact on other measures |
|---|---|---|---|---|
| 1. Implement new depreciation treatment | (a) Investigation of depreciation and develop proposals - completed<br>(b) Engage auditors for review and approval – completed<br>(c) Prepare asset revaluations and depreciation for 2014/15 year end for auditors to ratify - underway | June 2015 financial statements – audit sign off | Reduced depreciation expense after revaluation as compared to previous projection.<br><br>Improves Infrastructure Backlog ratio | Improves Operating Performance, Building and Infrastructure Renewal, and Real Operating Expenditure per Capita ratios. |
| 2. Implement SRV initiatives | The SRV commits $42.41M for infrastructure renewals over 10 years, of which $1.7M per annum ($15.3M for 10 years from 2014/15) | SRV projects reported in annual reports | $42.41M spent on infrastructure renewals over 10 years, of which $1.7M per annum ($15.3M for 10 years from 2014/15) | Improves Building and Infrastructure Renewal Ratio |

| | | | | |
|---|---|---|---|---|
| | is for buildings. | | spent on buildings.<br><br>Improves asset maintenance and backlog ratios | |
| 3. Change the measurement approach to bring assets back to condition 2 (previously condition 1) | (a) Review approach, compare with other Councils, and develop proposal - completed<br>(b) Engage auditors for review and approval – complete<br>(c) Implement revised approach - underway | June 2015 financial statements – audit sign off<br><br>Annual reassessment of asset conditions, rate of degradation and intervention points | Compliance with Office of Local Government reporting rules<br><br>Improves Asset Maintenance Ratio | |
| | | | | |

## 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 is committed to an ongoing program of initiatives to achieve financial savings, continuous improvement and efficient/effective service delivery for our community. Initiatives implemented/to be implemented include:

- Continued focus on employee costs – particularly leave management
- Changing the waste recycling delivery resourcing model - $600,000 cost reduction
- Modifying the operation of goods storage to move to Just In Time delivery approach for the bulk of stock items.
- Analysis of purchasing to identify efficiencies from procurement
- Opportunities for shared services or resource sharing
- Review service levels and core versus optional services
- Review resourcing models including the use of contract services

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

Council's LTFP (Appendix 1 of Chapter 2 Improvement Proposal Business Case) provides a comprehensive assessment of key assumptions. In summary they are:

- Most expenses to increase by CPI only
- Labour rates to increase by 1% above CPI but productivity initiatives implemented to largely offset rate increase impacts
- Population growth as per Department of Planning forecasts to 2031
- Council continues to operate on the basis of "normal operations" as amended for SRV initiatives
- Continuous improvement activities generate sufficient benefits to at least offset the effect of any cost increases above CPI or other external impacts or shocks

## 3.3 Efficiency

Outline your strategies and outcomes in the table below.

## 3.3 Efficiency

| Objective | Strategies | Key milestones | Outcome | Impact on other measures |
|---|---|---|---|---|
| 1. Changing the waste recycling delivery resourcing model | (a) Prepare business case – completed<br>(b) Scaling resources – June 2015 completion<br>(c) Implement operation – Q1 2015/16 | Monitor performance and full year savings to ensure in line with projections | $600,000 cost saving<br><br>Reduces Real Operating Expenditure per Capita | Improves Operating Performance ratio |
| 2. Continued focus on employee costs | (a) Constant monitoring<br>(b) Active management | Monthly reporting – actual to budget comparison of employee costs | $3.691M budgeted savings expected to be achieved in 2015/16<br><br>Reduces Real Operating Expenditure per Capita | Improves Operating Performance ratio |

| | | | | |
|---|---|---|---|---|
| 3. New productivity improvements, cost containment, efficiency initiatives | (a) Prepare business case – FY16<br>(b) Scaling resources – FY16<br>(c) Implement operation – By Q4 FY16 | Revisions to Operational Plan, Delivery Program, Budgets/Forecasts and Long Term Financial Plan | Reduces Real Operating Expenditure per Capita | Improves Operating Performance ratio |
| 4. Service level reviews | Annual review of Service Statements and define commitment to service delivery. Use of SIMALTO analysis to recognise trade-offs when service levels are changed | Revised Service Statements.<br><br>Revisions to Operational Plan, Delivery Program | Reduces Real Operating Expenditure per Capita | Improves Operating Performance ratio |

