

Attachment 9.5

FIT FOR THE FUTURE CRITERIA



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

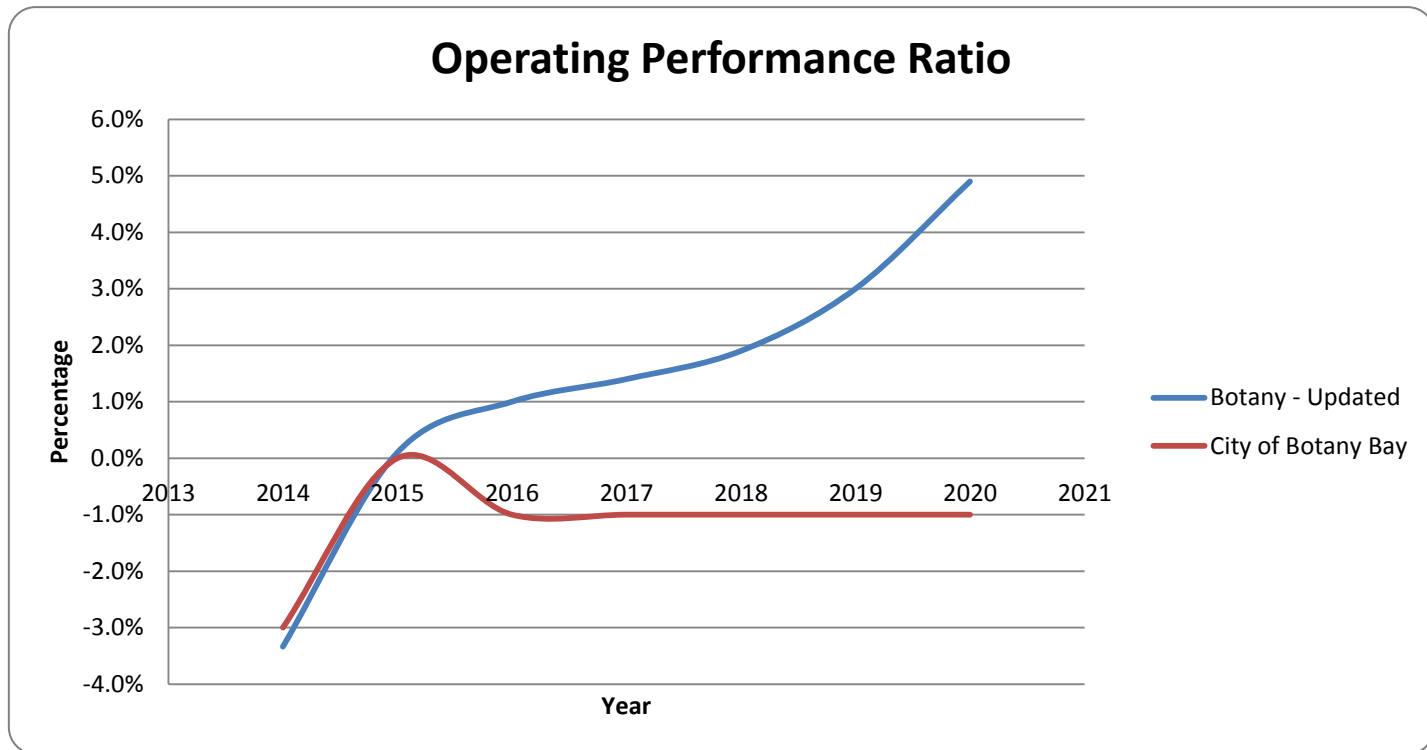
- ❖ The following graphs demonstrate the impact of implementing the improvement opportunities and allocation of the savings identified to renewal and maintenance expenditure over the period to 2023
 - The red line represents the base case
 - The blue lines represents the adjusted version (improvement 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	✓	✓

