



Fit for the Future

24 June 2015

Introduction

- ❖ Fit for the Future requires all councils to respond by 30 June. The City of Botany Bay was identified by the Independent Review Panel for potential structural change (merger with 4 other councils into the Global City of Sydney)
 - While Council does not support forced mergers Council is considering the proposed merger and other options while preparing its response
- ❖ Any response other than that proposed by the Independent Panel needs to be a superior proposal (IPART). Proposals will be assessed against;
 - Scale and capacity
 - The 7 Fit for the Future benchmarks
- ❖ Morrison Low and Council staff have been working to develop a series of improvement opportunities and to forecast Council's performance against the benchmarks

Introduction

- ❖ This report provides an update on the draft improvement opportunities and the performance of Council against the Fit for the Future benchmarks
- ❖ If Council were to implement the following proposals identified to date then Council can meet all of the benchmarks by 2020
 - Improvement opportunities; and
 - Without an SRV
- ❖ Council's revaluation of roads assets and review of building depreciation are likely to lead to a reduction in depreciation. Any such change will have a (positive) impact on the Operating Performance, Asset Renewal and Infrastructure Backlog benchmarks.
 - At this stage a conservative allowance for the likely reduction in depreciation has been allowed for.

Description of Scenarios

1. Base Case

- Based on the councils previous Long Term Financial Plan, financial statements and updated financial projections relating to income, proposed renewal expenditure, depreciation

2. Updated forecast

- Council has identified a number of areas for improvements in services and service delivery
 - Council has made reasonable and conservative estimates of the financial impacts of each opportunity, where these can be made; and
- Council has updated future revenue forecasts to account for predicted residential growth
- Council is currently reviewing depreciation and a conservative allowance for the expected reduction has been modelled in

Performance against the Benchmarks

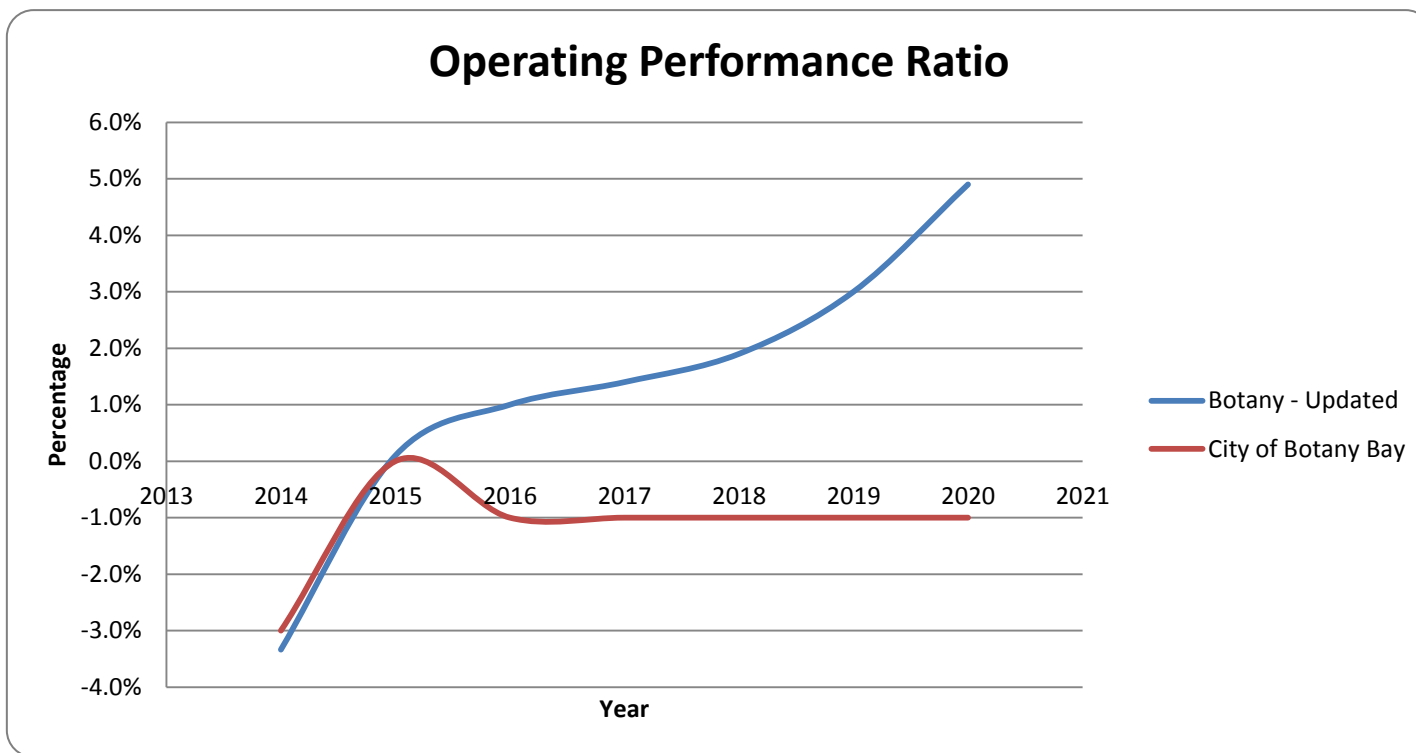
- ❖ The following graphs demonstrate the impact of implementing the improvement opportunities and allocation of the savings identified to renewal and maintenance expenditure over the period to 2023
 - The red line represents the base case
 - The blue lines represents the adjusted version (improvement opportunities and allocation to Infrastructure assets)
 - Where no difference exists only the red line shows
- ❖ A summary of the performance to 2020 is set out first
 - 2020 is the date by which IPART requires the following ratios to be met
 - Operating Performance Ratio
 - Own Source Revenue
 - Debt Service Ratio
 - The remaining ratios need to show improvement by 2020

