

Template 2

WARRINGAH COUNCIL IMPROVEMENT PROPOSAL



COUNCIL DETAILS

Council Name	Warringah Council
Date of Council resolution endorsing this submission:	23 June 2015

1.1 Executive Summary

Warringah Council submits this proposal to affirm it meets the “Fit for the Future” benchmarks and has the strategic scale and capacity to govern effectively and partner with industry and State Government to deliver key priorities now and into the future.

Warringah’s preferred model is to merge with Pittwater and Manly Councils to form a new Northern Beaches Council that would deliver an expected \$200 million of savings over 10 years (see Appendix 2.1). This is supported by independent research (see Appendix 2.3). We have repeatedly sought to explore merger options with our neighbouring councils, however as both have rejected the NSW Governments Independent Local Government Review Panel options for structural reform, Warringah is well-placed to stand alone.

Warringah is by far the largest Council on the northern beaches both geographically and by population size. In 2015, Warringah is already larger in size than Camden Council is projected to be in 2031. Camden is not recommended for structural change by the ILGRP.

Our very strong financial performance and regional planning capability is underpinned by long-term investments in our systems, processes and staff. We will continue to work effectively with State Government agencies to meet the objectives of the Metro Strategy (*A Plan for Growing Sydney*) as we deliver two strategic centres within our Local Government Area.

Warringah is one of the strongest councils in NSW in terms of both our financial and asset management. TCorp’s Financial Sustainability of the NSW Local Government Sector in 2013 rated Warringah Council’s financial sustainability as ‘Sound with a Positive Outlook’.

In addition, we are one of only three NSW Councils that is forecasted to be in a strong financial situation by 2016. Similarly, the Infrastructure Audit conducted by the Office of Local Government (OLG) in 2013 assessed Council’s infrastructure management to be ‘Very Strong’, with only four other councils receiving a similar strong rating.

Our operating expenses per capita of \$831 is among the lowest in the Sydney metropolitan area, we have no debt and minimal infrastructure backlog and provide regional services and facilities for residents beyond our local government boundary. We are recognised as an industry leader and have received over 35 awards since 2013 (see Appendix 1.2).

Warringah Council has achieved extremely high levels of community and staff satisfaction. In 2015, Council’s community satisfaction was 94%, one of the highest in all of NSW and well above the benchmark for the sector in NSW and Victoria. Our 2014 staff survey results benchmarked us in the top quartile of all private and public organisations surveyed and the third best overall performing Local Government Council nationally. The ‘Promoting Better Practice’ review of Warringah Council by the Office of Local Government identified Warringah as an above-average, strong performing organisation, particularly in the crucial areas of financial management, leadership and community engagement.

Warringah has limited challenges in the short-term as we project to meet all seven Fit for the Future benchmarks by 2019/20. While other Councils have seen dramatic recent shifts in their financial and asset management indicator positions Warringah has achieved high-levels of performance over an extended period of time, so we are confident of our ability to maintain these

benchmarks. The strategies and actions focus on incremental improvement rather than any radical departures to the way we operate in order to continue to deliver on our Community Strategic Plan.

Warringah's Long Term Financial Plan 2015-2025 forecasts an annual operating surplus while maintaining current service levels and existing assets, while also offering scope for the introduction of new assets (see Appenix 4.2).

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

Warringah Council agrees with the recommendation of the ILGRP that one new Northern Beaches Council, made from Manly, Warringah and Pittwater Councils, would create the best scale and capacity for local government in the region.

Warringah has repeatedly sought to reach an agreement with Pittwater and Manly to merge. This has been done through a Council resolution (16 December, 2014), through letters, public statements, regional workshops and in person to person contact.

However, Manly and Pittwater do not wish to merge. Contrary to the strategic intent of the ILGRP, Manly and Pittwater Councils have suggested splitting Warringah. This would “split the northern beaches” and create two smaller councils than Warringah and cost the community up to \$179 million over 10 years. This option was overwhelmingly opposed by the residents of Warringah, and the Chairman of the ILGRP, Professor Graham Sansom. Manly Council is pursuing this fundamentally flawed concept alone.

In the absence of a combined council, Warringah is ‘Fit for the Future’ on its own.

- Warringah is a leader in local government in NSW and the strongest and largest Council on the northern beaches. With a projected population of 173,500 by 2031 Warringah’s population would be larger than four metropolitan councils for whom the ILGRP recommended no structural change.

- With a large revenue base and access to discretionary expenditure, Council has invested for the future. Removing our asset backlog, as well as continuously strengthening our strategic capacity, has enabled us to deliver exceptional services to the Warringah and regional community.
- Since 2013, Warringah has received over 35 accolades for its performance and recognition by both TCorp and Office of Local Government as being one of the top performing Councils in NSW. A 2015 survey found that 94% of Warringah residents are satisfied with Warringah’s performance – a record for the organisation.
- Warringah has effective systems and skilled staff to work in partnership with State Government to plan and deliver complex and large scale regional planning such as the Northern Beaches Hospital Precinct Structure Plan and Dee Why Town Centre revitalisation.
- Warringah has demonstrated strong political and managerial leadership, prepared to tackle complex, long term issues such as advocating for Local Government reform since 2011 as it is in the best interest of our community, our region and metropolitan governance.
- Warringah works collaboratively with its neighbours to achieve better outcomes for the region, one example being Kimbriki Environmental Enterprises Pty Ltd where we are providing a sustainable local solution for waste management for the region.
- For more information on Warringah’s scale and capacity see Appendix 1.1A and Appendix 1.1B

2. YOUR COUNCIL'S CURRENT POSITION

2.1 About your local government area

Warringah Council administers a large area of 152 square kilometres on Sydney's northern beaches. We have a strong rate base, and provide services, events and facilities to high levels of satisfaction (94% community satisfaction with Council's performance). Our capacity for long term and strategic planning, as evidenced by our comprehensive range of key strategies, provides a solid basis for addressing the priorities of our community.

Our 14 kilometres of coastline contains nine beaches and four coastal lagoons, and 40% of the LGA is covered in bushland most of which is high conservation value. Some 3,000 hectares of our 6,000 hectares of bushland is outside of National Parks and there is potential for these lands to be cleared as they sit on private or crown land. Our community prizes our natural environment and prioritised its protection as a key objective in our Community Strategic Plan (CSP).

As the population increases our bushland areas will come under increased pressure to be developed for housing, affecting our bushland and waterways. Protecting this land from development will be challenging if we cannot confine increases in population to existing urban areas. In addition, the biodiversity and coastal areas of Warringah will be impacted by climate change.

Council has assets with a replacement value of \$2.1b. Our LGA contains 128 sportsfields, 740 reserves, over 150 playgrounds, 26 community centres and six rockpools. In addition to managing the majority of the northern beaches recreational and community facilities, Council also manages several key assets including an aquatic centre, Glen Street Theatre and Brookvale Oval and shoulders all the costs of providing services at these regional facilities.