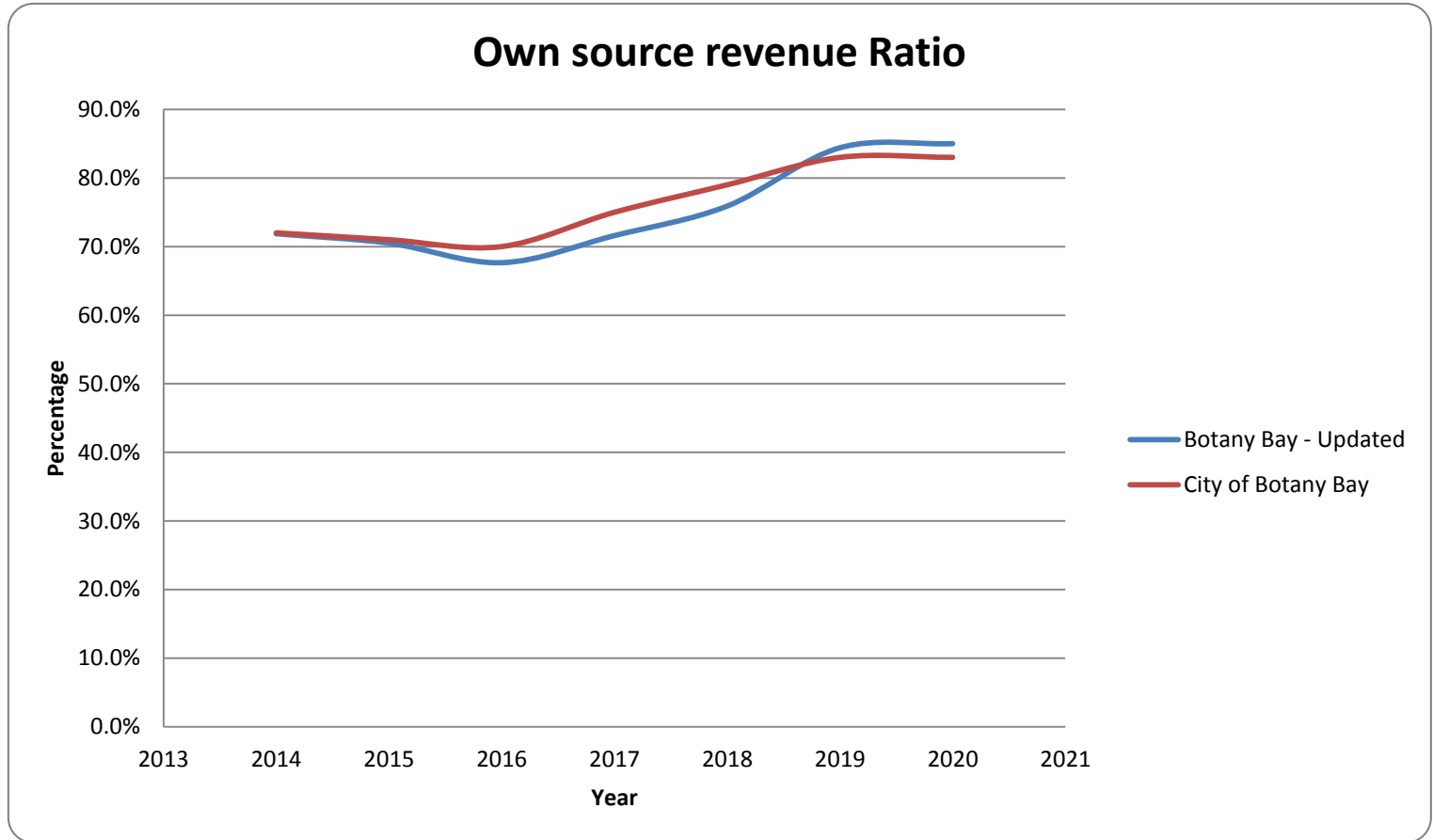
Operating Performance

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