Summary of performance against the ratios to 2020

Indicator	Base Case	Updated forecasts
Operating Performance	x	✓
Own Source Revenue	✓	✓
Debt Service Cover	✓	✓
Asset Maintenance	x	✓
Asset Renewal	x	✓
Infrastructure Backlog	x	✓
Real Operating Expenditure	✓	✓

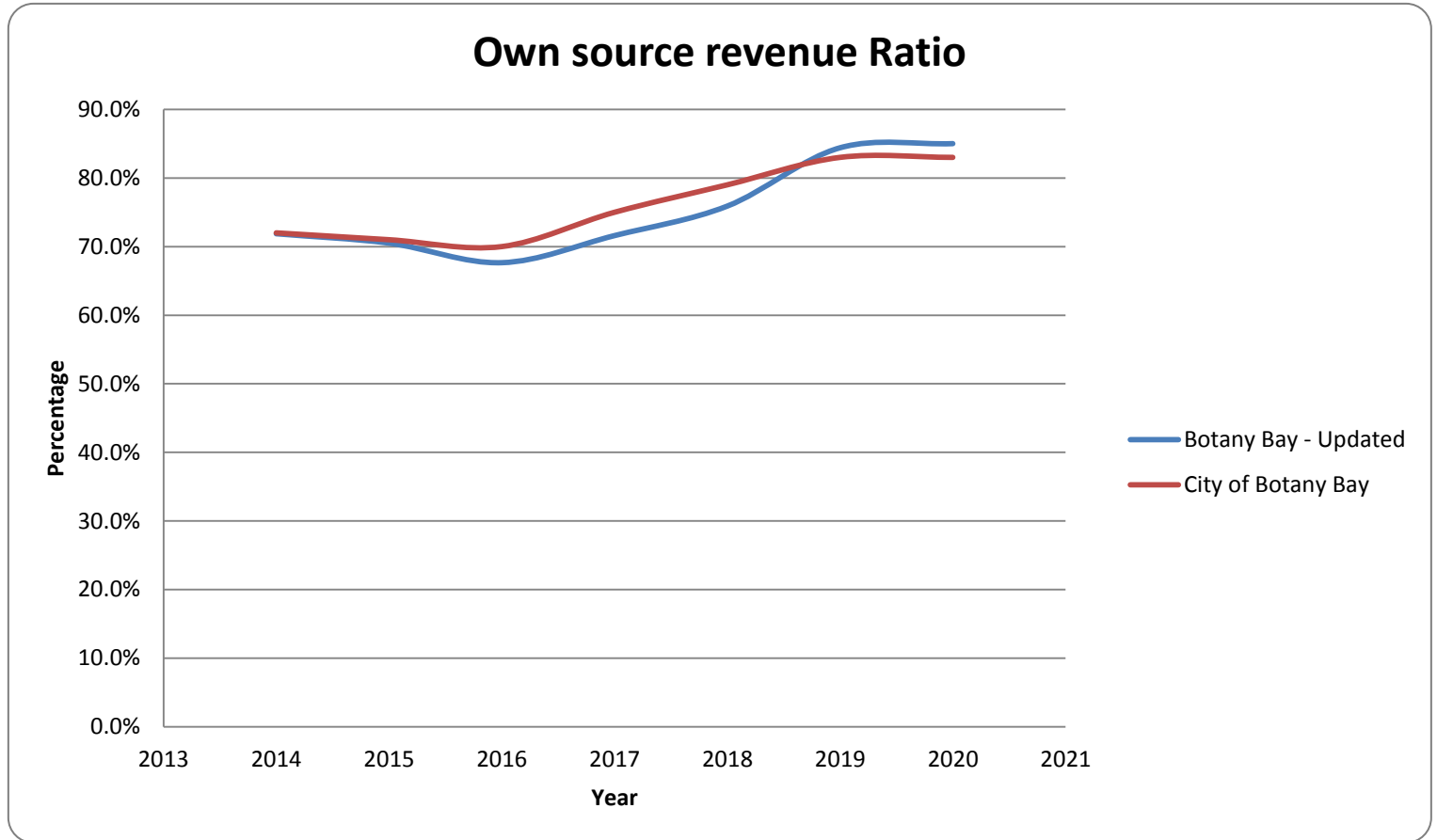
Operating Performance

(Greater than or equal to breakeven – average over 3 years)



