

Council Ref: SC2566-02  
Your Ref:

30 June 2015

Dr Peter J Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
SYDNEY NSW 2000

Dear Dr Boxall

Please find enclosed Woollahra Municipal Council's Fit for the Future Submission comprising the following documents:

- Template 2: Fit for the Future Existing Structure Improvement Proposal
- Annexure 1: Fit for the Future Proposal – Existing Structure Business Case Authored by: Professor Gary L. Sturgess, Chair of Public Service Delivery, ANZSOG, Professor of Public Service Innovation, Griffith University
- Annexure 2: Fit for the Future Research Report March 2015 – Professor Percy Allan & Associates Pty Ltd
- Annexure 3: Report on Financial Benchmarks in Relation to Amalgamation Options April 2015 - Grant Thornton Consultants
- Annexure 4: Fit for the Future Community Surveys
- Annexure 5: NSW Treasury Corporation Financial Assessment & Sustainability Report – February 2015
- Annexure 6: Accounting advice in relation to the methodology used to calculate 'Backlog' in Special Schedule 7 PricewaterhouseCoopers - June 2015
- Annexure 7: Fit for the Future - Chronology of Community Engagement
- Annexure 8: Rates Modelling (Extract) Randwick City Council assisted by IBIS Information Systems Pty Ltd February 2013
- Confidential Annexure 1: Kiaora Place Leasing Strategy

Council's Existing Structure Council Improvement Proposal (Template 2) and supporting Business Case (Annexure 1) demonstrates that Woollahra Council is Fit for the Future against IPART's assessment criteria. Our submission contends that Woollahra Council has sufficient scale for optimising efficiency and that there are no efficiency gains to be derived from any of the merger options investigated, including the recommended Global City.

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Council



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Council's supporting Business Case, authored by Professor Gary L. Sturgess after examining research material prepared by Professor Percy Allan & Associates, Grant Thornton Consultants, NSW Treasury Corporation and Council, presents an independent assessment of Council's structure, capacity and performance against IPART's assessment criteria including the 10 key elements of strategic capacity referenced in IPART's Assessment Methodology.

Council contends that Professor Sturgess' report conclusively demonstrates that Woollahra Council is Fit for the Future against the threshold criteria of scale & capacity and references Grant Thornton Consultant's independent assessment that Council achieves the seven quantifiable performance benchmarks. As indicated below, Council meets five (5) of the seven (7) performance benchmarks now and will meet all 7 by June 2016:

• Operating Performance Ratio	Achieved June 2016
• Own Source Revenue	Achieved now
• Building and Infrastructure Renewal	Achieved June 2015
• Infrastructure Backlog Ratio	Achieved now
• Asset Maintenance Ratio	Achieved now
• Debt Service Ratio	Achieved now
• Real Operating Expenditure per Capita	Achieved now

Council achieves all of these benchmarks four (4) years ahead of the State Government's target date of June 2020. Grant Thornton Consultants independent financial analysis concluded that none of the amalgamation options achieve all seven (7) benchmarks by June 2020, with all failing to meet the Building and Infrastructure Renewal Ratio benchmark of greater than 100%.

Council's submission most importantly draws IPART's attention to the significant adverse consequence for Woollahra ratepayers that would arise from amalgamation. As we clearly articulated in the Template 2 Proposal and supporting Business Case, there is no avoiding significant and unfair rate increases for Woollahra ratepayers under current rating legislation due to the disproportionately high land values in the Woollahra LGA.

The rates modelling referenced in Council's submission, which was prepared by Randwick Council, demonstrates that the best case (Base Rate Structure) scenario under a Randwick, Waverley, and Woollahra merger is a 22% rate increase for Woollahra. This would fund a 14% rate decrease in Randwick and is a direct consequence of the significantly higher land values in Woollahra compared to the Waverley and Randwick LGAs.

Further, due to population and proportional councillor representation numbers under a merged Randwick, Waverley, Woollahra model, our community's ratepayers would see rate increases in the order of 50% under the most likely rating scenario (Minimum Rates Structure), noting that both Randwick and Waverley currently retain minimum rating structures. Our submission highlights our grave concerns over these significant and unfair rate rises, and in particular the impact they will have on pensioners in our community.

Council's submission strongly argues that IPART would never approve rate increases at these levels for a financially sustainable council such as Woollahra under the Office of Local Government's guidelines for Special Rate Variation applications.

We also point out that by increasing rates in Woollahra to fund a decrease in rates at an equally financially sustainable council as Randwick does nothing to address the bigger picture of local government reform. It is simply a redistribution of income and benefit – which is not the role of State or Local Government.

Council acknowledges that alternate rating structures were modelled by Randwick Council that specifically sought to minimize the impact of rate increases for Woollahra under amalgamation. The model promoted by both Randwick and Waverley as the preferred model suggested a 70% base rate capped at six times the base. This resulted in an increase for Woollahra of 7.75%, an increase for Waverley of 5.81% and a decrease for Randwick of 7.55%.

Both aspects of this proposal are not permitted, in that the legislation restricts the base amount to 50% and there is no legislative provision to cap rates to a maximum.

Council is not aware of any indication from the State Government of their intention to change rating legislation that would protect our residents from these unfair and unacceptable increases. It is also argued that any change to legislation would be targeted at a more equitable distribution of rates and not aimed at protecting ratepayers in wealthier communities.

Our submission highlights the Woollahra community's overwhelming opposition to amalgamation on the basis of loss of local identity, reduced local representation, and the impact of rate increases as previously discussed. Woollahra Council has listened to community concerns and is responding accordingly through this submission.

Council is aware that Randwick and Waverley Councils are proposing a voluntary merger as an alternate to the ILGRP's Global City recommendation. In doing so, Waverley Council have asserted that the merger would benefit more from the inclusion of Woollahra Council. Woollahra Council has rejected any proposal to join this voluntary merger as it considers that Waverley and Randwick Councils' estimates of efficiency saving under the merger are not achievable, and in any event, do not justify the unacceptable rate increases that would result from Woollahra Council's inclusion in the merger proposal.

Council's Fit for the Future research also included a review of Randwick Council's Options Analysis and supporting documentation with particular focus on the estimated value of the claimed benefits to be derived from a merger.

The service cost modelling in the analysis indicates that efficiencies of \$17m per year could be secured by applying Randwick's service unit costs to Woollahra. On a cost base of \$68m (derived from the report), this suggests savings in the order of 25%.

To suggest that efficiency gains of 25% are available in a \$68m budget raises doubts over the reliability of the modelling. Around 50% of the \$68m is directly related to employee costs. Since employee costs are protected by legislation for three years, and Randwick



and Waverley have agreed to protect them for a further two years, the \$17m saving can only be achieved against non-employee costs.

Applying the purported \$17m savings against non-employee costs of \$34m is in fact a forecast 50% efficiency saving. Council contends that this is simply not achievable.

Council also contends that bringing Woollahra in as an unwilling partner to Randwick and Waverley's proposed amicable voluntary merger would simply not work.