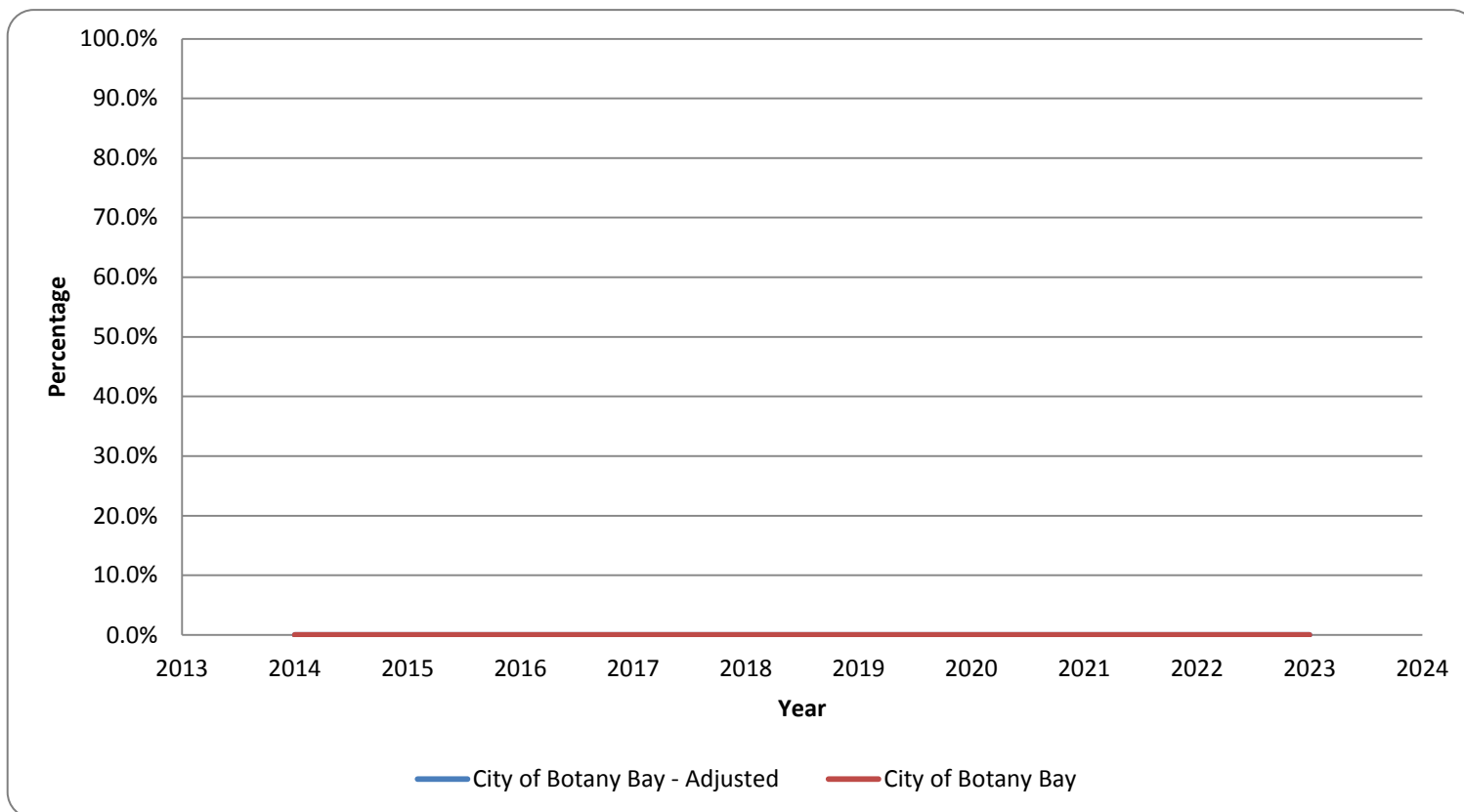
Own Source Revenue

(Greater than 60% – average over 3 years)