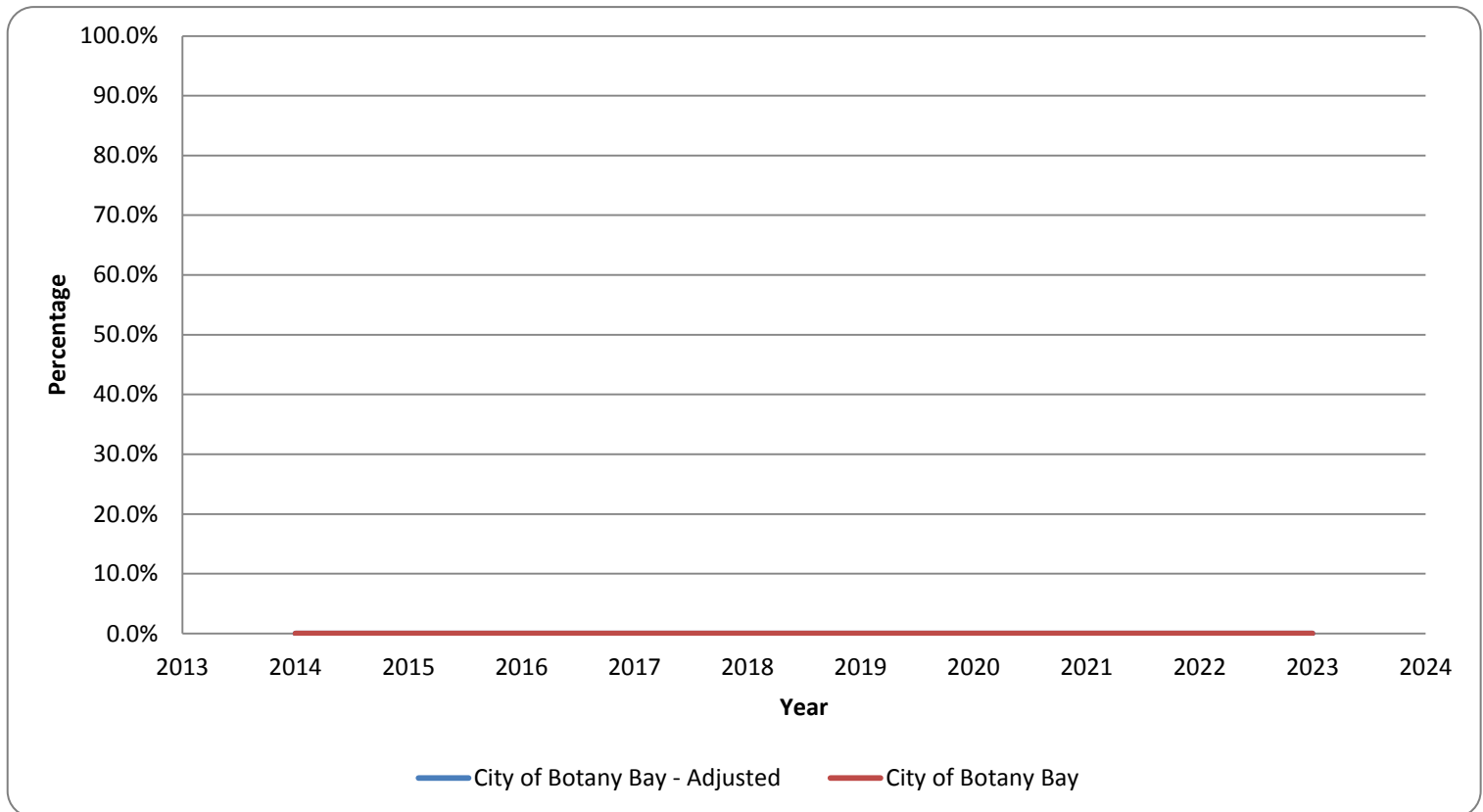
Own Source Revenue

(Greater than 60% – average over 3 years)