Having undertaken extensive investigation of the Independent Local Government Review Panel's recommendation that Woollahra Council be amalgamated with the City of Sydney, Randwick, Waverley and Botany Bay Councils, along with a range of alternate merger options with our neighbouring councils, Woollahra Council resolved to submit an Existing Structure Proposal to IPART on the basis that:

- 1) There is overwhelming community opposition to amalgamation and Council has responded to that opposition
  - a) 91% support keeping our local identity
  - b) 81% want Woollahra to remain a stand-alone council
  - c) 80% oppose any forced amalgamation
- 2) There are no tangible benefits for Woollahra residents under amalgamation that cannot be delivered, or that are already being delivered under the current structure.
- 3) NSW Treasury Corporation has confirmed that Woollahra is financially sustainable now and into the future.
- 4) Woollahra meets five (5) of the seven (7) Fit for the Future quantifiable measures now and will meet all seven (7) by June 2016. This is four (4) years ahead of the 2020 target date.
- 5) Independent financial analysis indicates that none of the merger options achieve all seven (7) Fit for the Future measures.
- 6) Amalgamation will result in significant and unacceptable rate rises for Woollahra ratepayers under current legislation with those increases funding rate decreases in Randwick.
- 7) Pensioner rates will increase as they are not protected under current rating legislation.
- 8) There is clear evidence in the State Government's 'A Plan for Growing Sydney – December 2014' that target infrastructure works for the Sydney Central Region are not in the Woollahra LGA and it is highly likely that additional funds generated through significant and unfair rate increases for ratepayers in Woollahra will be redirected under amalgamation to Randwick to progress major infrastructure projects.

In closing, Woollahra Council would welcome the opportunity to meet directly with IPART to personally present its submission and to expand on Council's contention that Woollahra Council is already Fit for the Future.

Should you have any enquiries in relation to any aspect of Council's submission, please contact Council's General Manager, Mr Gary James on 9391 7013.

Yours sincerely

  
Cr Greg Levenston  
Acting/Deputy Mayor

## Template 2

Fit for the Future



# Woollahra Municipal Council Improvement Proposal

(Existing structure)



Office of  
Local Government



# Getting started . . .

Before you commence this template, please check the following:

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

**Council name:** **Woollahra Municipal Council**

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**Date of Council resolution endorsing this submission:** **29 June 2015**

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## 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.

Woollahra Council's Existing Structure Council Improvement Proposal and supporting Business Case (Annexure 1) demonstrates that Council is Fit for the Future against IPART's assessment criteria. Our submission contends that Woollahra Council with a population of around 58,000 and estimated to rise to 67,800 by 2031 has sufficient scale for optimising efficiency and that there are no efficiency gains to be derived from any of the merger options investigated, including the recommended Global City (Annexure 1 page 5 to 7).

Council's supporting Business Case, authored by Professor Gary L. Sturgess after examining research material prepared by Professor Percy Allan & Associates, Grant Thornton Consultants, NSW Treasury Corporation and Council, presents an independent assessment of Council's structure, capacity and performance against IPART's assessment criteria including the 10 key elements of strategic capacity.

Professor Sturgess concludes that Woollahra Council is Fit for the Future against the threshold criteria of scale & capacity and the seven quantifiable performance benchmarks. In this regard, Woollahra Council meets 5 of the seven performance benchmarks now and will meet all 7 by June 2016. This is four years ahead of the target date of June 2020. None of the merger options investigated and considered meets all seven benchmarks.

Council considers it vitally important to draw IPART's attention to the significant adverse consequence for Woollahra ratepayers that would arise from an amalgamation. As is clearly articulated in the Business Case (Annexure 1 page 17 to 22) there is no avoiding significant and unfair rate increases for Woollahra ratepayers under current legislation due to the disproportionately high land values in the Woollahra LGA. Modelling prepared by Randwick Council with the assistance of IBIS Information Systems Pty Ltd indicates that the best case (Base Rate Structure) scenario under a Randwick, Waverley, and Woollahra merger is a 22% rate increase for Woollahra which would fund a 14% rate decrease in Randwick. This is a direct consequence of the significantly higher land values in Woollahra compared to the Waverley and Randwick.

Due to population and proportional councillor representation numbers for the merged council, ratepayers would see rate increases for Woollahra in the order of 50% under the most likely scenario (Minimum Rates Structure – refer Annexure 8). As a consequence, pensioner ratepayer will also be subject to these inequitable and unfair increases. Council cannot overstate its grave concerns in relation to the significant and unfair rate rises for ratepayers, including pensioners that would result from amalgamation given current rating legislation. Council contends that IPART would never approve rate increases at these levels for a financial sustainable council under the Office of Local Government's guidelines for Special Rate Variation applications.

Drawing on the Woollahra Community's 'capacity to pay' in order to fund consequential rate decreases in an equally financially sustainable council such as Randwick does not address the bigger picture of local government reform. It is simply a redistribution of income and benefit – which is not the role of State or Local Government.

Our submission also highlights the Woollahra community's overwhelming opposition to amalgamation on the basis of loss of local identity, reduced local representation along with the impact of significant rate rises (refer Micromex Surveys Annexure 4). Council has listened to the community's concerns and is responding accordingly through this submission.

Council is aware that Randwick and Waverley Councils are proposing a voluntary merger as an alternate to the ILGRP's Global City recommendation. In doing so, Waverley Council have asserted that the merger would benefit from the inclusion of Woollahra Council. Woollahra Council has rejected any proposal to join this voluntary merger as it considers that Waverley and Randwick Councils' estimates of efficiency savings under the merger are not achievable, and given that they are at best 'speculative', there is no justification for the unacceptable rate increases that Woollahra would face under the proposal.

Council also contends that bringing Woollahra in as an unwilling partner to Randwick and Waverley's proposed amicable voluntary merger would simply not work.



## 1.2 Scale and Capacity

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

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

**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).

Council has considered the following merger options:

- Woollahra, City of Sydney, Randwick, Waverley and Botany Bay (ILGRP's 'Global City' Recommendation)
- Woollahra, Randwick and Waverley
- Woollahra and Waverley
- Woollahra and City of Sydney

Council has resolved to not proceed with any of the options for the following reasons:

- There is overwhelming community opposition to amalgamation and Council has responded to that opposition:
  - 91% support keeping our local identity
  - 81% want Woollahra to remain a stand-alone council
  - 80% oppose any forced amalgamation

- There are no tangible benefits for Woollahra residents under amalgamation that cannot be delivered, or that are already being delivered under the current structure.
- NSW Treasury Corporation has confirmed that Woollahra is financially sustainable now and into the future (Refer Annexure 5)
- Woollahra meets five (5) of the seven (7) Fit for the Future quantifiable measures now and will meet all seven (7) by June 2016. This is three (4) years ahead of the 2020 target date.
- Independent financial analysis indicates that none of the merger options achieve all seven (7) Fit for the Future measures.
- Amalgamation will result in significant and unacceptable rate rises for Woollahra ratepayers under current legislation with those increases funding rate decreases in Randwick
- Pensioner rates will increase as they are not protected under current rating legislation
- There is clear evidence in the State Government's *'A Plan for Growing Sydney – December 2014'* that target infrastructure works for the Sydney Central Region are not in the Woollahra LGA and it is highly likely that additional funds generated through significant and unfair rate increases for ratepayers in Woollahra will be redirected under amalgamation to Randwick to progress major infrastructure projects

Further supporting Council's decision to submit a stand-alone proposal is the extensive research from Professor Percy Allan & Associates (refer Annexure 2) that shows:

- Woollahra's population size is adequate for optimising efficiency
- Sydney metropolitan councils show no significant efficiency gains from scale
- Small to medium sized councils exhibit stronger finances than larger ones
- Merging common services across state entities has not been successful
- Academic studies provide no compelling evidence that mergers cut costs
- The ILGRP did not propose council mergers on 'financial viability' grounds

Professor Allan's research also highlights possible risks with merging including:

- Potential service cuts because neighbouring councils, especially Randwick, spend less per resident than Woollahra
- Loss of community identity because neighbouring councils have a CBD business (Sydney City), Pacific Ocean Beaches (Waverley and Randwick) and Sydney airport (Botany Bay) focus whereas Woollahra connects closely with Sydney Harbour
- Getting embroiled in Sydney's economic corridor transport planning which has no direct impact on Woollahra because our transport network is self-contained

- Losing the organisational flexibility and responsiveness of a smaller bureaucracy than is possible in an enlarged regional Council
- Extra costs involved with merging (e.g. standardising work processes and ITC systems, reorganising office accommodation, hiring new staff, equalising pay rates yet not being able to retrench surplus staff for three years) could well exceed State Government merger incentive payment. It is also noted that the USU, LGEA and DEPA (the unions) are asking councils to sign a Memorandum of Understanding to extend this provision to five (5) years for any new merged council.
- Potential loss of conveniently located community buildings and other assets.