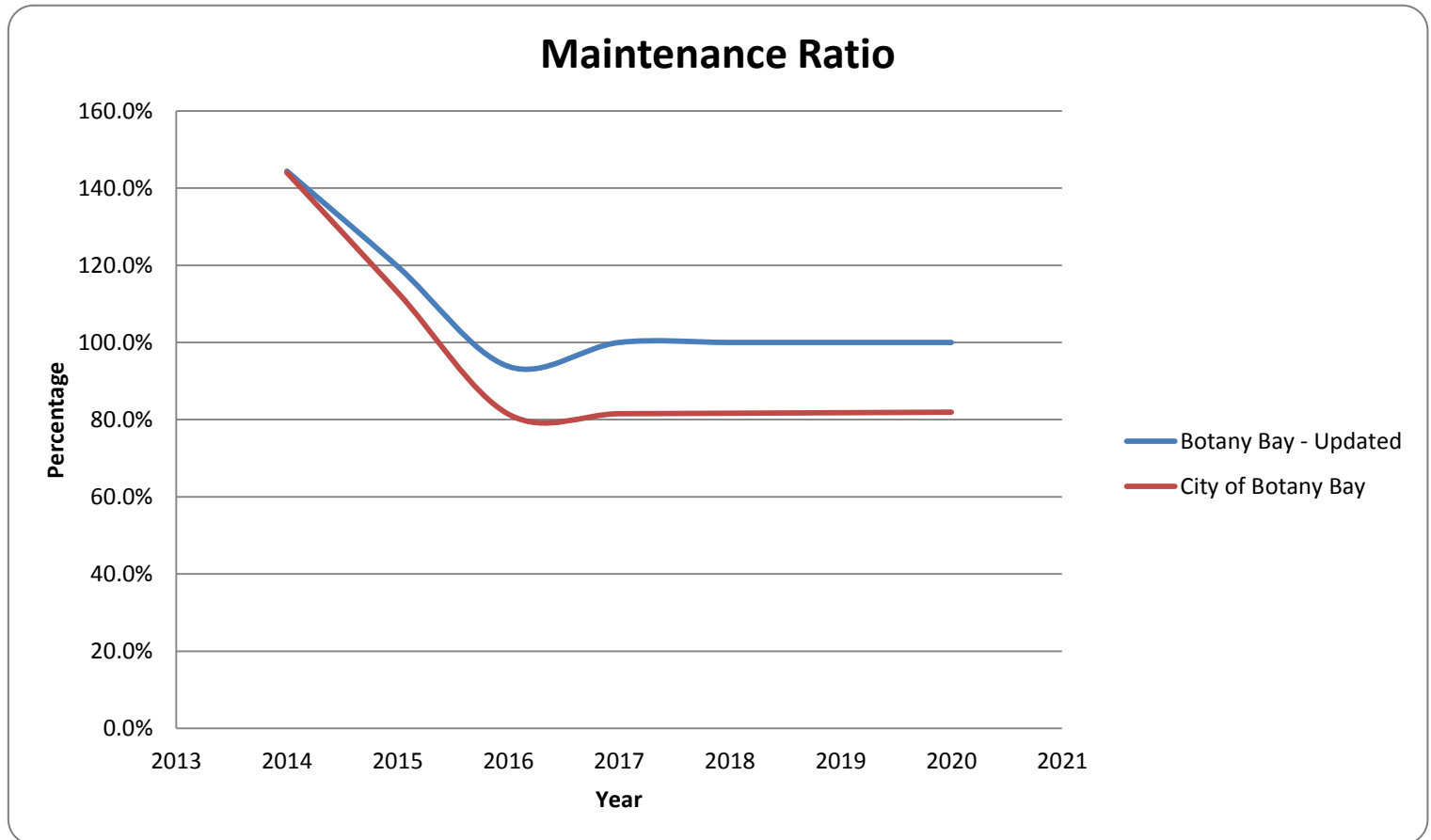
Debt Service

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