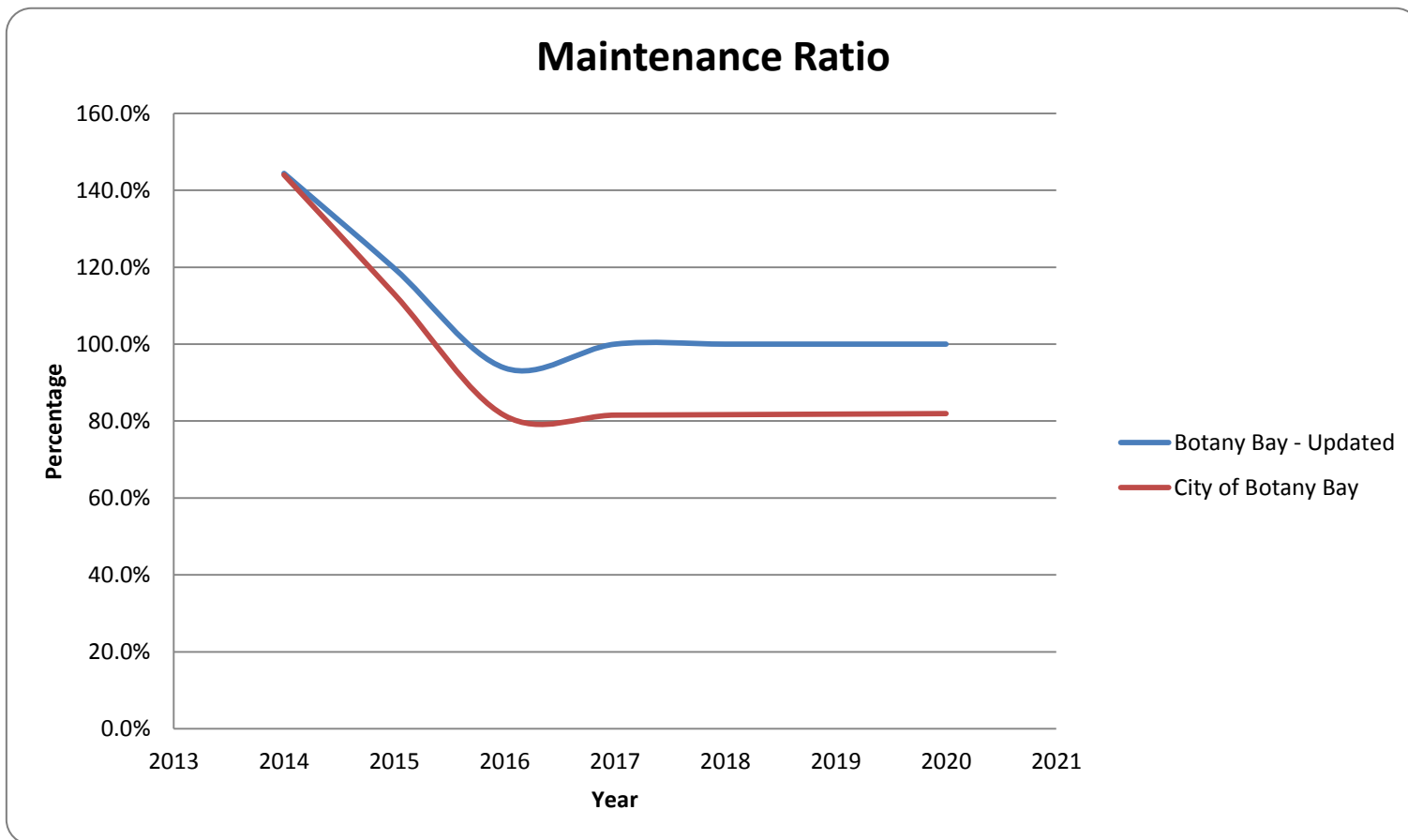
Debt Service

(Greater than 0% and less than or equal to 20%
– average over 3 years)