Woollahra's physical location is not central to any other merger proposal

It is Council's very strong contention that the amalgamation of a high functioning and financial sustainable Council such as Woollahra with neighbouring councils that are equally high functioning and sustainable does nothing to improve the broader system of local government. It is not surprising therefore that not one of the proposed 'Global City' councils supports the ILGRP's recommendation for merger.

Merger options other than the Global City may demonstrate benefits for other councils but only at a significant cost to Woollahra ratepayers (including pensioners) and residents.

## 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.*

Located in Sydney's eastern suburbs, Woollahra is bounded by Sydney Harbour in the north, the Waverley Council area primarily in the east, marginally Randwick City in the south and the City of Sydney in the west. It includes the suburbs of Bellevue Hill, Darling Point, Double Bay, Edgecliff, Paddington (part), Point Piper, Rose Bay (part), Vaucluse (part), Watsons Bay and Woollahra.

The Estimated Resident Population of the Woollahra LGA in 2013 was 57,677, with a population density of 46.99 persons per hectare. The population is estimated to rise to 67,250 in 2031.

Woollahra is fortunate to be a well-resourced community with an educated, creative, giving and connected population, a skilled business community, caring families and a wealth of local knowledge and culture. We also have a wonderfully active range of community groups working hard to improve the well-being of our entire community.

Woollahra LGA has strong local identity and operates well as a community, as evidenced by the independent Community Capacity Surveys of 2007 and 2012 by Micromex Research (Refer Annexure 4). Community capacity measures the connectedness of local communities and provides indicators of social outcomes, quality of life, and community well-being. Communities where residents feel safe, feel connected to their local community, that have strong community networks and high levels of social participation are more vibrant and enjoyable places to live, experience fewer social problems and are more resilient in times of difficulty.

The Community Capacity 2012 survey results demonstrate that the Woollahra LGA has high levels of community capacity:

- Over 77% of residents participate in at least one organised club or group.



- 84% participate in non-organised activities.
- 80% of residents rate their health as 'good or 'excellent'.
- Residents have high levels of agreement that their area is safe and a friendly place to live.
- 94% of residents stating that they would recommend the area to friends.

Residents are regularly consulted on satisfaction levels with the provision of Council services. Council's 2012 independent Community Satisfaction Survey conducted by Micromex Research found a positive result for Woollahra with 26 of the 40 services/facilities/criteria rated as being of 'moderate' to 'high' satisfaction. Council's annual budget strategy seeks to address areas rated as achieving lower levels of community satisfaction.

Key challenges articulated in our Community Strategic Plan include:

- Continuing to meet the high and rising expectations of one of Australia's wealthiest communities
- Protecting our area from high rise and oversized development while balancing the pressure for new housing and jobs
- Protecting our urban character of low rise, mixed form villages, architecture & heritage
- Providing sufficient support services for an aging population
- Addressing traffic congestion and providing parking in high density areas
- Promoting improved public and community transport
- Boosting local business and tourism whilst protecting neighbourhood amenity
- Minimising impacts of development and land use on the environment

The biggest challenge we face in the immediate future is remaining a stand-alone council under the State Government's Fit for the Future local government reform so that we are able to continue to provide the high quality services our community demands in a cost effective and efficient manner. Council is also gravely concerned about the significant rate rises for Woollahra under amalgamation. Our community have sent us a very clear message that local representation is very important to them and as a council we must respond to that message.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• High quality political leadership and professional staff</li> <li>• Strong culture of cooperation between political and executive leadership</li> <li>• Stable, capable management and cross Divisional collaboration</li> <li>• Successful committee and working party structures with high level councillor, community and staff participation</li> <li>• High level responsiveness to community issues/requests</li> <li>• High service levels commensurate with high community expectations</li> <li>• Place based, fine grained urban planning framework responsive to unique heritage and waterfront locations</li> <li>• Strong strategic and corporate planning framework</li> <li>• Stable industrial climate</li> <li>• Sound financial and asset management</li> <li>• Strong network of regional partnerships</li> <li>• Cooperative relationships with neighbouring Councils</li> <li>• Not physically impacted by proposed infrastructure developments presented in the State Government's <i>"A Plan for Growing Sydney"</i></li> <li>• High level of trust with community</li> <li>• Connected and committed staff culture</li> <li>• High levels of community capacity and engagement with Council programs and activities</li> <li>• Strong history of heritage protection</li> <li>• Highly detailed planning instruments to protect conservation areas and Sydney Harbour</li> </ul>	<ul style="list-style-type: none"> <li>• Inflexible structure of rate pegging</li> <li>• Constraints over revenue raising capacity to deliver the very high and rising expectations of one of Australia's wealthiest communities</li> <li>• High cost of infrastructure renewal to standards expected by the Woollahra community</li> <li>• People commute from outside Woollahra to provide trade, household and public services</li> <li>• High dependence on private transport</li> <li>• No public high school a disincentive for people on middle range incomes</li> <li>• Limited capacity to influence regional planning and strategy.</li> <li>• Ability to respond to housing demands in long established and expensive residential areas</li> <li>• Inability to deliver affordable housing in the LGA due to very high land values</li> </ul>

<ul style="list-style-type: none"> <li>• Strong governance framework supported by an industry recognised leading Business Assurance Framework</li> <li>• Outstanding physical environment with northern aspect to the foreshores of Sydney Harbour (Captain Phillips letter to Lord Sydney 15/5/1788, “we had the satisfaction of finding the finest harbour in the world”)</li> <li>• Significant diversity and capacity of the Woollahra Community with higher than average incomes, education and training.</li> <li>• A cross section of built form from small cottages and terraces to harbour-side mansions</li> </ul>	
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Potential for further revenue upside in the management of Council properties, noting the significant benefits of the Kiaora Lands PPP. In the short term, prime development target will be Rose Bay and Double Bay car-parks</li> <li>• Enhancement of community assets through PPP or leasing arrangements for Rose Bay car-parks, St Brigid’s buildings and the Cross Street Double Bay car park.</li> <li>• Enhancement of community assets and increased asset renewal using proceeds of recent property dealings</li> <li>• Expanded community connections and services to broader target groups through the new Double Bay Library.</li> <li>• Improved efficiencies through the introduction of information technology to improve service with no increase in staff costs.</li> <li>• Leverage off improved volunteer opportunities to improve community capacity</li> <li>• Implementation of placemaking structure and approach to ensure the long term viability of our business centres</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Adverse consequences of amalgamation: <ul style="list-style-type: none"> <li>○ Loss of local identity</li> <li>○ Reduced local representation</li> <li>○ Reduced service levels and infrastructure maintenance</li> <li>○ Significant rate increase due to high land values</li> <li>○ Rate increases for pensioners</li> </ul> </li> <li>• Loan gearing for Kiaora Place</li> <li>• In the event of Woolworths terminating the Kiaora Place lease TCorp also note in this situation, Council could be at risk if a new tenant could not be found at a comparable rent</li> <li>• Potential increase in the infrastructure backlog beyond its current long-term financial planning</li> <li>• Potential removal of the heritage suburb of Paddington to the City of Sydney control</li> <li>• Potential loss of Financial Assistance Grant funding source</li> <li>• State Government continuing with the current land valuation methodology for calculating the annual Emergency</li> </ul>

<ul style="list-style-type: none"> <li>• Greater resource sharing with combined Waverley and Woollahra integrated depot facility</li> <li>• Re-financing of the Kiaora Place development in the current low interest environment.</li> <li>• Potential for high quality development designed by Australia's leading architects</li> <li>• Potential for reinvention and rejuvenation of our commercial centres</li> <li>• Potential for increased water based transport</li> </ul>	<p>Management Contributions payable by local government which results in approximately 7.5% of Woollahra Council's rates income being paid to the State Government</p> <ul style="list-style-type: none"> <li>• Development pressures and maintaining the pristine environment of Sydney Harbour</li> </ul>
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## 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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.035	No	0.024	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	90.71%	Yes	93.06%	Yes
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)	74.15%	No	162.17%	Yes

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

Council's performance meets all benchmarks by 2015/16.