## 3.4 Improvement Action Plan

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

# Action plan

| Actions | Milestones |
| --- | --- |
| 1. Implement SRV initiatives | Include in Operational Plans detailed program of works for:<br>• $42.41M over 10 years to reduce asset backlog |
| 2. Implement new depreciation treatment ($3.6M reduction p.a.) | • Review Asset Management Plans- asset life and renewal - completed<br>• Methodology agreed with external Auditor Feb 2015 for implementation<br>• Complete substantive revaluation work and depreciation change Audit 2014/15 |
| 3. Complete Dutton Lane development | • Complete construction – Dec 2015<br>• Commercial Letting by July 2016 |
| 4. Diamond Crescent (41 lot subdivision for land sale off the plan) | • Sales 70% July 2015<br>• Complete sub-division Aug 2015<br>• Settlement Sep 2015 |

| | |
|---|---|
| 5. Change the measurement approach for bringing assets back to condition 2 (previously condition 1) | • Agreed Special Schedule 7 measurement with Auditor – restate in audited statements 2014/15 (September 2015) |
| 6. Structural change delivering Salary and Wages improvement –<br>- 4.5% achieved from structural reform process<br>- Cessation of Enterprise Bargaining Agreement | • Salaries are within budget 2015/16<br>• July 2015 |
| 7. Changing the waste recycling delivery resourcing model – savings of $600,000 p.a. | • Monitor Quarterly in 2015/16 Operational Plan and achieve savings |
| 8. Annual Review of Service Levels – SIMALTO grid | • Adjust service levels as required in the Annual Operational Plan as a result of the SIMALTO review |
| 9. Annual Review of Fees and Charges | • Adjust fees and charges levels as required in the Annual Operational Plan |
| 10. New productivity improvements and cost containment initiatives – 7.6% savings identified over 10 years in the Long Term Financial Plan (per the real operating expenditure per capita benchmark), including e-business transactions. | • Prepare business case for new initiatives to be undertaken in the 2016/17 Operational Plan<br>• 2015/16 online forms and e-business payments available |
| 11. Asset Maintenance – increased spend from SRV | • $4.71M p.a. for maintenance identified in Asset Management Plans |
| 12. Expand the current procurement sharing arrangement with Liverpool City Council and other councils. | • MOU to be finalised by 31/12/15 with implementation prior to 30/06/16. |
| 13. Explore the creation of a joint organisation for the south west region for shared services and other regional issues. | • MOU to be finalised by 31/12/15 with implementation prior to 30/06/16. |

| | |
|---|---|
| *** Please attach detailed action plan and supporting financial modelling** | In relation to Template 2 completion guidelines (part 3.4) refer to attached Improvement Proposal Business Case and specifically to Chapter 2 - Appendix 1- Long Term Financial Plan which addresses methodology, sensitivity analysis and reconciliation of changes from previous LTFP.<br>Appendix 2 – Fairfield City Council Pitcher Partners Depreciation Expense Report. |

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

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

This Action Plan has been developed using internal resources in the development of the Long Term Financial Plan. The Long Term Financial Plan was developed in consultation with the Councillors during many briefing sessions and formal meetings. It builds on the work undertaken to develop the business case for the Special Rate Variation and the updated Delivery Program.

The Action Plan has also been peer reviewed by Council's external Auditors Pitcher Partners and Cloonda Pty Ltd. Chartered Accountant.

## 3.5 Other actions considered

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

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

Fairfield City Council will achieve all of the Fit For The Future (FFF) benchmarks as a standalone council.