We have a large and growing population and are currently home to an estimated 155,289 residents. Compared to the rest of NSW our residents enjoy high average incomes and low unemployment. Our population is ageing. At census 2011 25.9% of residents were aged 55 years or older, which is higher than the Greater Sydney average. We shall need to adjust to these changes so support services reflect the needs of the community and our public spaces

are accessible. The number of 0-14 year olds has increased, and is also higher than the Greater Sydney average. The number of residents aged 20-30 years is decreasing.

In 2011, the most prominent family type in Warringah was 'couple families with children' (36.7%), and while the census found that the most common household in Warringah comprised of two people, 22.1% identified as being lone person households. The majority of Warringah's residents are Australian citizens (85.4%) and 16.1% speak a language other than English at home. This is not surprising given that more than 32% of our community were born overseas. We also have a small Indigenous population representing 0.4% of residents.

While Warringah has a moderate level of growth projected, our community has concerns regarding the potential implications of population growth and increased housing density on the natural environment and our transport networks. The issue is further complicated by the need for a variety of housing options to address issues of housing affordability and the increased prevalence of smaller household sizes. In planning for the future, we will need to balance the need to accommodate a growing population with potential loss of bushland and impact on our waterways. We will also need to balance the need for affordable, diverse housing options with retaining the character of our neighbourhoods.

A further challenge is the need to grow our economy in a sustainable way providing jobs that match the skills of local residents. Employment containment has increased importance given the pressures on our road network. Our transport is significantly constrained, especially along Pittwater Road and the Warringah Road corridors to and from the northern beaches. There are limited public transport options and long journeys are required to travel to other major employment and education areas. Addressing these constraints was another priority for our community in our CSP.

Research in late 2014 across the northern beaches indicated that there were strong similarities and common communities of interest. This is also reflected in urban and natural environments that are evidenced along the coast of the northern beaches. See Appendix 2.4 for research on common communities of interest on the northern beaches.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • High performing organisation that is financially sound - see TCorp Assessment and OLG Better Practice Review • Large Council with significant influence and the largest Council in the region • Innovative, integrated and efficient core systems • Very high staff and community satisfaction levels supported by culture of continuous improvement • Strong leadership and senior management skills: significant investment in both leadership and project management training • Strategic and regional planning capability: (i.e.strategic centres at Dee Why/ Brookvale and Frenchs Forest Hospital Structure Plan and precinct planning) • High degree of focus on risk management and business continuity • Natural Assets – one of our greatest strengths lies in the natural assets that we are responsible for managing • Developed award winning website and digital publishing platform to meet growing demand from connected community. Highly scalable system for ease of expanding services • Strong community support and strategic input via formal Strategic Reference Groups (SRGs) across the key areas of Council, such as environment, community, open space and transport • The ability to produced financial information on a timely basis as evidenced by being the first Council in NSW to submit their Annual Financial Statements to the Office of Local Government 	<ul style="list-style-type: none"> • The current approach to rate pegging • Statutory fees do not allow for full recovery of the cost of the service • Cost shifting associated with Fire Brigade levy, RFS and SES levy • Diminishing income from grant contributions • Financial requirement to support and maintain regional facilities for the northern beaches community, such as the PCYC, aquatic centre and Glen Street Theatre • The current ROC voting model places heavy restrictions on larger Councils, creating inequity and effectively reducing the value of Warringah residents' votes. The SHOROC model gives every Mosman resident five times the voice of a Warringah resident. The other Councils have stated that in relation to joint services Warringah will not run any service on their behalf e.g. procurement. • The current governance model of regional joint ventures, such as Kimbriki significantly disadvantage progress and inhibit innovation due to unnecessary shareholder positioning • As the northern beaches largest Council, Warringah provides disproportionate resourcing for regional programs, such as Guringai Festival, Art in Odd Places, 24/7 Film Festival and youth programs. While there is scale to perform the works the coordination and inequity is inefficient • Planning for strategic centres identified in the NSW Government's <i>A Plan for Growing Sydney</i> was negatively impacted upon due to the exclusive involvement of SHOROC. Both strategic centres are fully in the Warringah LGA and Warringah was only involved in the last few weeks of planning to the community's detriment

Opportunities

- Increased utilisation of assets to reinvest in assets and infrastructure (i.e. 'asset recycling')
- Identification of suitable commercial opportunities and ventures in the public space and with Council assets
- Further progressing customer utilisation and increasing transparency of digital services and mobile delivery
- Potential for commercial opportunity in providing back office functions to other councils
- Greater purchasing power through joint procurement with other large councils across NSW
- Amalgamation of three northern beaches Councils to create a new organisation with the best elements of all three councils

Threats

- Increasing community expectations towards service levels that exceed current capacity
- Future costs associated with climate change mitigation and adaptation
- Ageing population and associated increased service requirements
- Lack of affordable housing and key workers priced out of the region
- Trend of young adults leaving the area
- Requests for local collaboration projects, when the largest council, Warringah, often takes on a disproportionate effort and financial burden on their community without proportional voting

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)	0.036	Yes	0.253	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	92.9%	Yes	93.8%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	137.1%	Yes	178.5%	Yes

Warringah Council meets all the Sustainability performance benchmarks and will maintain this position beyond 2019/20.

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%)	2.1%	No (Achieved 2014/15)	0.4%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	102.3%	Yes	102.3%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.22%	Yes	1.23%	Yes

Warringah Council meets all the Infrastructure and Service Management performance benchmarks. The Infrastructure Backlog performance benchmark will be achieved in 2014/15 with a ratio of 1.9%. All performance benchmarks will continue to be achieved beyond 2019/20.

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

Council has undertaken infrastructure capital renewal works of \$83.6m over the six years ended 30 June 2014 with an Infrastructure Renewal Ratio of 151% over this period. This has reduced the Infrastructure Backlog Ratio to 2.1% at 2013/14 which is slightly above the benchmark of 2%. The renewal works for 2014/15 and future years will reduce the ratio to well below the benchmark over all future years of the assessment. The 2014/15 performance of infrastructure backlog ratio is 1.9% and achieves the Fit for the Future benchmark.

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 adjusted** A decrease in Real Operating Expenditure per capita over time (Gross basis excluding additional expenditure associated with increased service levels)	0.62	Yes	0.61	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time (Gross basis inclusive of additional expenditure associated with increased service levels)	0.81	Yes	0.85	No*

Warringah Council meets the performance benchmarks for Efficiency by 2014/15 and will maintain this position beyond 2019/20. Warringah's Real Operating Expenditure per capita has been adjusted down for the items on the following page to take account of service level increases in 2013/14 and 2014/15 as well as proposed service level increases in 2018/19.

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

In accordance with IPARTs *Methodology for Assessment of Council Fit for the Future Proposals*, Council has prepared the ratio on a gross basis as well as a net basis adjusted for IP&R supported service improvements. The first ratio therefore excludes additional costs associated with increased service levels resulting from community priorities identified as part of the Integrated Planning and Reporting Process (Real Operating Expenditure per capita adjusted **). The second ratio does not take account of the additional expenditure and is the gross figure (Real Operating Expenditure per capita*).