**Note:**

The operating performance ratio improves primarily as a consequence of Council's Kiaora Place Public Private Partnership with Woolworths Ltd coming into full operation. This ratio will further improve following a proposed re-financing of the development in the current low interest rate climate which is currently under investigation.

The Kiaora Place development is a long-term investment that forecasts significant on-going returns to the Council and the Woollahra community through the strategic utilisation of property assets and debt for income generating purposes. Detailed modelling prepared with the assistance of specialists consultants CBRE Richard Ellis, and reviewed by NSW Treasury as part of their examination of Council's Kiaora Place Public Private Partnership submission to the Office of Local Government, forecasts the net annual return to Council from the development reaching \$19.9 million in the 30<sup>th</sup> year of operation (expiry of the initial lease term for Woolworths and loan repayments), to \$32.3 million in year 40, and \$50+ million by year 50. The detailed CBRE Richard Ellis modelling extends to year 80, being the expiry of the Woolworths lease renewal options.

The Building and Infrastructure Asset Renewal ratio improves in the short term as a consequence of significant investment in buildings renewals and remains above benchmark in the medium term through investment of proceeds from the recent sale of strategic assets into infrastructure renewal.

## 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?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	1.36%	Yes	1.61%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	102.31%	Yes	110.20%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	2.12%	Yes	9.12%	Yes

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

## 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?
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.12	Yes	1.08	Yes

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

Council's performance meets this benchmark

**Note:**

For comparative purposes, Council's Real Operating Expenditure per capita excludes operating and debt servicing costs related to its Kiaora Place development in Double Bay, a major public private partnership with Woolworths Ltd. This \$100m+ project is recorded as an Investment Asset in Council's financial accounts and brings with it significant long-term benefits to the community of Woollahra, particularly in 30 years when the associated debt is retired.

It is also important to note that Council's Real Operating Expenditure per capita from 2014/15 shows a decreasing trend over time inclusive of the Kiaora Place development, albeit from a higher base. In this context, Council's Real Operating Expenditure per capita increases to 1.22 in 2014/15 and is forecast to be 1.16 in 2019/20.



## 2.4 Water utility performance

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

**N/A for Woollahra Municipal Council**

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

**N/A**

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

### N/A for Woollahra Municipal Council

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

N/A for Woollahra Municipal Council

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

**N/A**

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

## 2.4 Water utility performance

### N/A for Woollahra Municipal Council

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

## 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.

Woollahra Council will achieve the required Sustainability benchmarks in 2015/16 and will maintain them throughout the 2016-20 period.

The Operating Performance Ratio is below benchmark at 2013/14 at -0.035. Primarily as a consequence of Council's Kiaora Place PPP with Woolworths, and the income streams generated from the development, the ratio quickly improves to 0.013 in 2015/16 and remains above benchmark through to 2019-20. Looking further ahead, Council's Long Term Financial Plan (LTFP) shows the Operating Performance ratio on a steady incline through to 2019-30.

As expected of a metropolitan council, Council's Own Source Revenue Ratio is well above benchmark, indicating a low level of reliance on external funding sources including the Financial Assistance Grant.

It is not by accident that Council meets all benchmarks by 2015/16. For many years Council has adopted a fiscally prudent Budget Strategy to guide the development of its annual budgets. With an overarching strategy of providing sufficient funding for continuing services, further budget strategies include:

1. Provide funding for recommended service expansions;
2. Continue Council's commitment to asset renewal;
3. Continue a program of capital improvements at similar annual budget levels to maintain and improve ratios;
4. Maintain an adequate working funds balance

Among a series of economic parameters is the goal of adopting balanced budgets each year and continuing to grow income from fees and charges. Modest and supported growth in expenditure ensures the ongoing efficient delivery of services at the levels expected by the community.

It is through Council's LTFP and its annually reviewed Budget Strategy that Council will continue to meet both the Operating Performance and Own Source Revenue benchmarks.

Achievement of the benchmark for Building and Asset Renewal Ratio reflects Council's sound asset management practices over a sustained period.

Council has in place a robust asset management framework which is consistent with the IP&R Guidelines. We have an Asset Management Policy which was adopted in 2010, an Asset Management Strategy for the period 2010-2020 and a suite of Asset Management Plans (AMPs) for our major asset classes developed with the assistance of Jeff Roorda & Associates using the NAMS Plus template developed by the Institute of Public Works Australia. Developed in 2010/11, these plans are currently undergoing their first scheduled five year review and update. When these updates are completed in November 2015, the revised plans will cover the period 2015-2035. Management of these processes is overseen by our internal Asset Management Steering Committee.

Our Asset Management Plans inform the development of a detailed five year renewal program for critical infrastructure assets. These programs, which are updated annually, form the basis for annual works program in our Delivery Program and Operational Plan (DPOP), which is adopted annually by Council following consultation with our community.

Renewal projects deriving from the DPOP are delivered by our specialist project management team, using the Woollahra Project Management System.

The robustness of Council's approach to asset management was endorsed by the Office of Local Government in their 2010 'Promoting Better Practice' review. A further endorsement by an external party was received in October 2014 when our systems and processes were audited by consultant auditors BDO Australia as part of Council's ongoing Internal Audit and Assurance Program. A further audit of this type is proposed for 2016 and biennially thereafter.

In preparation for the current review of AMPs, Council has undertaken detailed asset inspection of civil infrastructure assets over the last 18 months and is currently well advanced in an inspection program of Council buildings. The outcome of these inspections will inform the revised AMPs.

As Woollahra Council will achieve the required Sustainability benchmarks marks in 2015/16, our key strategies in the period 2016-20 are aimed at ensuring we continue to exceed the benchmarks. Our key strategies can be summarised as follows;

1. Finalise the scheduled five year review and update of Asset Management Plans by November 2015.
2. Continue with commissioning of new asset management software to replace existing systems.
3. Continue with annual reviews of the Long Term Financial Plan, informed by Asset Management Plans.
4. Continue with annual reviews and updates of detailed five year infrastructure renewals programs.
5. Continue with annual reviews of Budget Strategy.
6. Continue to adopt balanced budgets in line with the Budget Strategy.