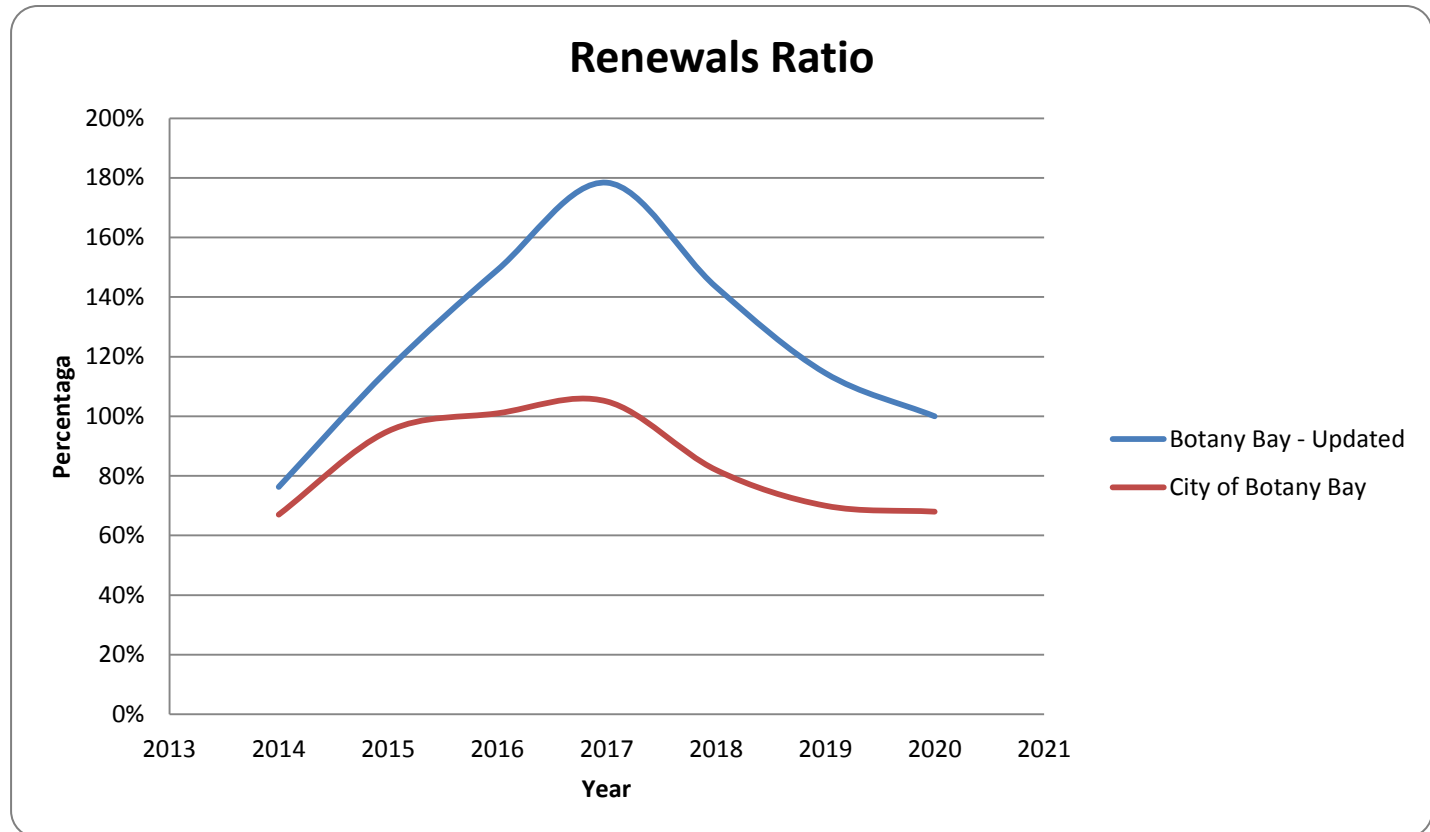
Asset Maintenance

(Greater than 100% – average over 3 years)