It was unnecessary to consider a reduction in service levels or the disposal and/or decommissioning of assets, other than those already adopted by Council.

Fairfield City Council remains committed to an ongoing program of initiatives to achieve further financial benefits for our community. These productivity improvements and cost containments enable Council to maximise the services it can deliver and the value for each rate dollar for ratepayers.

The annual review of the LTFP will continue to monitor and update the initiatives that will enhance Council’s financial and operational sustainability.

# 4. How will your plan improve performance?

## 4.1 Expected improvement in performance

| Measure/ benchmark | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Achieves FFTF benchmark? |
|---|---|---|---|---|---|---|---|
| **Operating Performance Ratio** (Greater than or equal to break-even average over 3 years) | -2.19% | -1.43% | 0.87% | 2.09% | 1.91% | 1.58% | Yes |
| **Own Source Revenue** Ratio (Greater than 60% average over 3 years) | 82.1% | 80.7% | 81.0% | 82.5% | 85.1% | 85.1% | Yes |
| **Building and Infrastructure Asset Renewal** Ratio (Greater than100% average over 3 years) | 73.5% | 80.9% | 94.2% | 102.5% | 103.1% | 102.1% | Yes |
| **Infrastructure Backlog Ratio** (Greater than 2%) Note: this should say "Less than 2%" | 1.95% | 1.93% | 1.92% | 1.90% | 1.88% | 1.87% | Yes |
| **Asset Maintenance Ratio** (Greater than 100% average over 3 years) | 95.87% | 97.97% | 101.25% | 103.09% | 103.09% | 103.09% | Yes |
| **Debt Service Ratio** (Greater than 0% and less than or equal to 20% average over 3 years) | 0.83% | 0.52% | 0.27% | 0.25% | 0.43% | 0.57% | Yes |
| **Real Operating Expenditure per capita** A decrease in Real Operating Expenditure per capita over time | $683.45 | $647.44 | $648.21 | $638.54 | $634.46 | $629.21 | 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.

Fairfield City Council will meet all FFF performance benchmarks as a stand-alone council by 2016/17, except for the building and infrastructure renewal ratio which will be met in 2017/18.

Council has taken a consistent approach to financial sustainability and efficiency improvements for many years. More recent initiatives by Council formed part of its Long Term Financial Plan (LTFP) in 2011. Work on these initiatives commenced prior to the current local government reform process and was identified as part of an ongoing performance, audit and improvement process. The initiatives cover areas including:

- The development of new revenue centres in order to reduce the reliance on rates
- New processes and formulas to improve asset renewal and classification
- The application for and approval of a Special Rate Variation (SRV)
- Improved efficiency measures to improve service delivery

Council developed the LTFP to outline the steps it will take to address the major financial challenges and opportunities which will impact on the way it does business over the next 10 years. The main objectives of the LTFP are to maintain and improve Council's financial sustainability and to inform Council's decisions about the services and new initiatives it will deliver. The LTFP is updated each year to provide a rolling 10 year outlook.

In summary, this LTFP demonstrates that Fairfield City Council is in a strong financial position over the next 10 years and this supports the conclusions of the TCorp assessment of financial sustainability and the NSW Government Local Government infrastructure Audit. Council's LTFP demonstrates that Council can:

- ✓ deliver operating surpluses each year,
- ✓ meet all "Fit for the Future' benchmarks as set by the State Government, and
- ✓ achieve its own financial sustainability benchmarks.

This puts Council in a very good position to continue to deliver services that are important for its community and to introduce new initiatives that are identified as priorities in the Fairfield City Plan.

# 5. Putting your plan into action

## How will your council implement your Improvement Action Plan?

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

The implementation of the Action Plan will be the responsibility of the Chief Financial Officer (CFO).

The Executive Leadership Team, which consists of the City Manager, 2 Directors and 6 Group Managers, will be responsible for ensuring that the key strategies are monitored to ensure that they are delivered.