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

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

The following key assumptions underpin our strategies and expected outcomes;

1. Council makes a series of assumptions in its Long Term Financial Plan. In summary, assumptions have been made in relation to:

**Overall Assumptions**

Population

Rate Base

State Government's Metropolitan Strategy and State Plan

Rating Structure

Capacity for Rating

Capacity for Borrowing



**Expenditure Forecasts**

Salaries & Wages  
Superannuation  
Workers' Compensation  
Depreciation  
Materials & Contracts and Other Operating Expenditure  
Emergency Management Contributions  
Capital Expenditure

**Income Forecasts**

Rates  
Domestic Waste Management Charge  
Fees & Charges and Other Income  
Operating Grants & Contributions  
Interest on Investments

These assumptions have been reviewed by TCorp as part of its Financial Assessment and Sustainability Report process and it concluded that:

*“Overall the assumptions in the Base Case Scenario are considered reasonable”* (page 22 of Annexure 5); and

*“Overall the assumptions in the Sustainability Scenario are considered reasonable”* (page 28 of Annexure 5)

2. The scheduled 5 year review of Asset Management Plans which is currently underway will not materially and negatively impact on required renewal expenditure in the period 2016-20. We note that, as this is a review and update process and that existing AMPs already cover this period, we have no reason to believe that there will be material change. Further, as the asset inspection work which underpins the review is already well advanced, we have a high level of confidence that no material changes will occur.
3. There are no unforeseen adverse impacts on Council income or expenditure requirements which prevent the funding allocation for infrastructure renewal currently allowed for in the LTFP. We believe however that the modelling in our LTFP is robust and we have a high level of confidence that the required funding will be available.

## 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. Maintain Council's financial sustainability	a) Through our Resourcing Strategy, ensure Council has sufficient resources to continue to meet sustainability benchmarks	a) Annual update of Council's Resourcing Strategy	Ensure Council has the capacity to remain sustainable into the future	Ensures Council has the capacity to meet its infrastructure and service management obligations
2. Reduce debt servicing costs related to the Kiaora Place PPP	a) Re-finance debt at lower interest rates.	a) Establish from the market what re-financing opportunities are available b) Report re-financing opportunities to Council c) Proceed with approved re-financing strategy	Reduction in debt servicing costs and/or shortening of loan tenor.	Favourable impact on Operating Performance Ratio and Debt Service ratio and / or provides an opportunity to invest additional funds in service delivery or infrastructure renewal

3. Maintain Operating Performance Ratio within required parameters.	Refer Objective 1 above	Refer Objective 1 above	Refer Objective 1 above	Refer Objective 1 above
4. Maintain Own Source Revenue Ratio within required parameters.	Refer Objective 1 above	Refer Objective 1 above	Refer Objective 1 above	Refer Objective 1 above
5. Maintain Building and Assets Renewals Ratio within required parameters.	a) Undertake 5 year review of Asset Management Plans for Transport Infrastructure, Stormwater Infrastructure, Buildings and Land Improvements.	Reviews completed November 2015. Will cover period 2016 to 2035.	Plans to inform LTFP.	
	b) Commission new asset management software to replace existing system.	1) Complete EOI and industry review process July 2015.	System will facilitate easier preparation of SS7 and other management reports on the state of assets and will facilitate preparation of detailed 5 year renewal programs.	

		2) Tender for preferred product Sep 2015.		
		3) Install new system Feb - Apr 2016.		
	c) Continue annual review of detailed 5 year renewal and works programs for major asset classes.	Programs to be reviewed and updated by end November each year.		
	d) Ensure that LTFP reflects expenditure requirements of AMPs and 5 year renewal programs.	LTFP to be reviewed and updated by June each year.		
	e) Undertake biennial audit of asset management processes. Audit to be conducted by external party and reported to Council Audit and Assurance Committee.	Second audit due in 2016.	Assurance to Senior Management and elected Council, via Audit and Assurance Committee, that systems and processes are robust.	

## 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.

Woollahra Council will achieve the required Infrastructure and Service Management benchmarks in 2015/16 and will continue to exceed them throughout the 2016–20 period. Achievement of these benchmarks is the culmination of over a decade of sustained improvement in the management of Council's infrastructure assets.

In the period 2002 to 2005, Council undertook a comprehensive review of the management of infrastructure assets and recognised that expenditure levels at that time were insufficient to maintain assets at the required standard. Consequently Council sought and was granted a series of levies and modest special rate variations which were expressly for the purpose of improving the condition of critical assets such as roads, footpaths, kerbs, drains, sea walls, retaining walls and harbour facilities. IPART approved the permanent retention of these levies in Council's rating base in our S508A SRV application for 2011/12

The cumulative value of these levies and SRVs in the period 2005-2015, which were strongly supported in community surveys, is \$32m. Further, Council has committed operating funds of \$34m to asset renewal over the same period. Total expenditure on asset renewal over the past decade has been \$66m.

Council has in place a robust asset management framework which is consistent with the IP&R Guidelines for asset management. We have an Asset Management Policy which was adopted in 2010, an Asset Management Strategy for the period 2010-2020 and a suite of Asset Management Plans (AMPs) for our major asset classes developed with the assistance of Jeff Roorda & Associates using the NAMS Plus template developed by the Institute of Public Works Australia. Developed in 2010/11, these plans are currently undergoing their first scheduled five year review and update. When these updates are completed in November 2015, the revised plans will cover the period 2015-2035. Management of these processes is overseen by our internal Asset Management Steering Committee.

Our Asset Management Plans inform the development of a detailed five year renewal program for critical infrastructure assets.

These programs, which are updated annually, form the basis for annual works program in our Delivery Program and Operational Plan (DPOP), which is adopted annually by Council following consultation with our community.

Renewal projects deriving from the DPOP are delivered by our specialist project management team, using the Woollahra Project Management System.

The robustness of Council's approach to asset management was endorsed by the Office of Local Government in their 2010 'Promoting Better Practice' review. A further endorsement by an external party was received in October 2014 when our systems and processes were audited by consultant auditors BDO Australia as part of Council's ongoing Audit and Assurance Program. A further audit of this type is proposed for 2016 and biennially thereafter.

In preparation for the current review of AMPs, Council has undertaken detailed asset inspection of critical infrastructure assets over the last 18 months and the outcome of these inspections informs both the revised AMPs and the revised Special Schedule 7 which informs this submission. The methodology used to determine the Infrastructure Backlog Ratio included in the Special Schedule 7 has been reviewed and endorsed by auditors PricewaterhouseCoopers (**refer Annexure 6**).

As Woollahra Council will achieve the required Infrastructure and Service Management benchmarks in 2015/16, our key strategies in the period 2016-20 are aimed at ensuring we continue to exceed the benchmarks. Our key strategies can be summarised as follows;

1. Finalise the scheduled five year review and update of Asset Management Plans by November 2015.
2. Continue with commissioning of new asset management software to replace existing systems.
3. Continue with annual reviews and updates of detailed five year infrastructure renewals programs.
4. Continue with annual reviews of Long Term Financial Plan, informed by Asset Management Plans.
5. Continue current regime of asset inspection, review and management oversight of defects reporting and repair.

As a consequence of Council's appropriate use of debt to fund infrastructure renewal projects and income producing projects, its Debt Service Ratio is well within the benchmark range peaking at 10.16% in 2017-18. While the ratio is well within the benchmark range it can be improved. Council will be taking advantage of the current low interest rate climate, and the terms of its PPP loan facilities agreement, to re-finance debt associated with the Kiaora Place development. This will generate significant savings in interest over the term of the loans.

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

The following key assumptions underpin our strategies and expected outcomes;

1. That the scheduled 5 year review of Asset Management Plans which is currently underway will not materially and negatively impact on required renewal expenditure in the period 2016-20. We note that, as this is a review and update process and that existing AMPs already cover this period, we have no reason to believe that there will be material change. Further, as the asset inspection work which underpins the review is already well advanced, we have a high level of confidence that no material changes will occur.
2. That there are no unforeseen adverse impacts on Council income or expenditure requirements which prevent the funding allocation for infrastructure renewal currently allowed for in the LTFP. We believe however that the modelling in our LTFP is robust and we have a high level of confidence that the required funding will be available.