The additional costs associated with increased service levels include:

1. Council's Children's Services which provides long day care, occasional care, family day care and vacation programs and events for children and their families. The number of spaces per day offered by the service has increased by 15 since 2013/14. This comprises 12 more spaces per day at Brookvale Children's Centre and three more spaces per day at Brookvale Occasional Care Centre. Additionally, there was an increase in the level of service through a higher level of staff qualifications and an increase in staff ratios resulting in seven additional positions and increasing the grading of four roles. Council's Children's Services has also undertaken the management of Manly Council's family day care service since 2013/14.
2. Council's operating expenses include 100% of its subsidiary Kimbriki Environmental Enterprises Pty Ltd (KEE). The minority shareholders that own 49% of the company are the other two northern beaches councils Manly and Pittwater as well as Mosman. The northern beaches and Mosman is one of the few regions in NSW with its own facility capable of managing its waste into the future. KEE is a commercial operation which has grown

income and expenditure by over 100% in the past five years. KEE has significant capital expenditure planned for the next five years amounting to \$32.5m in landfill gas management, enhanced landfill cell development, leachate management and a landfill resource recovery facility. A new alternate waste technology recycling facility, which is due to be operational in 2018/19 will provide social, environmental and economic benefits for the next 30 years.

3. The closure of the Belrose Putrescible Waste Landfill and the implementation of the alternate waste technology recycling facility requires the rollout of a new waste collection system. As such costs are increasing at a higher rate over the short term. Domestic Waste Services expenses have increased from \$15.7m in 2009/10 to \$21.2m in 2014/15 an increase of 35% with an additional increase of 49% anticipated over the five years to 2019/20.
4. Council has had a significant capital works program over the five years ending 30 June 2015 with capital new works of \$58m and capital renewal works of \$100m. Likewise, Council has \$84.7m in capital new works and \$113.6m in capital renewal works over the five years ending 2019/20. The new works have significantly increased service levels with assets such as the Narrabeen Lagoon Trail. Depreciation increased by 6.7% in 2013/14 and 4.1% in 2014/15 and this will increase by 26.7% over the next five years to 2019/20.

While Council has had a decline in its Real Operating Expenditure per capita in 2013/14 these items have had the impact of inflating Warringah's expenditure and will lead to a slight increase in Real Operating Expenditure per capita.

2.4 Water utility performance

Warringah Council is not responsible for water supply and sewerage management. This section had been deleted.

3. HOW WILL YOUR COUNCIL BECOME/ REMAIN FIT FOR THE FUTURE?

3.1 Sustainability

Key strategies to improve performance against the sustainability benchmarks

Warringah Council's financial sustainability is based on good governance and integration of effective asset management with tight financial control. Our strong financial position is supported by our substantial revenue base and economies of scale due to our size (i.e. better purchasing power and organisational efficiencies).

Council's approach to improving performance against sustainability is guided by its Financial Planning and Sustainability Policy (see Appendix 4.1). This establishes the strategic framework to guide the development of the Annual Budget, Long Term Financial Plan and decisions such as the consideration of funding options for infrastructure projects including borrowings which impact on the both the present and future financial position of Council.

Council has consistently generated a surplus from Continuing Operations before Capital Grants and Contributions with an Own Source Revenue ratio of more than 90% which will remain as a focus in 2016-2020 timeframe. Council will maintain its existing service levels to residents and any changes to future service levels will be determined in consultation with the community. This is testament to our ability to self-fund our projects and services, and signifies that we are not overly reliant on government funding and contributions. Accordingly, we will continue to ensure appropriate measures are in place to maintain this position into the future.

Budgets are developed on the basis of maintaining assets to at least the same condition as they were at the start of each financial year so as to ensure the risk of infrastructure backlogs are minimised. Council will continually look for ways to structurally realign resources and/or increase income opportunities without changes to service standards.

Asset management plans will continue to be linked to the Long Term Financial Plan. With this in mind future lifecycle costs will be reported and considered

in all decisions relating to new services, upgrading of existing services, asset renewal and new capital works.

The success of these strategies is evidenced from TCorp's *Financial Sustainability of the NSW Local Government Sector* in 2013 which rated Warringah Council's financial sustainability as 'Sound with a Positive Outlook'. In addition we are one of only three NSW Councils that is forecasted to be in a strong financial situation by 2016. Similarly, the Infrastructure Audit conducted by the Office of Local Government in 2013 assessed Council's infrastructure management to be 'Very Strong', with only four other councils receiving a similar strong rating. The fundamentals underpinning our financial and infrastructure management will continue to be a focus in the 2016-2020 timeframe.

Our population is projected to grow substantially (to 173,500 by 2031) which secures our rate revenue base into the future. With an overall aim of maintaining our strategic capacity, our financial sustainability strategies are focused on continuing to invest into our management and governance systems, streamlining business processes, ensuring evidence-based decision making, robust risk management, and ensuring appropriate levels of asset renewals across our asset classes.

Council will continue to assess the financial effects of Council decisions on future generations. Council strives to achieve equity between generations of ratepayers (intergenerational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore, on a user pay basis, who should pay for the costs associated with such expenditure.

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

Growth

In assessing future growth Council has referred to NSW Planning and Infrastructure's Preliminary 2013 Population Projections for Warringah. Warringah's population is projected to increase from 147,611 in 2011 to 173,500 in 2031 at an average of 0.8% per annum, or approximately 1,295 extra persons per year.

Under the 2007 North East Subregion draft Subregional Strategy, a target of 10,300 dwellings was proposed for Warringah by 2031. The NSW Planning and Environment's 2014 Final Household and Implied Dwelling Projections have revised this to 13,431 at an average of 1.03% per annum. Actual delivery of new dwellings to meet the target will require up-zoning of land with associated supporting infrastructure.

Inflation

In determining the inflationary increase assumption for 2015/16 Long Term Financial Plan, Council has used economic projections, which indicates that inflation projections for the next ten years will average 2.5%.

Rates

The Rate Cap and Special Rate Variations in the years 2015/16 to 2017/18 is based on that advised by IPART in their Determination issued on 3 June 2014. Subsequent years have been calculated based on an estimate of the Local Government Cost Index. This estimate is based on 40% of costs being Employee Costs and 60% being Other Expenses with 0.2% productivity factor.

Annual Charges

Council calculates its Domestic Waste Management Charges to ensure that its total income can fund the operating and maintenance costs associated with providing the service, including provisions for major plant replacement. Higher costs reflecting a new bin system roll-out associated with the closure of the Belrose landfill site, changes by the New South Wales Government in the allocation of the WaSIP Grant and the implementation of the Alternate Waste Technology (AWT) facility at the Kimbriki Waste Landfill site in 2018/19 will result in higher domestic waste management costs.

Increases in the Domestic Waste Management Charge from 2016/17 to 2019/20 for an 80 litre bin will average \$34 per annum (120 litres: \$52).