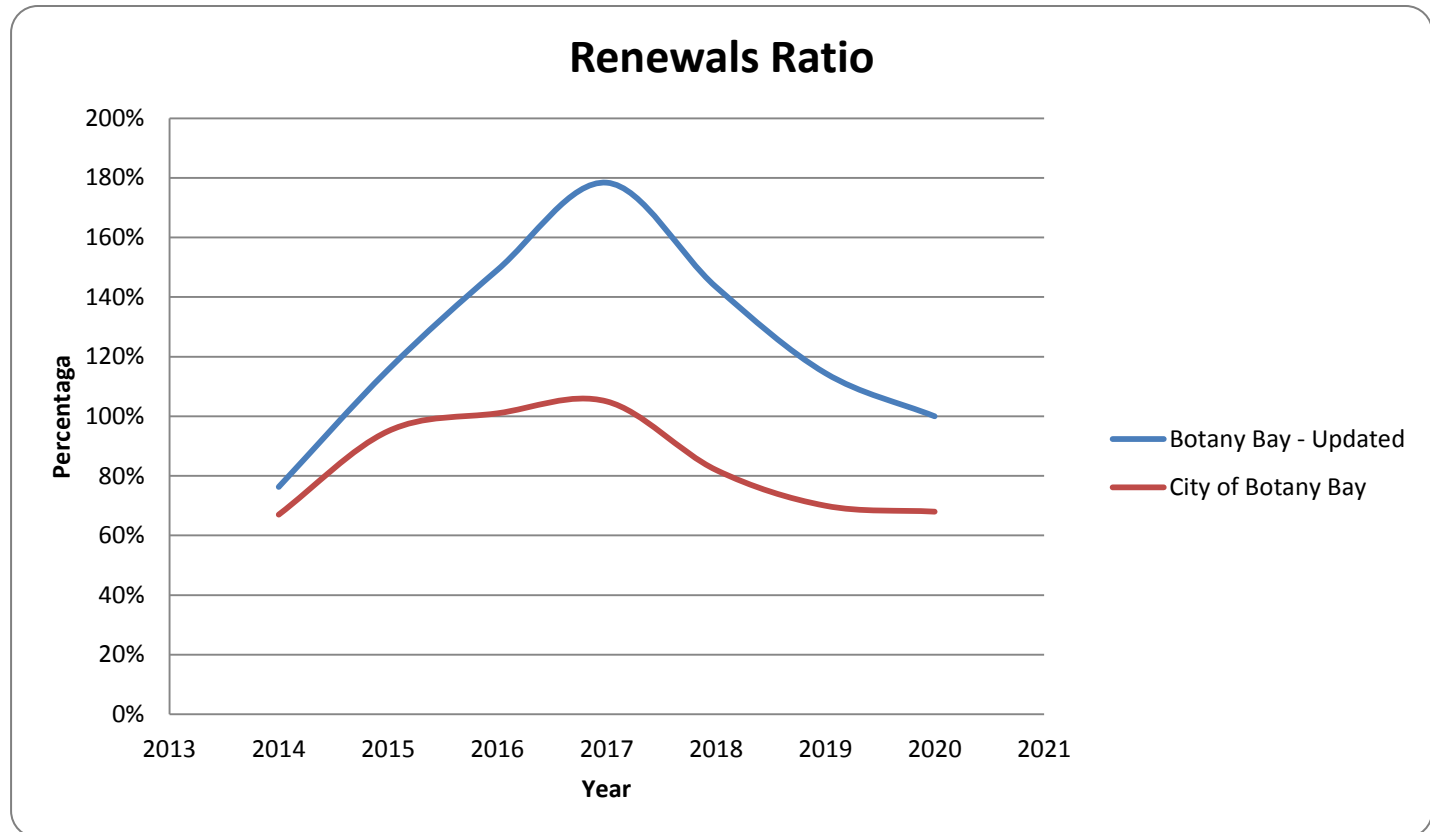
Asset Maintenance

(Greater than 100% – average over 3 years)