## 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. Maintain Infrastructure Backlog Ratio within required parameters.	a) Undertake 5 year review of Asset Management Plans for Transport Infrastructure, Stormwater Infrastructure, Buildings and Land Improvements.	Reviews completed November 2015. Will cover period 2016 to 2035.	Plans to inform LTFP	Nil
	b) Commission new asset management software to replace existing system.	1) Complete EOI and industry review process July 2015.	System will facilitate easier preparation of SS7 and other management reports on the state of assets and will facilitate preparation of detailed 5 year renewal programs.	

		2) Tender for preferred product Sep 2015.		
		3) Install new system Feb - Apr 2016.		
	c) Continue annual review of detailed 5 year renewal and works programs for major asset classes.	Programs to be reviewed and updated by end November each year.		
	d) Ensure that LTFP reflects expenditure requirements of AMPs and 5 year renewal programs.	LTFP to be reviewed and updated by June each year.		
	e) Undertake biennial audit of asset management processes. Audit to be conducted by external party and reported to Council Audit and Assurance Committee.	Second audit due in 2016.	Assurance to Senior Management and elected Council, via Audit and Assurance Committee, that systems and processes are robust.	

	f) Expand physical inspection of stormwater network.	Aim to have 60% of network inspected by end 2018.	Will build on sample area and thus add further assurance to long term expenditure projections.	
2. Maintain Asset Maintenance Ratio within required parameters.	a) Continue regime of proactive inspection of high maintenance assets (footpaths, trees, playgrounds) and update defects registers accordingly.	Ongoing regime of periodic inspection, e.g. trees and footpaths inspected once per annum, playgrounds inspected each week and more formally every six months.	Early awareness of defects requiring repair. Enhanced risk management capability.	Nil
	b) Undertake management review of quantum of defects and time lapsed to rectification.	Ongoing regime of review.	Ability to modify resource allocation as required.	
	c) Annual review of resource allocation against asset classes.	Annual review to be completed prior to framing of annual budget. Complete prior to end December each year.	Provides for sufficient provision of resources in the short term and informs reviews of LTFP.	

	d) Ensure the LTFP includes sufficient funding for required maintenance activities.	LTFP to be reviewed and updated by June each year.		
	e) Commission new asset management software to replace existing system.	1) Complete EOI and industry review process July 2015.	System will facilitate efficient management of defects registers and resource projections for maintenance activity.	
		2) Tender for preferred product Sep 2015.		
		3) Install new system Feb - Apr 2016.		
3. Maintain Debt Service Ratio within required parameters.	Continue to service debt in line with loan facilities	Repayment of loans	Opportunities to explore further debt to support income producing projects and/or infrastructure renewal	Contributes to improving Operating Performance 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.

#### Salary & Wages Vacancy Factor

Key among the efficiency measures in Council's budget process is what can be described as Woollahra's unique practice of including a pre-determined vacancy factor into the calculation of its estimated salaries and wages budget each year. Rather than budgeting for full year salary and wages for each employee, since 2006/07 Council has acknowledged that there are inherent savings in annual salaries and wages estimates as it is inevitable that there will be vacancies occur throughout the organisational structure during the course of the year. Council's practice therefore is to reduce the total salaries and wages estimate by the pre-determined vacancy factor and instead inject these funds into service provision and projects. With the vacancy factor ranging from 4.5% to 6% annually, cumulatively this has freed-up \$9.6m in Council's annual budget since 2006/07.

***Council will continue to include a salary & wages vacancy factor in future year budgets***

#### Increased Superannuation Contributions

Another example of inherent efficiencies in Council's budget over the years is the absorption of significant increases in superannuation costs associated with employees in the now closed Local Government Superannuation Retirement Scheme (Defined Benefit Scheme). Since 2009/10, councils have been required to make additional contributions to this scheme in order for the fund to recoup losses incurred by the scheme during the global financial crisis. Including the 2015/16 estimates, this totals some \$2.5m, all of which has been absorbed in the budget without impacting service delivery or requiring special rate variations.

***These additional costs will continue to be absorbed in future year budgets***

### Operation Process Reviews

Council has a long-standing practice of reviewing resourcing structures, work practices and initiating change-management strategies to generate efficiencies. This can involve the engagement of specialist independent assistance as required. Recent example of operational process reviews include:

- Resourcing the new Double Bay Library
- Structural change to facilitate electronic document management
- Integrating Council's Risk Management Strategy into the Integrated Planning & Reporting Framework
- Integrating long term financial planning with corporate planning
- Waste Services
- Parks & Open Space Management
- Planning & Regulatory Services
- Street-Sweeping services

***This practice is embedded in the Council's corporate culture and will continue over the review period***

### Local Infrastructure Renewal Scheme

Woollahra Council has welcomed the introduction of the Local Infrastructure Renewal Scheme (LIRS) as a means of progressing strategic projects and infrastructure renewal through the utilisation of the State Government's interest subsidy scheme. Current projects benefiting from the LIRS subsidy are the fit-out of Council's new state of the art Library in Double Bay (currently under construction) and a program of street-scape renewal works.

***Council will continue to explore opportunities under the Local Infrastructure Renewal Scheme should the State Government continue the program***

### Shared Depot Facility

Waverley and Woollahra Council commenced operation of a joint depot facility at Bourke Road, Alexandria in December 2014. The new facility replaces Woollahra Council's former depot at O'Dea Ave, Waterloo and Waverley Council's former depot at Portman Street, Zetland, both of which have been sold for residential development. The combined sale price of the two former depots was approximately \$140m and the full establishment cost of the new combined depot was \$27m. The two Councils therefore derived a net capital return of \$113m from this initiative.

We also anticipate significant ongoing operating savings from the new facility which will grow over time. As the two Councils are sharing facilities such as stores, mechanics workshop, trades workshops, staff amenities, lunch rooms and training facilities, the footprint of the building is much smaller than would have been required if the Councils had established separate facilities. This will result in significant savings in the cost of electricity, water, rates, cleaning and maintenance. The cost of operating Woollahra's former depot was \$450k p.a. As the new facility has only been operating at full capacity for several months, we do not yet have solid data on cost savings, but we anticipate that the savings to Woollahra in depot operation will be in the order of 30-50% of the previous costs. Further, the two Councils are committed to exploring further opportunities for sharing and rationalisation of operational staff and mobile plant and equipment. Over time, we anticipate that this will deliver further significant savings.

***The shared depot facility with Waverley Council is a long-term efficiency investment for both Woollahra and Waverley Councils***

### Best Service Program – Opportunities for Improvement

Council has an active program of continuous improvement through its Best Service Program. The program incorporates the features of many different programs but having regard to the service culture we want to encourage and strengthen at Woollahra.

Introduced in 2010, the program takes a simple common-sense approach based on the theme of 'if you accept it – you approve it' which sends a message to staff that everyone is responsible for taking action when they see or experience inefficiency, a problem, or see an opportunity for improvement. All staff are encouraged to lodge suggestions for improvement and these are managed using a data base maintained by Council's Organisational Development & Human Resources Department.