User Charges & Fees

Council's User Fees & Charges comprise Statutory Charges which are determined under relevant legislation and Non-Statutory Charges including child care fees, venue hire and lease income from Council properties. In determining the rates for its Non-Statutory Charges, Council applies its Pricing Policy which incorporates the Local Government Competitive Neutrality Guidelines. CPI (underlying inflation) has been used to project Council's revenue for future years from User Fees & Charges.

Interest & Investment Revenues

Council has used information provided by its investment advisors to determine projections for interest on investments based on forecast cash balances over the 10 year period.

Other Revenues

Council's Other Revenue principally comprises recycling revenue, Environment Protection Authority revenue, fine income and revenue from other activities including special events, merchandising, food and beverage sales at Councils' Aquatic Centre and Glen Street Theatre. CPI (underlying inflation) detailed above has been used to project Council's revenue for future years from Other Revenues.

Grants & Contributions – Operating Purposes

Council receives a number of operational grants from various Government agencies. The largest of these being the Financial Assistance Grant and Council has assumed that this will continue to be received; however this will not be indexed in accordance with Commonwealth Government Budget announcements. Council has assumed it will continue to receive other operating grants in relation to ongoing operations (e.g. salary, grants) and that these will increase annually in line with CPI (underlying inflation). Other operating grants received for specific project-related purposes have been included in the year Council anticipates they will be received.

Grants & Contributions – Capital Purposes

S94A Developer Contributions are a significant source of Council's capital revenue. Predicting the amount of revenues received from this source is extremely difficult as it is essentially market driven and depends on the timing of developments. Council has assumed it will receive \$2.2 million in contributions in the 2015/16 financial year and that these will increase annually in line with CPI (underlying inflation). Council has assumed it will continue to receive other capital grants in relation to ongoing programs and that these will increase annually in line with CPI (underlying inflation). Other capital grants received for specific project related purposes have been included in the year Council anticipates they will be received.

Gain on Disposal of Assets

Council's Gains on Disposal of Assets is predominantly received from the sale of its fleet and properties. The estimate in 2015/16 includes anticipated gains from the sale of Council's fleet as well as the sale of a major property asset. Future years are based on the assumption that the fleet sales will continue at their current level and will increase annually in line with CPI (underlying inflation). The funding of the Dee Why Town Centre Parking and Community Facility (PCYC) will partially come from the proceeds from the disposal of the Kiah site at Dee Why in 2015/16. The completion of a cultural hub at Glen Street at Belrose is to be funded by the disposal of part of the Belrose Library site in 2016/17.

Employee Benefits & Oncosts

The current Local Government State Award provides for annual increase of 2.7% in 2015/16 and 2.8% in 2016/17 as well as salary band step increases. Council has assumed that the Local Government State Award increases will remain at their 2016/17 levels for the final eight years of the Long Term Financial Plan. Other assumptions relating to employee costs which are included in the Long Term Financial Plan include:

- No change is expected in existing employee working hours.
- Council assumes a 5% vacancy in establishment positions in each financial year.
- The average increase as a result of Award based Salary Band step increases will be 0.2% per annum.

- Council has modelled future superannuation expenditure based on the freezing of the statutory contribution rate at 9.5% until 2021/22. The contribution will then incrementally increase to 12.0% by 2025/26.
- Council will continue to achieve productivity improvements through its continuous improvement program and these will average 0.2% per annum.

Borrowing Costs

Council's borrowing costs over the 10 year period comprise a number of components:

- Interest incurred on borrowings for major infrastructure works:
 - The construction of access road infrastructure at the waste landfill site at Kimbriki. It is anticipated further borrowings will be required in the 2015/16 financial year.
 - Finance Lease Interest Charges – rates on these borrowings have been calculated based on the assumed interest rate on investments plus 1.5%.
- Tip Remediation Discount. This relates to the remediation of the waste landfill site at Kimbriki. These have been based on a remediation plan and a discount rate of 6% per annum.

Materials & Contracts

Materials and contracts (with the exception of Domestic Waste Management) and other expenses which represent the principal costs used to deliver services to the community are forecast to increase in line with the Consumer Price Index. While the rate of growth projected is uneven it is forecast to average 2.5% per annum. Materials and contracts for Domestic Waste Management are forecast to increase by an average of 7.7% between 2015/16 and 2018/19 reflecting additional costs associated with the implementation of the Alternate Waste Technology at the Kimbriki Waste Recovery Facility.

Depreciation & Amortisation

The depreciation methodology which Council employs can be found in Note 1 of the General Purpose Financial Statements. The depreciation expense assumed in the Long Term Financial Plan has been calculated in accordance with this methodology. Estimates have also been included for the projected depreciation cost of new assets which have been identified within Council's Vproposed Capital Works Program.

Other Expenses

Other Expenses primarily relate to utility costs, insurances, statutory charges (including election costs, Emergency Services Levy and Waste Disposal Levy) and other program expenditure. These are generally forecast to increase in line with CPI (underlying inflation).

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. Manage performance to deliver an annual operating surplus (Operating Performance Ratio)	Council's Financial Planning and Sustainability Policy and Long Term Financial Plan continue to guide the development and management of the budget	Annual assessment of financial performance	The annual budget and Long Term Financial Plan are developed based on delivering an operational surplus and are tracked online monthly to ensure delivery and transparency to the community	<p>The ongoing ability to maintain building and infrastructure renewals and asset maintenance requirements, provide funding for growth within an appropriate borrowings and reduce real operating expenditure</p> <p>The ongoing ability to manage debt service levels and provide for new assets associated with growth whilst ensuring inter-generational equity</p>
2. To maintain high levels of financial independence and control (Own Source Revenue Ratio: Greater than 60%)	<p>2a. Continue to review opportunities for full or partial cost recovery for the provision of services and assets</p> <p>2b. Review the utilisation and appropriateness of infrastructure assets and where appropriate undertake asset rationalisation</p> <p>2c. Maintain a fair and equitable rating structure</p>	<p>2a. Annual assessment of fees and charges</p> <p>2b. In accordance with the Asset Disposal Policies in the Asset Management Plans</p> <p>2c. Annually and in response to changes in property valuations</p>	<p>Fair and equitable pricing structure which reflects the full cost of services</p> <p>Potential retirement of underutilised assets and reallocation of operational expenditure</p> <p>More opportunities for achieving a commercial return on assets</p> <p>Rates only increase in line with the annual rate cap</p> <p>The distribution of the rate burden between categories (sub categories) reflects the relative demand on Council services</p>	<p>Greater emphasis on real operating expenditure by ensuring appropriate assessment of pricing methodologies</p> <p>Minimisation of asset maintenance costs associated with underutilised assets</p> <p>Savings in real operating expenditures by ensuring services are focussed on achieving efficient delivery to the community</p> <p>Minimisation of outstanding rates and annual charges and administration costs associated with ratepayer interactions generating greater efficiencies</p>