The strategies in this Action Plan will be reported and monitored through Council's Integrated Planning and Reporting mechanisms including the Operational Plan, quarterly reporting and Annual reports. The LTFP is reviewed annually and the targets and benchmarks identified are incorporated into the annual budget setting process.

Outlined below is the work previously undertaken (work completed), the work under the Improvement Action Plan 2015/16 (work underway) and activities planned for after the 2015/16 financial year (future work). Work on these initiatives commenced prior to the current local government reform process and will continue as an ongoing performance, audit and improvement process.

**Operating Performance Ratio and Own Source Operating Revenue (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.1)**

Work Completed - to monitor and continue to integrate in LTFP

- Implementation of intervention initiatives since 2008 delivered savings of $5.7M p.a. – identified in 3.1
- Structural changes deliver salary and wages improvement of 4.5%
- Purchase ongoing revenue generating properties including the future Library site at Hamilton Road, currently returning 10% net p.a.

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- Review of depreciation expense to align to Asset Management Plans ($3.6M) – methodology endorsed by Auditors February 2015, substantive work completed as part of asset revaluation and year-end audit 2014/15
- Development of Retail Centre in Dutton Lane $3.6M revenue, $1.2M operational costs generating $2.4M net p.a. – currently under construction, retail letting July 2016
- Commercial Property Development Fund (PDF) – Diamond Crescent residential development currently selling off the plan and various smaller subdivisions – one off capital return on investment through land sales to fund commercial projects such as Dutton Lane development mentioned above.
- Waste recycling resourcing model with a saving of $600,000 p.a. – included in 2015/16 operational plan, monitored quarterly

- Continue to use IP&R framework to determine appropriate and affordable service levels – annual review with Council
- Commercial recycling business Sustainable Resource Centre (SRC) generating a return of $900,000 p.a.
- Continued focus on employee costs – including leave management, cessation of the Enterprise Bargaining Agreement (EBA) finalised in June 2015
- Analysis of purchasing to identify efficiencies from procurement
- Review of appropriateness of user fees and charges – as part of the annual budget fees and charges setting

Future Work – included in the LTFP

- Further commercial property development commencing in 2018/19 with $1.2M net recurring income from 2020/21
- Opportunities for shared services or resource sharing, including additional strategic alliances
- Review service levels and core versus optional services
- Fully cost subsidies for Council's services so that future decisions can be made concerning the level of subsidy
- Review resourcing models including use of contract services
- Business case assessment of the subsidy level, utilisation and alternate delivery models for community halls, community office space and other services

**Building and Infrastructure Renewal Ratio (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.1)**

Work Completed - to monitor and continue to integrate in LTFP

- Improved project identification between new and renewal components

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- The application of the new SRV expenditure from 2014/15
- Review of depreciation expense to align to Asset Management Plans ($3.6M reduction) – methodology endorsed by Auditors February 2015, substantive work completed as part of asset revaluation and year-end audit 2014/15 (Fairfield Council currently has a conservative average depreciation rate of 1.72% or 58.3 years average asset life under this methodology)

Future Work – included in the LTFP

- Continue Asset Management Plans (AMP) to renew assets at an appropriate service level

**Infrastructure Backlog Ratio (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.2)**

Work Completed - to monitor and continue to integrate in LTFP

- Strong Asset Management and renewal practices - Council's assets are considered to be in a comparatively good condition with only 1.2% of all assets falling into the poor (condition 4) and 0% in the very poor (condition 5) categories as a percentage of written down value (per Special Schedule No. 7 2014 Published Financial Statements).

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- A change in the measurement of the asset backlog to a satisfactory condition as prescribed by the Office of Local Government as condition 2, as opposed to the previous position of condition 1 or new – change to Special Schedule 7 in partnership with the external auditors Pitcher Partners as part of 2014/15 Financial Statements.

- The Special Rate Variation (SRV) included an additional $42.41M to be spent on asset upgrades and this will also reduce the asset backlog – this spend is included from the 2014/15 Operational Plan from the works identified from the detailed Asset Management Plans.