To date there have been 443 Opportunities for Improvement (OFIs) entered into the data base. Of these we estimate around 27% actually produce a concrete business improvement. Specific examples of successfully implemented OFIs include:

- Providing computer access to operational staff at the depots enabled more on-line systems applications (replacing hard copy forms) and streamlined mail processes.
- By changing our maintenance routines, process responsibility, improving systems awareness/education and shifting to double side printing there was a major reduction in wastage and printer/copier maintenance calls.
- Standard yard security lighting at depots was replaced by movement sensitive lighting.
- We replaced hard copy availability of Council minutes at our libraries with online access; with significantly reduced printing and delivery costs.
- Over the past five (5) years, the Library has introduced a range of technology, including RFID and self-check systems that have improved service provision, provided additional programs for children and adults, and improved the customer service experience at no additional cost to Council, apart from award and market increases in salaries.
- Cost savings have also been made through the use of partnerships and developing networks that have led to more cost efficient programs. The use of volunteers at events has also reduced staff costs. This will be expanded over the next 12 months with the opening of the new Double Bay Library. Online membership will shortly be introduced which will enable borrowers to enter their own membership details.
- In the new Double Bay Library, the whole philosophy is based on borrower self-service. This will cover bookings of rooms/computers and events as well as payment for all Library fees and charges. Currently these tasks are a manual process managed by staff. Staff time will be re-directed to roving reference leading to an overall improvement in customer service. There will also be a dedicated automated returns unit reducing both manual handling and improving return time to shelf for all Library material. In regards to Local History, through digitisation, this collection will be available 24/7, and reduce staff time retrieving information for research and displays.
- Revised enrolment procedures implemented at the Woollahra Preschool to maximise government funding received under a new preschool funding formula introduced in 2013 has allowed the service to continue to operate on a cost recovery basis while providing a high quality service for affordable fees.
- The number of community venues hired out has grown from 3 in 2004 to 11 in 2015. The majority of the additional venues have always been Council managed but not hired out to the public. There has been an increase in income from \$172,320 in 2011/12 to an estimated \$267,900 in 2015/16. This is an increase in income of 55% over 5 years. The associated expenditure has increased from \$142,128 in 2011/12 to \$186,537 in 2015/16, an increase of 31%. It shows a growth in the net gain to Council of 170%, from \$30,192 in 2011/12 to \$81,363 in 2015/16.

- The use of volunteers for up to 450 to 500 hours per annum in holding the Woollahra Small Sculpture Prize saves Council between \$14,000 and \$16,000 in salaries. These volunteer roles are vital to the success of the Prize. The use of sponsorship and benefactors has ranged from \$17,000 to \$29,000 per annum in cash and kind over the past 14 years. Without this funding, the Prize would have increased in cost to Council significantly.
- In 2008 a new position was developed from the existing FTE to hire an in-house marketing coordinator. This position not only ensures that the quality of publications and marketing material is of a high standard but also undertakes in-house graphic design for a large range of collateral. This has led to an improved quality in publications and no increased costs for the advertising of programs and events. This efficiency has allowed Council to promote and market new programs with no additional marketing budget.
- Council produces a number of e-newsletters each month which are distributed to a database of almost 9,000 people. We also manage social media platforms (Facebook and Twitter) for 'What's On' Calendar of Events; Woollahra Libraries and Woollahra Small Sculpture Prize. This enables us to communicate to a large group of people who have indicated specific interest, at no increase in cost to Council. It has enabled us to broaden the reach of our communications and promotion without increased costs of printing, advertising or staff costs.
- Through the use of e-newsletter platforms (Campaign Monitor) we now also have more options to sign up subscribers (via iPads at events, Facebook integration, website integration etc.). Opportunities to further target our communication based on interest areas exist using this platform.
- The recent introduction of HP TRIM as Council's electronic document and records management system, combined with Infocouncil as the new electronic business paper system will see further efficiency gains introduced into work practices during 2015/16.
- System improvements are already being implemented through HP TRIM that will streamline the production of the thousands of development application notification letters through electronic signatures and the electronic stamping of development application plans. Further improvements will result from the electronic production and distribution of Council business papers.

***Council is committed to continuing its Best Service continuous improvement program to generate efficiencies***

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

Council's budget process requires the adoption of an annual budget strategy that commits the council to the productivity and efficiency measures outlined above. It is assumed the Council will maintain this long-standing practice.

### 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. Expand E-Business Initiatives	a) Increased use of on-line customer services	Electronic publication or council business papers due September 2015	Streamlined Council business paper processing with full remote accessibility	
	b) Move towards a 'property-centric' view of information to improve customer service	Investigate WiFi enabling of other commercial centres to build on the success of the Double Bay initiative (2015/16)	Improved business activity and promotion of local business centres	
		Implementation of Masterview product to improve accessibility to property-centric information (June 2016)	Improved and streamlined customer service experience with 24/7 functionality and mobility	

	c) Utilise 'green' I.T. technology to reduce carbon emissions and power consumption costs	Renew I.T. infrastructure with higher performance specification & lower power requirements	Utilisation of latest technology to reduced power costs.	
2. Integrated Community Facilities	Completion of the new Double Bay Library incorporating shared community space	<p>Building completion October 2015</p> <p>New I.T. Technology released in the Library providing:</p> <ul style="list-style-type: none"> <li>• High speed WiFi facilities</li> <li>• Technology lab for community use</li> <li>• 3D public printing facilities</li> <li>• Training room with state of the art AV equipment for staff and public use</li> <li>• Increase utilisation of RFID technology</li> <li>• Display Boards and audio facilities for pod-casting</li> </ul>	<p>State of the art facilities for community use</p> <p>Access to new technologies</p> <p>Increased visitations to the Library and community facilities</p> <p>Improved and greater range of services</p> <p>Implementation of concierge/roving reference model for customer service – similar to Apple retail stores model</p>	Improvement in the Building renewals ratio

		<p>Finalise the feasibility of a multi- purpose community facility in the Rose Bay Shopping area by 30 June</p> <p>Paddington Library renovation complete by October 2015</p>		
3. Increased use of Community Volunteers	<p>Develop volunteer program for Woollahra Libraries</p> <p>Continued recruitment of volunteers for community and cultural activities &amp; events</p>	<p>Recruitment drive to commence in October 2015</p> <p>Ongoing support and training for volunteers</p>	<p>Recruit additional 20 volunteers by 30 June</p> <p>Improved customer service at Woollahra Libraries</p> <p>More diverse range of community and cultural programs available to residents</p>	<p>Improved efficiency</p> <p>Improved engagement with the community</p>

			Improve engagement of the community with Council through meaningful volunteer opportunities	
4. Strong corporate culture	a) Continued promotion of Council's corporate values b) Maintain focus of excellence in customer service	On-going training for: <ul style="list-style-type: none"> <li>• Induction</li> <li>• Code of conduct</li> <li>• Delegation</li> <li>• Customer engagement</li> <li>• Conflict of interest</li> <li>• Business Assurance</li> <li>• Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Highly skilled staff</li> <li>• Business focus</li> <li>• Service delivery focus</li> <li>• Strong staff connection</li> <li>• Strong community reputation</li> <li>• Demonstrated values</li> </ul>	Maintains and expands strategic capacity  Builds strong organisational representation  Exhibits industry and professional best-practice
5. Highly connected and engaged staff	a) Maintain Council's reward and recognition program b) Undertake follow-up biennial staff climate surveys	Next Staff climate surveys scheduled for July 2015	Higher productivity  Lower staff turnover  Stability and consistency of decision making	Reduction in recruitment and training costs  Improved efficiency



## 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. Completion of the Kiaora Place leasing strategy to secure high quality tenants and provide an ongoing rental income stream	All tenancies filled by January 2016
2. Finalise major asset renewal projects being the Double Bay Library and Shared Council Depot Facility.	Renewal projects completed by November 2015
3. Review and update Council's Long Term Financial Plan (LTFP) in conjunction with developing our 2016-17 Operational Plan and drawing on updated Asset Management Plans	Completed by June 2016
4. Review and update Council's Asset Management Plans for our major asset classes to cover the period 2015 – 2035	Completed by November 2015
5. Develop detailed five year renewal programs for critical infrastructure assets to inform the 2016-17 Budget and LTFP update	Completed by March 2016
6. Commission new asset management software to replace existing systems	Completed by June 2016

7. Re-finance long term debt associated with Kiaora Place	Completed by August 2015
8. Continue Council's Best Service continuous improvement program to generate efficiencies	Ongoing
9. Undertake the launch and promotion of the new Double Bay Library	September to December 2015
10. Manage and widen the Library volunteer program for greater use of volunteers in the opening of the new Double Bay Library	March 2016
11. Implement the infrastructure maintenance programs for all classes of public infrastructure	Ongoing
12. Work closely with the Southern Sydney Regional Organisation of Councils and other appropriate regional bodies to improve service efficiency and effectiveness and promote Council's position on matters of common interest	Ongoing
13. Provide timely reports to Council and the community on developments arising from the State Government's Fit for the Future Local Government reform program that impact on the Council's long term community and strategic planning processes	Ongoing
<b>* Please attach detailed action plan and supporting financial modelling</b>	

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.