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3. To maintain assets to at least the same condition as they were at the start of the financial year (Building and Asset Renewal Ratio: Greater than 100%)	<p>3a. Continue to fully allocate funds for the depreciation of assets in the annual budget</p> <p>3b. Continue to improve monitoring of asset conditions to minimise the likelihood of infrastructure backlogs</p>	<p>3a. Annual assessment of asset conditions</p> <p>3b. Up to date information on condition and value of assets (ongoing)</p>	<p>Full utilisation of depreciation for renewal of assets to maintain service levels</p> <p>Minimisation of likelihood of infrastructure backlogs</p> <p>Timely notification of significant value changes and early opportunity to address these</p> <p>Decisions are based on a sound analysis of risk as asset monitoring is integrated with the risk management framework</p>	<p>Maximising the utilisation of council assets and the ability to generate own source revenue</p> <p>Lower real operating expenditure by minimising the higher costs associated with the declining condition of assets</p> <p>Maintain Infrastructure backlog within the benchmark</p>
4. To ensure the appropriate recognition of the need to generate additional revenue where service levels are increased	Appropriate fees and charges are to be identified as part of any business case which proposes service level increases	Income and expenses from service level increases are matched and fully analysed as part of the annual budget cycle	Any service level increases do not negatively impact on Council's operating surplus and its ability to maintain assets	Maintain operating performance, asset renewal and maintenance ratios above the benchmarks

3.2 Infrastructure and Service Management

Key strategies to improve performance against the infrastructure and service management benchmark

Council meets all three criteria related to infrastructure and service management.

Council defines 'infrastructure backlog' broadly as being comprised of unfunded renewals as well as those assets that should have been – but were not - renewed prior to the current reporting year.

Council is in a strong position to meet community expectations and address infrastructure and service demand into the future: we do not fund our capital works through inappropriate levels of debt; we only have a minimal infrastructure backlog; and we appropriately maintain our assets for the community.

Council has a solid asset management framework in place, comprised of our Asset Management Policy and Asset Management Strategy, plus individual infrastructure asset management plans, all of which are integrated with our Enterprise Risk Management Policy and Strategy. This ensures a clear link to the Long Term Financial Plan and the Community Strategic Plan and keeps the day-to-day management of our assets in alignment with our Financial Planning and Sustainability Policy.

The asset management framework also provides firm accountability by articulating how we will manage assets now and into the future by establishing objectives, actions for improvement, timeframes and responsibilities.

Our asset monitoring and management system is integrated with our financial management system, and our infrastructure backlog is independently audited on an annual basis. We go beyond compliance in terms of revaluation of our assets, by conducting regular revaluations and reviews - either annually or bi-annually for significant assets, depending on asset type and function.

We have invested in a mobile assessment platform (known as the Warringah Asset Management Mobility Solution) which, combined with Council's After Hours Emergency Response Service and its external contractors, means that Warringah is now capturing all works undertaken on assets instantaneously every day of the week, around the clock. The mobile assessment platform is currently being rolled out within the organisation, yielding significant productivity gains in the planning and management of the asset maintenance service as well as improving the accuracy and timeliness of asset data collection and reporting. It has also improved customer service through more effective request tracking and faster response time. This gives us confidence that our asset management data is reliable and up to date.

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

Growth

In assessing future growth Council has referred to NSW Planning and Infrastructure's Preliminary 2013 Population Projections for Warringah. Warringah's population is projected to increase from 147,611 in 2011 to 173,500 in 2031 at an average of 0.8% per annum, or approximately 1,295 extra persons per year.

Under the 2007 North East Subregion draft Subregional Strategy, a target of 10,300 dwellings was proposed for Warringah by 2031. The NSW Planning and Environment's 2014 Final Household and Implied Dwelling Projections have revised this to 13,431 at an average of 1.03% per annum. Actual delivery of new dwellings to meet the target will require up-zoning of land with associated supporting infrastructure.

Revaluations

Full revaluations of infrastructure assets will be undertaken every five years and desktop valuations will be undertaken in every other year. The cost approach will be utilised to estimate the replacement cost of assets by componentising the assets into their significant parts, taking account of factors and inputs such as estimates of the pattern of consumption, asset condition and useful lives.

Depreciation

In each year of the proposal depreciation will be fully utilised to fund the renewal of assets. Depreciation will increase annually as a result of revaluation increases which is assumed to be in line with CPI (underlying inflation) and as a result of the addition of new assets. Over the five years to 2019/20 depreciation will increase at an average of 4.88%.

Infrastructure Renewals

Infrastructure renewals are budgeted at an average of 145% of depreciation for the three years to 2017/18 reducing the infrastructure backlog to 0.3%. Future infrastructure renewals are budgeted at 105% of depreciation to provide appropriate allowance for upgrades inherent in these renewals.

Lifecycle Costs

Future lifecycle costs are included in business cases for the upgrading of existing assets, asset renewal and new capital works.

Asset Maintenance

Annual maintenance will increase in line with CPI (underlying inflation) and as a result of the addition of new assets.

Debt

Over the next 10 years, debt will be an important funding source to deliver community projects. Council has commenced construction of the renewal of access roads at the Kimbriki Waste Landfill site. It is anticipated that the renewal of the access roads will cost \$12.5m. Council is planning to borrow \$7.815m for the Local Infrastructure Renewal Scheme (LIRS) component of the project and is proposing to borrow for the remaining component of the works in 2015/16, in order to maintain financial sustainability over the 10 years of the Long Term Financial Plan.

Council will continue to review the need to borrow for major infrastructure projects. Spreading these costs over a number of years facilitates inter-generational equity and smooths out long term expenditure peaks and troughs.

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. To adequately fund infrastructure renewals (Infrastructure Backlog Ratio: Less than 2%)	<p>1a. Deliver Asset Management Plans which fully inform the preparation of the Long Term Financial Plan and maintain the objectives of Council's Financial Planning and Sustainability Policy</p> <p>1b. Continue to improve monitoring of asset conditions to minimise the likelihood of infrastructure backlogs</p>	<p>1a. Annual updates of Asset Management Plans and the Long Term Financial Plan incorporating appropriate allowance for asset renewals and maintenance</p> <p>1b. Up to date information of condition and value of assets (ongoing)</p>	<p>Alignment between asset management plans and financial capability of the organisation to deliver sustainable infrastructure renewal</p> <p>Decisions are based on a sound analysis of risk as asset monitoring is integrated with the risk management framework</p>	Maintaining of Operating Performance, Asset Renewal and Maintenance ratios
2. To maintain assets to no less than a satisfactory standard (Asset Maintenance Ratio: Greater than 100%)	Continuous and regular revaluations and inspections of all assets	Annual assessment of asset conditions	<p>The condition of assets is measured and maintained on an up to date basis</p> <p>Council's asset reporting system incorporates relevant information from both a financial and engineering perspective</p>	The ability to ensure that increasing costs associated with infrastructure backlogs does not impact on Council's operating performance
3. To ensure the quality of asset maintenance expenditure data (Asset Maintenance Ratio: Greater than 100%)	Improved tracking of maintenance costs per asset through tighter integration of maintenance and financial reporting systems	Integration completed by December 2017	Systemised reporting of actual maintenance costs	The ability to reduce real operating expenditures by ensuring assets are renewed at the most appropriate time lowering the likelihood of inappropriate increases in asset maintenance costs