Future Work – included in the LTFP

- Continue Asset Management Plans (AMP) to renew assets at an appropriate service level
- Consult with the community to determine the asset condition that is considered acceptable to deliver the required level of service. This may mean, for example, that an asset in condition 3 (average) may still deliver the required level of service and thus not form part of the asset backlog. This consultation is anticipated to deliver a significant reduction in the asset backlog.

**Asset Maintenance Ratio (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.2)**

Work Completed - to monitor and continue to integrate in LTFP

- Fairfield Council has strong asset management planning practices to determine appropriate intervention strategies, and renewal programs and this best practice reduces the burden on maintenance costs

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- The Special Rate Variation (SRV) which commenced in July 2014 included recognition that Asset Management Plans addressing asset maintenance was a priority for Council. This resulted in an additional $4.71M per annum to be spent on asset maintenance.
- Utilise industry benchmarks and refine definitional distinction between “Maintenance” and “Renewal”

Future Work – included in the LTFP

- The target of 103.09% from 2015/16 onwards represents recognition that actual maintenance sometimes exceeds the projected Asset Management Plan maintenance costs, due to scope creep or unforeseen problems. It also allows for some tolerance for additional maintenance caused by significant weather or other events.

**Debt Service Ratio (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.2)**

Work Completed - to monitor and continue to integrate in LTFP

- Fairfield Council has minimal debt and additional debt will only be taken where the evidence supports its use after considering and the whole of life costs of the project and servicing interest. In this regard, Fairfield Council’s preference is also to utilise loan funds for revenue generating projects.

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- Current Town Centre loans that provided infrastructure will be repaid by 2018/19 – included in LTFP
- The use of cash restrictions (both internal and external) will ensure efficient planning in the use of accumulated cash reserves to continually reassess and refine cash/funding projections and determine the appropriateness of debt – annual review of LTFP

Future Work – included in the LTFP

- Whilst still remaining at a very low level, the ratio increases in the 2018/19 year, as a new property development initiative has been earmarked with borrowings of $12M to be sourced to finance a commercial project to generate additional revenue for Council.

**Real Operating Expenditure Per Capita (Milestones reflected in Benchmark Measures and Strategies and Outcomes table 3.3)**

Work Completed - to monitor and continue to integrate in LTFP

- Implementation of intervention initiatives since 2008 delivered savings of $5.7M p.a. – identified in 3.1
- Structural changes deliver salary and wages improvement of 4.5%

Work Underway – included in Operational Plan 2015/16 to report against quarterly

- Real operating expenditure per capita increases in the 2014/15 and 2016/17 years as a result of increases in new services to the community, most of which is tied to the SRV which took effect from 1 July 2014. The calculation did not remove the impact of these new services, but it still shows a downwards trend.
- Waste recycling resourcing model with a saving of $600,000 p.a. – included in 2015/16 operational plan, monitored quarterly
- Continue to use IP&R framework to determine appropriate and affordable service levels – annual SIMALTO review with Councillors
- Continued focus on employee costs – including leave management, cessation of the Enterprise Bargaining Agreement (EBA) finalised in June 2015
- Analysis of purchasing to identify efficiencies from procurement

Future Work – included in the LTFP

- Future initiatives will deliver Fairfield Council's projected 7.6% efficiency cost decrease over the 10 year term (adjusted for inflation). Fairfield is an infill Council with a higher population density to service, meaning many additional service requirements can be provided with the current infrastructure in place
- Council has identified a range of productivity initiatives to be explored and developed to deliver increased efficiencies, revenue increases and cost reductions over the life of the LTFP. These initiatives will be assessed through a business case methodology.
- Opportunities for shared services or resource sharing
- Review service levels and core versus optional services
- Review resourcing models including the use of contract services

## Supplementary Information (item 2.3)

## Fit for the Future (FFF) Working Sheets

The calculations for each of the benchmarks are detailed in the table overleaf. The workings were sourced from supporting documentation which includes:

- Published financial statements
- Operational Plan including quarterly revisions
- Long Term Financial Plan
  - Income Statement
  - Balance Sheet
  - Cash Flow Statement
- Strategic Asset Management Plan and supporting Asset Management Plans
- Benchmark financial indicators for predictive CPIs and interest rates
- Estimated resident population figures from profile.id (ABS projections)
- The annual LGCI deflators as per IPART

## Sustainability

| Operating Performance Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Continuing Operating Result (Excl Capital Grants & Contributions | $4.468.000 | $43.000 | $7.041.000 | $2.634.937 | $3.193.983 | $3.578.590 | $3.334.046 | $2.574.012 | $2.103.322 | $2.886.028 | $3.713.505 | $3.840.172 | $3.926.990 | $3.358.497 |
| Total Continuing Operating Revenue (Excl Capital Grants & Contributions) | $139.559.000 | $143.480.000 | $142.503.000 | $154.821.808 | $156.897.747 | $162.150.822 | $165.120.813 | $169.072.133 | $173.123.986 | $178.990.885 | $183.621.407 | $188.369.942 | $193.200.215 | $198.200.020 |
| Operating Performance Ratio | **3.20%** | **0.03%** | **-4.94%** | **-1.70%** | **2.04%** | **2.21%** | **2.02%** | **1.52%** | **1.21%** | **1.61%** | **2.02%** | **2.04%** | **2.03%** | **1.69%** |
| Benchmark | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

| Own Source Revenue Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Continuing Operating Revenue (Excl All Grants & Contributions) | $115.397.000 | $122.349.000 | $127.442.000 | $133.639.731 | $137.545.181 | $142.411.205 | $144.986.403 | $148.434.363 | $151.970.271 | $157.308.328 | $161.396.786 | $165.589.705 | $169.850.473 | $174.266.534 |
| Total Continuing Operating Revenue (Incl Capital Grants & Contributions) | $145.533.000 | $150.344.000 | $150.500.000 | $165.991.489 | $177.271.290 | $167.237.287 | $170.309.007 | $174.390.032 | $178.574.832 | $184.578.003 | $189.348.202 | $194.239.907 | $199.216.930 | $204.367.153 |
| Own Source Revenue Ratio | **79.29%** | **81.38%** | **84.68%** | **80.51%** | **77.59%** | **85.16%** | **85.13%** | **85.12%** | **85.10%** | **85.23%** | **85.24%** | **85.25%** | **85.26%** | **85.27%** |
| Benchmark | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% |

| Building & Asset Renewal Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Asset Renewals (Building & Infrastructure) | $15.070.000 | $16.004.000 | $15.275.000 | $18.735.657 | $24.404.799 | $25.732.695 | $25.647.149 | $26.069.892 | $26.501.090 | $26.940.911 | $27.389.530 | $27.847.120 | $28.313.863 | $28.789.940 |
| Depreciation, Amortisation & Impairment (Building & Infrastructure) | $19.638.000 | $20.233.000 | $23.568.000 | $24.274.616 | $24.332.525 | $24.539.052 | $25.029.833 | $25.530.430 | $26.041.038 | $26.561.859 | $27.093.096 | $27.634.958 | $28.187.658 | $28.751.411 |
| Building & Asset Renewal Ratio | **76.74%** | **79.10%** | **64.81%** | **77.18%** | **100.30%** | **104.86%** | **102.47%** | **102.11%** | **101.77%** | **101.43%** | **101.09%** | **100.77%** | **100.45%** | **100.13%** |
| Benchmark | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