1. Kiaora Place Leasing

In May 2013, Woollahra Council formally adopted a Commercial and Retail Leasing Strategy for the Kiaora Place development. The strategy was prepared by Rook Partners, specialist leasing consultants, under the supervision of Council's Director Technical Services. The strategy detailed the proposed uses and projected rentals for all tenancies in the centre, other than those sites which had already been leased to Woolworths as the anchor tenant. The strategy proposed 4 large commercial office tenancies and 27 small specialty retail tenancies with a combined annual net rental income of \$3.7m. Progress against the strategy has been excellent and at time of writing only 4 small retail sites remain untenanted. We anticipate that these will be tenanted prior to the completion of the Stage 2 building in August 2015. Achieved income and leasing incentives payable will both be better than the budgets adopted in the strategy.

A copy of the Leasing Strategy is attached as **Confidential Annexure 1**.

2. Double Bay Library

The Double Bay library is a significant new community asset contained within the Kiaora Place development. Comprising approximately 2200m<sup>2</sup>, it occupies three floors in the Stage 2 building, which fronts both Kiaora Lane and New South Head Road. Under the terms of the PPP with Woolworths Ltd, the base building and cold shell of the library was designed and constructed by contractors acting for Woolworths, with significant design input from Council. The interior fit out of the library has been designed by BVN Donovan Hill Architects who are engaged directly by Council and will be constructed by FDC Building, who are also engaged directly by Council. Base building works will be completed in late August 2015 and interior fit out works will take place in the four months to December 2015. The total capital cost of the new library will be \$12.4m, of which \$5.6m, will be funded from a loan under the NSW Government LIRS program.

3. Joint Depot Facility

The new joint depot facility at Bourke Road, Alexandria is shared with Waverley Council. This collaborative project has been in informal planning since 2010 and formal planning since 2012 when an in-principle agreement was reached between the two Councils. The site was purchased by Waverley Council in 2012. Construction commenced in 2013 and was completed in late 2014. Staff of both Councils occupied the site in December 2014 and it was formally opened in April 2015. The total cost of the

project is \$27m with Woollahra Council contributing \$11m of this. The ongoing management and shared arrangements for the facility are the subject of a formal Collaboration Agreement which is being finalised at time of writing.

It is important to note that only Action 1 and 2 included in Section 3.4 above require implementation in order for Woollahra Council to achieve all seven (7) of the FFF benchmarks by June 2016. The remaining Actions are included to demonstrate that whilst Woollahra Council is Fit for the Future in achieving these benchmarks four years ahead of the 2020 target date, it is not resting on its laurels and is committed to continuing to improve its performance and generate efficiencies as an embedded organisational culture.

### 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.*

An improvement strategy outlined in Council's Delivery Program and Operational Plan for 2014/15 was the potential for Council to apply to IPART in 2015 for a modest special rate variation to apply from 2015/16. This strategy was developed in response to comments from the Local Government Review Panel in its March 2013 discussion paper, *"The Case for Sustainable Change"*, in relation to financial sustainability of councils and in particular through *"increased flexibility for councils to set rates within a margin of 3% above the rate pegging cap as [had previously been] proposed by IPART"*. The Panel noted that it would undertake further investigations to determine whether this amount is sufficient to enable most councils to tackle the problems identified by TCorp.

With Council having modelled the series of 3% increases above the rate peg limit, it was notable that the LGRP in its final report released for public consultation in January 2014 noted *"....the Panel considers that a margin of up to 5% would be more realistic where councils need to make significant short-medium term inroads into infrastructure backlogs and correct operating deficits."* It was on this basis that Council flagged a potential rate increase of 3% above the rate pegging cap for four years commencing in 2015/16 and presented the resulting potential service improvements in its 2014/15 Delivery Program and Operational Plan.

This Long Term Financial Plan, inclusive of the 3% SRV x 4 years (Sustainability Model LTFP), was reviewed by TCorp in February 2015 when it concluded that:

*Based on our review of both the historic financial information and the 10 year financial forecast within Council's long term financial plan for their Sustainability scenario we consider Council to be Sustainable in the medium to long term as Council's performance metrics improve to be above benchmark in all indicators.*

On this basis, Council was confident that a modest special rate variation would further improve its long term sustainability.

Council resolved in December 2014 to not proceed with the SVR for two reasons. Firstly, recent significant asset sales totalling \$65 million provided the opportunity to undertake a comprehensive review of Council's long term financial plan, and secondly, the uncertainty surrounding the future of Woollahra Council as a stand-alone council under the Fit for the Future program. Specifically, Council's resolved as follows on 15 December 2015: ***"Not proceed with a Special Rate Variation for 2015/16 and reconsider it as an option for future year budgets having regard to any developments arising from the State Government's 'Fit for the Future' Local Government Reform program."***

In reaching this decision, Council considered that it would be grossly unfair to seek support for the SRV from the Woollahra community given the rates modelling conducted as part of our investigation of merger options that revealed the significance of the rate increases that Woollahra would face through amalgamation under current rating legislation. The unavoidable and unacceptable rate increase for Woollahra, and in particular for pensioner ratepayers, that are outlined in detail in Council's Fit for the Future submission would have been compounded should Council have proceeded with a successful SRV to IPART for 2015/16.

## 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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.007	0.013	0.024	0.012	0.009	0.013	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	91.60%	92.45%	93.06%	93.65%	94.31%	94.39%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	137.99%	157.19%	162.17%	116.47%	106.19%	107.92%	Yes
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	1.36%	1.53%	1.61%	1.00%	1.35%	1.18%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	102.68%	104.33%	110.20%	111.12%	110.73%	110.35%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	3.75%	6.42%	9.12%	10.16%	9.76%	9.15%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.13	1.08	1.08	1.06	1.06	1.05	Yes

## 4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

*For example, historical constraints, trade-offs between criteria, longer time required.*

Council's submission clearly demonstrates that it easily meets all of the Fit for the Future benchmarks well ahead for the June 2020 target date

Woollahra Council is already Fit for the Future.



## 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.*

All current and proposed future improvement actions are entered into Council's corporate performance reporting software system (Interplan) which assigns responsibility to relevant council officers for inclusion in annual Departmental Service Plans.

Progress of implementation of all Departmental Service Plan actions is regularly monitored in accordance with Council's Integrated Planning & Reporting procedures which includes formal reporting to the Council and community on a quarterly basis.

All future year actions are considered in conjunction with Council's annual Operational Plan and Budget preparation procedures against other competing priorities for inclusion in the adopted annual Operational Plan and Budget.