Objective	Strategies	Key milestones	Outcome	Impact on other measures
4. To ensure that there is adequate funding in the long-term for the ongoing maintenance and renewal of new assets (Asset Maintenance Ratio: Greater than 100%)	Continue to budget for scheduled and reactive maintenance associated with the creation of new assets	<p>Full assessment of additional operating and maintenance costs associated with new works as part of each business case</p> <p>Annual assessment of additional operating and maintenance costs associated with new assets as part of the annual budget cycle</p>	New assets are incorporated in Long Term Financial Plans and maintained to agreed service standards	Reduction in real operating expenditure as a result of growth
5. To ensure the total amount of borrowings is sustainable in terms of ability to meet future repayments and budgetary obligations (Debt Service Ratio: Greater than 0% and less than or equal to 20%)	Restrict borrowings to critical assets for the community which are unable to be funded from other revenue sources	Annual assessment of borrowing requirements as part of the annual budget cycle	Sustainable level of debt that is based on the principle of intergenerational equity	Operating performance continues to deliver a Surplus from Continuing Operations before Capital Grants and Contributions

3.3 Efficiency

Key strategies to improve performance against the efficiency benchmarks

In order to assess Council's performance against this benchmark it is necessary to consider changes in service levels over time consistent with community priorities identified in the Integrated Planning and Reporting process.

It is necessary to take account of service level increases which occurred in 2013/14 and 2014/15 as well as proposed service level increases in 2018/19 when measuring the performance of Council for efficiency. After taking into account these changes Council can demonstrate a decline in Real Operating Expenditure per capita for each year of the 10 years of its long term financial plan.

On this basis Council prepared the benchmark on two levels in Section 2.3. The first is a gross basis (Real Operating Expenditure per capita) which does not take account of additional expenditure associated increased service levels, resulting from community priorities identified as part of the Integrated Planning and Reporting process. The second takes account of those service level increases. Council will continue to provide existing service levels including recent service improvements. Significantly, we have also committed to provide long-term sustainable waste disposal through the Kimbriki Alternative Waste Technology project where Council is the major shareholder with 51% of shares (Manly, Mosman, and Pittwater Councils are partners).

These initiatives are the tangible outcomes of working closely with the community to understand its needs both now and in the future, and the adjusted service levels align with community priorities. Warringah's community has expressed high levels of satisfaction with our service levels (94% satisfaction).

The additional expenditure in recent years has been partially absorbed by efficiencies achieved in the business, however it is estimated to have added \$1.4 million per annum to our operational expenditure, which in turn will be offset by additional revenue from user fees over time.

We are able to incorporate these improvements because Council's operating expenditure per capita is relatively low and the organisation is financially and organisationally strong.

As one of largest metropolitan councils in Sydney, Warringah is able to generate economies of scale. With an OPEX per capita in 2013 of \$831 (excluding Kimbriki expenses) we are one of the most cost efficient councils in NSW. While this is a great result in itself, the low starting point makes it difficult for Council to meet the benchmark of decreasing OPEX per capita within the timeframe. We are already lean, and hence will need to be targeted in achieving further efficiency and productivity gains so that we do not compromise our strategic capacity or our environmental commitments.

We propose to continue our investments into a productive work culture that is agile and adaptable and has the strategic capacity to deal with change and the challenges of growth, as these types of investment have proven to yield considerable returns over time in terms of increased productivity, high standard of service delivery, and capacity to deliver on long-term infrastructure, social and environmental priorities.

The following specific objectives and strategies outline how we propose to continue to support our long-term financial viability within the context of

sustainability:

- Minimise administrative and service costs by maximising the use of technology efficiencies
- Continue to apply best practice principles in the areas of workforce planning, procurement management and resource allocation
- Continue to work with other Councils to maximise economies of scale in procurement
- Continue to implement waste management strategies which secure the region's long term waste management requirements and minimise long term costs
- Ensure all service level increases and new assets are supported by a business case which fully documents lifecycle costs
- Continue to implement web based technology applications to provide ratepayers and customers with direct access to services with resultant savings in administration costs
- Document and report cost containment achievements and productivity savings at least annually and apply these efficiencies to cover costs associated with service level increases and new assets
- Continue to develop technology applications which minimise duplication across Council and provide greater accessibility to information

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

Growth

In assessing future growth Council has referred to NSW Planning and Infrastructure's Preliminary 2013 Population Projections for Warringah. In Warringah the population is projected to increase from 147,611 in 2011 to 173,500 in 2031 at an average of 0.8% per annum, or approximately 1,295 extra persons per year.

Under the 2007 North East Subregion draft Subregional Strategy, a target of 10,300 dwellings was proposed for Warringah by 2031. The NSW Planning and Environment's 2014 Final Household and Implied Dwelling Projections have revised this to 13,431 at an average of 1.03% per annum. Actual delivery of new dwellings to meet the target will require up-zoning of land with associated supporting infrastructure.

Inflation

In determining the inflationary increase assumption for 2015/16 Long Term Financial Plan, Council has used economic projections, which indicates that inflation projections for the next ten years will average 2.5%.

Employee Benefits & Oncosts

The current Local Government State Award provides for annual increase of 2.7% in 2015/16 and 2.8% in 2016/17 as well as salary band step increases. Council has assumed that the Local Government State Award increases will remain at their 2016/17 levels for the final eight years of the Long Term Financial Plan. Other assumptions relating to employee costs which are included in the Long Term Financial Plan include:

- No change is expected in existing employee working hours.
- Council assumes a 5% vacancy in establishment positions in each financial year.
- The average increase as a result of Award based Salary Band step increases will be 0.2% per annum.
- Council has modelled future superannuation expenditure based on the freezing of the statutory contribution rate at 9.5% until 2021/22. The contribution will then incrementally increase to 12.0% by 2025/26.
- Council will continue to achieve productivity improvements through its continuous improvement program and these will average 0.2% per annum.