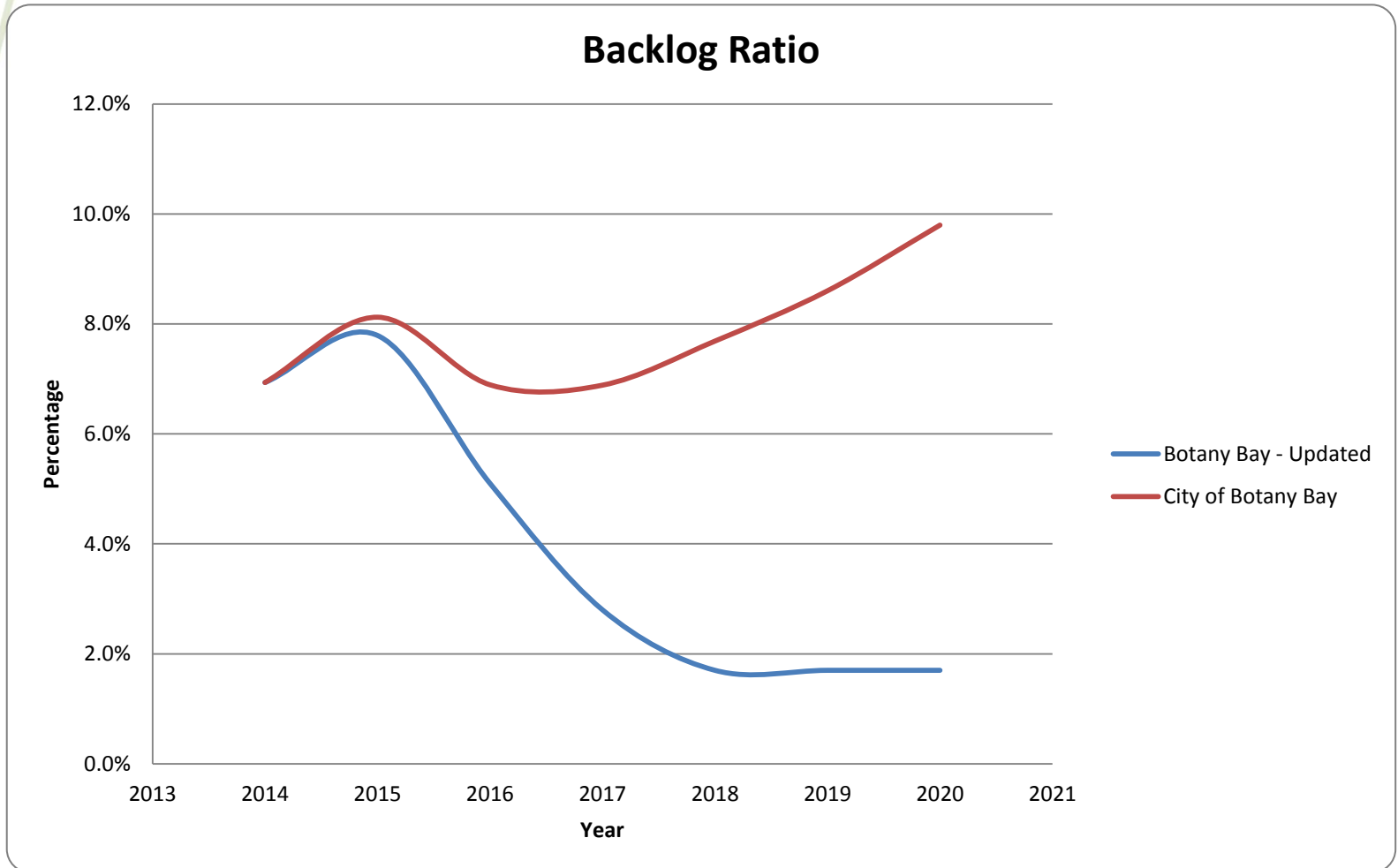
Building and Infrastructure Renewal

(Greater than 100% – average over 3 years)