## Infrastructure and Service Management

| Infrastructure Backlog Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated Cost to bring Assets to Satisfactory Condition | | | $36.885.000 | $18.710.000 | $19.074.100 | $19.039.841 | $18.907.239 | $18.976.312 | $20.547.075 | $20.419.546 | $20.393.741 | $20.039.679 | $19.847.375 | $21.521.849 |
| Total (WDV) of Infrastructure, Buildings, Other Structures, Depreciable Land, & Improvement Assets | | | $949.511.000 | $960.525.328 | $988.428.207 | $993.035.098 | $996.156.643 | $1.011.497.133 | $1.101.341.129 | $1.105.132.735 | $1.109.156.689 | $1.113.417.636 | $1.117.920.318 | $1.224.832.499 |
| Infrastructure Backlog Ratio | | | **3.88%** | **1.95%** | **1.93%** | **1.92%** | **1.90%** | **1.88%** | **1.87%** | **1.85%** | **1.84%** | **1.80%** | **1.78%** | **1.76%** |
| Benchmark | | | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |

| Asset Maintenance Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Actual Asset Maintenance | $20.825.000 | $16.278.000 | $26.689.000 | $28.155.215 | $32.992.749 | $34.492.404 | $34.582.052 | $35.183.493 | $35.796.963 | $36.422.702 | $37.060.956 | $37.711.975 | $38.376.015 | $39.053.335 |
| Required Asset Maintenance | $24.821.000 | $16.538.000 | $28.650.000 | $28.999.872 | $32.002.966 | $33.457.632 | $33.544.590 | $34.127.988 | $34.723.054 | $35.330.021 | $35.949.127 | $36.580.616 | $37.224.734 | $37.881.735 |
| Asset Maintenance Ratio | **83.90%** | **98.43%** | **93.16%** | **97.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** | **103.09%** |
| Benchmark | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

| Debt Service Ratio | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost of Debt Service (Interest expense & Principal Repayments) | $2.378.000 | $1.724.000 | $1.499.000 | $444.279 | $401.842 | $423.940 | $378.283 | $1.322.446 | $1.207.505 | $1.143.708 | $1.120.080 | $1.120.080 | $1.120.080 | $1.120.080 |
| Total Continuing Operating Revenue (Excl Capital Grants & Contributions) | $139.559.000 | $143.480.000 | $142.503.000 | $154.821.808 | $156.897.747 | $162.150.822 | $165.120.813 | $169.072.133 | $173.123.986 | $178.990.885 | $183.621.407 | $188.369.942 | $193.200.215 | $198.200.020 |
| Debt Service Ratio | **1.70%** | **1.20%** | **1.05%** | **0.29%** | **0.26%** | **0.26%** | **0.23%** | **0.78%** | **0.70%** | **0.64%** | **0.61%** | **0.59%** | **0.58%** | **0.57%** |
| Benchmark | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Benchmark | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |

## Efficiency

| Real Operating Expenditure per capita | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Expenditure | $ 135,091,000 | $ 143,437,000 | $ 149,544,000 | $ 157,456,745 | $ 153,703,764 | $ 158,572,232 | $ 161,786,767 | $ 166,498,121 | $ 171,020,664 | $ 176,104,857 | $ 179,907,902 | $ 184,529,770 | $ 189,273,225 | $ 194,841,523 |
| CPI | 3.4% | 3.7% | 2.8% | 2.5% | 2.0% | 2.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Deflated Operating Expenditure | $ 130,497,906 | $ 133,433,417 | $ 135,219,296 | $ 138,814,733 | $ 132,795,963 | $ 134,262,146 | $ 133,559,276 | $ 134,012,409 | $ 134,211,237 | $ 134,746,112 | $ 134,214,600 | $ 134,221,034 | $ 134,229,489 | $ 134,723,975 |
| Population | 197472 | 199946 | 201427 | 203109 | 205108 | 207126 | 209164 | 211222 | 213301 | 215400 | 217520 | 219661 | 221823 | 224006 |
| Real Operating Expenditure per capita | **$660.84** | **$667.35** | **$671.31** | **$683.45** | **$647.44** | **$648.21** | **$638.54** | **$634.46** | **$629.21** | **$625.56** | **$617.02** | **$611.04** | **$605.12** | **$601.43** |
| Benchmark | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing | Decreasing |