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. To maintain service delivery with an ongoing decline in the Real Operating Expenditure per Capita ratio	<p>1a. Council's financial policies and Long Term Financial Plan continue to guide the development and management of the budget</p> <p>1b. Continue to invest in technology, knowledge management and business process improvements</p> <p>1c. Identify cost containment measures and productivity savings as part of the preparation of the annual budget</p> <p>1d. Maintain effective procurement strategies and partnerships with other councils</p> <p>1e. Continue to undertake workforce planning to deliver cost-effective and flexible means of service delivery</p> <p>1.f Continue to invest in developing a learning organisation</p>	Annual assessment of performance	<p>Operating costs do not exceed the benchmarks set in the Long Term Financial Plan</p> <p>More cost effective service delivery</p> <p>Annual reporting of cost containment measures and productivity savings</p>	<p>Reduction in real operating expenditure as a result of growth</p> <p>Operating performance continues to deliver a Surplus from Continuing Operations before Capital Grants and Contributions</p> <p>The ability to ensure that increasing costs associated with infrastructure backlogs does not impact on Council's operating performance</p> <p>Maintaining of Operating Performance, Asset Renewal and Maintenance ratios</p>
2. In consultation with the community assess any proposed increase in service levels ensuring they do not lead to a significant increase in the Real Operating Expenditure per capita ratio over time	Ensure business cases are prepared for any proposed increase in service levels	Every four years as part of the development of the Delivery Program	Operating costs do not exceed the benchmarks set in the Long Term Financial Plan	

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
3.1 Sustainability	
1. The 2017-2021 Delivery Program, the 2017/18 Operational Plan and 2017-2027 Long Term Financial Plan are developed in accordance with the Financial Planning and Sustainability Policy	The adoption of the Budget and Long Term Financial Plan by Council
2. The 2017/18 Fees and Charges are developed in accordance with Council's Pricing Policy	The adoption of Fees and Charges
3. Consult the community on service levels in formulating the Community Strategic Plan (CSP)	CSP community engagement undertaken Report on engagement completed and reported back to Council in consideration of review of CSP
4. Review Council's Rating Structure	New Rating Structure adopted by Council
5. Fully allocate depreciation to the funding of the renewal of assets	The adoption of the Budget and Long Term Financial Plan by Council
6. Deliver a program to improve the capture and analysis of asset data	Further document intervention limits for infrastructure maintenance Investigate system improvements for automation of notifications where intervention limits for infrastructure maintenance are exceeded Conduct desktop valuations for all infrastructure assets Expand the use of infield mobile data collection to capture asset condition and utilise information across all asset classes New asset management reports providing improved maintenance outputs and costs against assets
3.2 Infrastructure and Service Management	
7. Review the Asset Management Strategy and undertake an annual review of Asset Management Plans	The adoption of the Budget and Long Term Financial Plan by Council
8. Continue to support the full integration of our asset management system with the finance system. This includes exploring system improvements for the automation of notifications where intervention limits for infrastructure maintenance are exceeded	The adoption of the Budget and Long Term Financial Plan by Council

Actions	Milestones
9. Increase proactive asset inspections to ensure intervention for maintenance or renewal is optimal and less reactive	The adoption of the Budget and Long Term Financial Plan by Council
10. Operational, maintenance and depreciation expenditure for new assets is incorporated in the 2017/18 Budget and 2017-2027 Long Term Financial Plan	The adoption of the Budget and Long Term Financial Plan by Council
11. The viability of borrowings are based on a sound business case and supported by Council's Long Term Financial Plan	The adoption of the Budget and Long Term Financial Plan by Council
3.3 Efficiency	
12. Develop and document asset condition guidelines for each asset class	Asset condition guidelines are documented by June 2017
13. The 2017-2021 Delivery Program, the 2017/18 Operational Plan and 2017-2027 Long Term Financial Plan are developed in accordance with the Financial Planning and Sustainability Policy	The adoption of the Budget and Long Term Financial Plan by Council
14. Establish new strategic procurement arrangements with councils in the Northern Sydney region	Agreement with Northern Sydney councils on an annual procurement program
15. Revise the Workforce Plan	The Workforce Plan is developed as part of Council's suite of integrated planning and reporting documents by June 2017
16. Deliver programs to build capacity in the organisation	Skills are fully aligned in the Workforce Plan by June 2017
17. Consult the community on service levels in formulating the Community Strategic Plan (CSP)	CSP community engagement undertaken Report on engagement completed and reported back to Council in consideration of review of CSP

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

Council's Improvement Plan was developed using the projections of our Long Term Financial Plan and Asset Management Plans. Council formed a specific multi-disciplinary Fit for the Future project steering group who were integral in the development of the Improvement Plan. The Plan was developed in consultation with our Asset Strategy Group, comprised of all asset managers and our Asset Strategy Manager, and with our Leadership Group consisting of all Group Managers.

The Improvement Plan was also developed in consultation with Mayor and Councillors. Fit for the Future has been a frequent item at Councillor Briefings since the initiative was announced by the NSW State Government. Consultation has also taken place with Council's Strategic Reference Groups. Council has also undertaken several rounds of community research on Fit for the Future gaining input from over 4,200 community members.

3.5 Other actions considered

Warringah Council considered an alternate proposal for a Northern Beaches Council (Appendix 2.1). This proposal is consistent with the preferred model of the ILGRP and involves the merger of Manly, Pittwater and Warringah Councils. This model received wide spread support from the community. Over 4,200 respondents provided feedback stating their preference for local government reform on the northern beaches. There is very strong support for a single northern beaches council, with 74% of written submissions and 49% of telephone respondents in favour of the united model.

There is also very strong opposition to splitting the northern beaches with only 3% of submissions having a preference for this model. The results of the community engagement are at Appendix 3.1A, B and C and Appendix 3.2 and 3.3.

Warringah Council has made repeated formal and informal approaches and has remained open to discussing a voluntary merger with one or both Councils. Manly and Pittwater Councils have rejected the proposal to merge on multiple occasions. Detailed below are the formal actions that Council has taken. Warringah Council at its meeting on 16 December 2014 resolved to seek agreement with our neighbouring council(s) to jointly explore the case for a merger. Letters were sent on 15 January 2015 to the General Managers of Manly and Pittwater Councils seeking discussions. This was followed up with a number of requests by the Mayor and General Manager.

Warringah Council considered the issue again at its meeting on 24 March 2015 following receipt of a letter from Henry Wong the General Manager of Manly Council. At the meeting Council resolved to accept the offer from Manly Council to have a round table discussion to look at the reforms proposed by the NSW Government to create a new organisation.

The meeting between the Councils did not proceed as Manly Council at its Extraordinary Council meeting on 30 March 2015 resolved in part as follows

1. That Council supports Manly community's long held position against structural change to their local area;
2. That Council rejects the Sansom structural option for a single council on the northern beaches because this option is incapable of delivering prosperity to the residents of Manly, while, inter alia, will harm the community's democratic interests;
3. That Council affirms that it will not consider any structural option nor will it put forward any structural option in its Fit for the Future response.

Pittwater Council passed a similar resolution at its meeting on 7 April 2015. The resolution reaffirmed its previous resolutions of 13 October 2014 and in part reads:

1. That Council is opposed to any proposed merger of Manly, Warringah and Pittwater into one Council;
2. That Council remains committed to a strong independent Pittwater Council providing local representation and delivery of local services to the people of Pittwater on the existing boundaries.