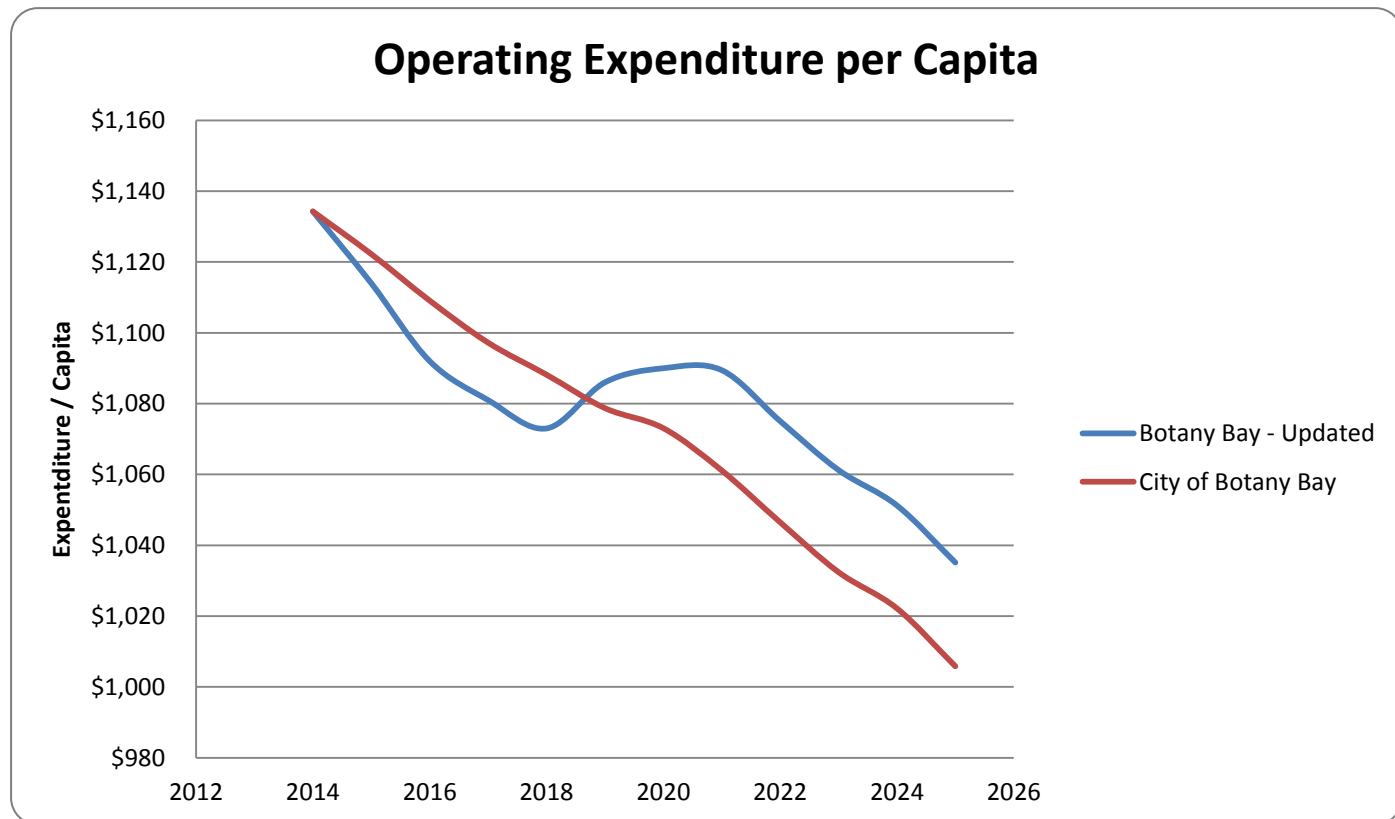


Infrastructure Backlog

(Less than 2%)



Real Operating Expenditure (Decreasing)



Improvement Opportunities

- ❖ A number of opportunities for improvement have been identified within Council
 - Where Council has a reasonable basis for quantifying the estimated likely financial impacts of the opportunity, savings have been included
 - Where the likely financial impacts cannot reasonably be quantified at this stage, no financial benefit has been attributed
 - Some have implementation costs
 - Council is mainly concerned with the net benefit
- ❖ Together the opportunities identified to date provide savings to the council in the order of \$1.3 - \$1.8M per annum (excluding rates growth)

Improvement Opportunities

- ❖ Advertising
 - Increase revenue from selling advertising on appropriate council sites
- ❖ Desktop Publishing
 - Reduce the expenditure on the design of publishing documents
- ❖ Development Compliance
 - Greater oversight and enforcement in relation to compliance with development consent and swimming pool inspection fees
- ❖ Parking
 - Introduction of additional residential parking schemes

Improvement Opportunities

- ❖ E services
 - Make better use of website and electronic publications
- ❖ Increase in Fees and Charges
 - Across council facilities and services
- ❖ Fleet Management
 - Review of Fleet
- ❖ Linking remote sites
 - Putting all remote location offices on a single IT system

Improvement Opportunities

- ❖ Overtime
 - Reducing staff overtime expenditure
- ❖ Telecommunications
 - Review of telecommunication contracts and hardware
- ❖ Utilities
 - Savings from new contracts to Utility Providers
- ❖ Depreciation
 - Likely reduction in depreciation due to alignment with current rates and latest construction techniques

Key parameters in the Modelling

- ❖ Projections are based on information provided by Council
- ❖ Improvement opportunities are realised in the next financial year
- ❖ Council has invested additional funds into building & infrastructure renewal in order to meet the Fit for the Future benchmarks



A word cloud of MorrisonLow services. The words are arranged in a cluster on the right side of the slide. The colors of the words correspond to the company's branding: dark blue for 'local government', 'alliance partnering', 'governance', 'economic development', and 'sustainability'; green for 'procurement', 'waste management', 'financial/feasibility modeling', and 'sustainability'; and purple for 'asset management'. The font sizes vary, with 'local government' and 'procurement' being the largest.

local government
procurement
alliance partnering
long term financial plan
asset management
waste management
governance
financial/feasibility modeling
economic development
sustainability