Warringah Council approved the submission of a 'Council Improvement Proposal' at its meeting on 23 June 2015 and resolved in part as follows:

- That Warringah Council reiterates its willingness to engage in constructive dialogue with Manly and/or Pittwater Councils in order to achieve, for the northern beaches residents lower rates, increased service levels, increased infrastructure investment and improved management of common environmental assets
- That in addition to submitting a proposal to IPART also offer to merge with Manly Council to deliver improved services and infrastructure and reduced rates. The proposed offer to form a new Council could include:
 - No rate rise for a minimum of three years
 - Savings of up to \$123.5 million to be reinvested into more services and local infrastructure

- Access to the NSW Government incentive payment of \$10.5 million to increase services and infrastructure
- One parking sticker for all beaches between Shelly Beach and North Narrabeen as well as Fishermans Beach, Narrabeen Lagoon and Manly Dam
- Improved management of our joint environmental assets Manly Lagoon Catchment
- New Council to form within existing local government boundaries of Manly and Warringah.

Warringah Council wrote to Henry Wong the General Manager of Manly Council requesting a joint submission to IPART under the Fit for the Future program as the first step towards a Northern Beaches Council. This again would have been in time to secure NSW State Government funding of \$10.5 million to support the transition costs to move to a new Manly- Warringah Council. At the time of submitting this application no response has been received. Manly Council have an active resolution to be deemed Fit for the Future as a 'stand-alone' council, with an alternate proposal to split the northern beaches without a willing recipient for the other split half, despite offers to fully merge.

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 FTF w
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.0234	0.0261	0.0253	0.0534	0.0485	0.0375	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	93.5%	92.9%	93.8%	94.1%	94.2%	94.1%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	109.7%	146.7%	178.5%	112.0%	103.4%	105.3%	Yes
Infrastructure Backlog Ratio (Less than 2%)	1.9%	1.0%	0.4%	0.4%	0.4%	0.3%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	104.7%	102.3%	102.3%	102.3%	102.3%	102.3%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.3%	0.5%	0.8%	1.1%	1.1%	1.0%	Yes
Real Operating Expenditure per capita adjusted ** A decrease in Real Operating Expenditure per capita over time (Gross basis excluding additional expenditure associated with increased service levels)	0.63	0.62	0.61	0.61	0.60	0.60	Yes**
Real Operating Expenditure per capita * A decrease in Real Operating Expenditure per capita over time (Gross basis inclusive of additional expenditure associated with increased service levels)	0.86	0.85	0.85	0.84	0.85	0.87	No*

Warringah Council currently meets all the performance benchmarks with the exception of Infrastructure Backlog ratio. The Infrastructure Backlog benchmark will be achieved in 2014/15 with a ratio of 1.9%. All performance benchmarks will continue to be achieved beyond 2019/20 consistent with Warringah Long Term Financial Plan 2015-2025. In accordance with IPARTs *Methodology for Assessment of Council Fit for the Future Proposals*, Warringah's Real Operating Expenditure per capita has been adjusted down for the items noted over the page to take account of service level increases in 2013/14 and 2014/15 as well as proposed service level increases in 2018/19.

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.

As noted in Section 2.3 Council has prepared the Real Operating Expenditure per capita ratio on a gross basis as well as a net basis adjusted for Integrated Planning and Reporting (IP&R) supported service improvements. This is in accordance with IPART's *Methodology for Assessment of Council Fit for the Future Proposals*. The first ratio therefore excludes additional costs associated with increased service levels resulting from community priorities identified as part of the IP&R Process (Real Operating Expenditure per capita adjusted **). The second ratio does not take account of the additional expenditure and is the gross figure (Real Operating Expenditure per capita*).

Service level increases which occurred in 2013/14 and 2014/15 as well as proposed service level increases in 2018/19 impact on Council's ability to achieve the efficiency benchmark. After taking into account these changes Council can demonstrate a decline in Real Operating Expenditure per capita for each year of the 10 years of its long term financial plan.

The additional costs associated with increased service levels include

1. Council's Children's Services which provides long day care, occasional care, family day care and vacation programs and events for children and their families. The number of spaces per day offered by the service has increased by 15 since 2013/14. This comprises 12 more spaces per day at Brookvale Children's Centre and three more spaces per day at Brookvale Occasional Care Centre. Additionally, there was an increase in the level of service through a higher level of staff qualifications and an increase in staff ratios resulting in seven additional positions and increasing the grading of four roles. Council's Children's Services has also undertaken the management of Manly Council's family day care service since 2013/14.
2. Council's operating expenses include 100% of its subsidiary Kimbriki Environmental Enterprises Pty Ltd (KEE). The minority shareholders that own 49% of the company are the other two northern beaches councils Manly

and Pittwater as well as Mosman. The northern beaches and Mosman is one of the few regions in NSW with its own facility capable of managing its waste into the future. KEE is a commercial operation which has grown income and expenditure by over 100% in the past five years. KEE has significant capital expenditure planned for the next five years amounting to \$32.5m in landfill gas management, enhanced landfill cell development, leachate management and a landfill resource recovery facility. A new alternate waste technology recycling facility, which is due to be operational in 2018/19 will provide social, environmental and economic benefits for the next 30 years.

3. The closure of the Belrose Putrescible Waste Landfill and the implementation of the alternate waste technology recycling facility requires the rollout of a new waste collection system. As such costs are increasing at a higher rate over the short term. Domestic Waste Services expenses have increased from \$15.7m in 2009/10 to \$21.2m in 2014/15, an increase of 35%, with an additional increase of 49% anticipated over the five years to 2019/20.
4. Council has had a significant capital works program over the five years ending 30 June 2015 with new capital works of \$58m and capital renewal works of \$100m. Likewise, Council has \$84.7m in capital new works and \$113.6m in capital renewal works over the five years ending 2019/20. The new works have significantly increased service levels, with assets such as the Narrabeen Lagoon Trail. Depreciation increased by 6.7% in 2013/14 and 4.1% in 2014/15 and this will increase by 26.7% over the next five years to 2019/20.

While Council has had a decline in its Real Operating Expenditure per capita in 2013/14 these items have had the impact of inflating Warringah's expenditure and will lead to a slight increase in Real Operating Expenditure per capita.

5. Putting your plan into action

Council has a comprehensive monitoring and reporting process that goes well beyond statutory requirements. The integrated online reporting system brings strategic plans together with budgets, operational plans and business reporting. This leading technology will be used to implement the action plan. It is also scalable to expand services and serve other LGAs.

The Action Plan will be integrated with our IP&R framework, particularly our Delivery Program, Long Term Financial Plan, and our asset management plans.

The actions will be added to our Operational Plan 2016/17 and the initiatives will be integral to the work plans of relevant service areas and staff, with each action allocated to a group manager for ultimate accountability. The implementation of the Action Plan will be monitored through established processes within Council; quarterly and annual reporting to Council and through staff performance management plans.

The integrated reporting tool will make the Improvement Action Plan accessible by the public via warringah.nsw.gov.au, where they can view live reporting and see the Plan being executed.

Warringah Council is Fit for the Future and is in a strong position to implement the Improvement Action Plan.