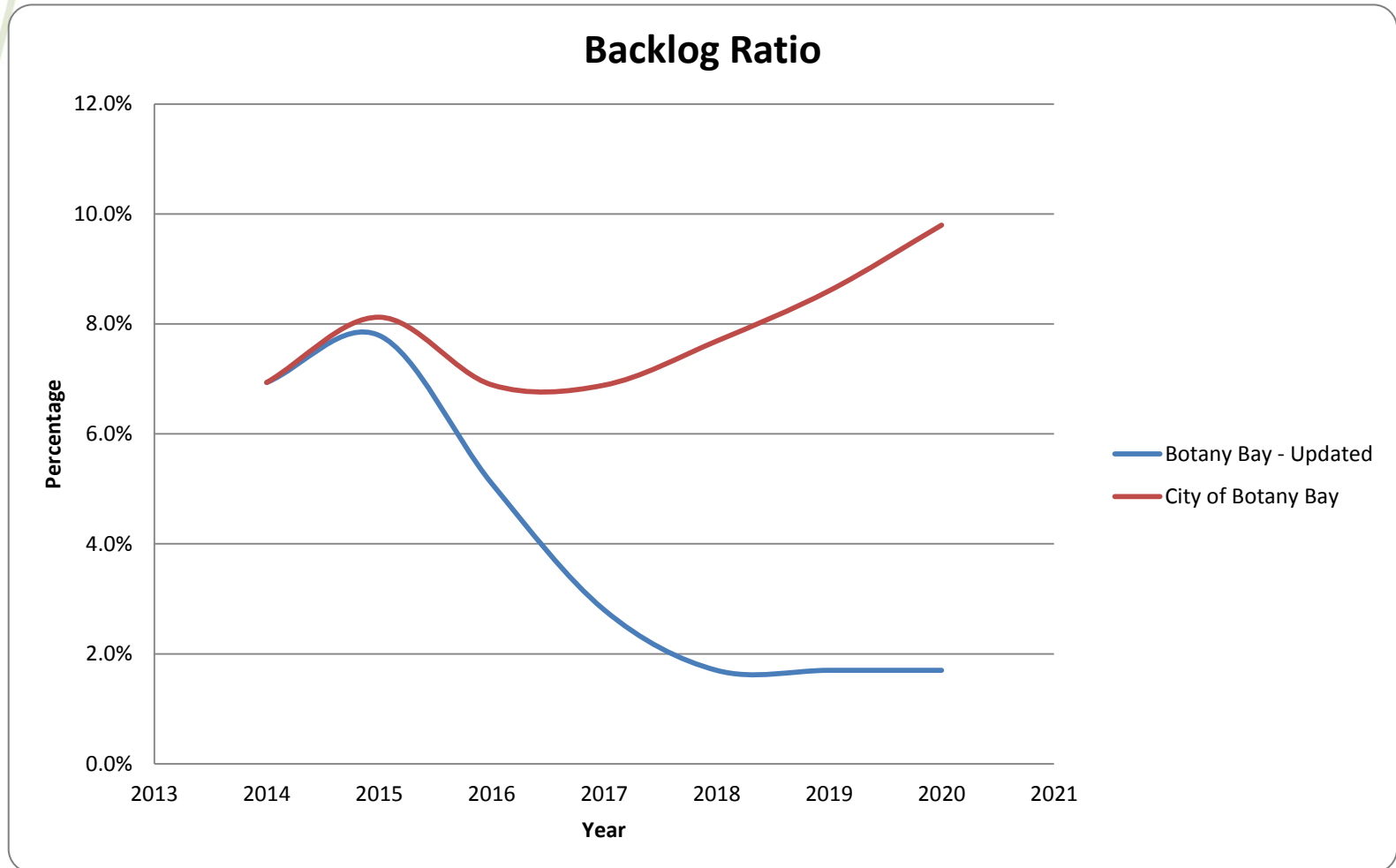
Building and Infrastructure Renewal

(Greater than 100% – average over 3 years)

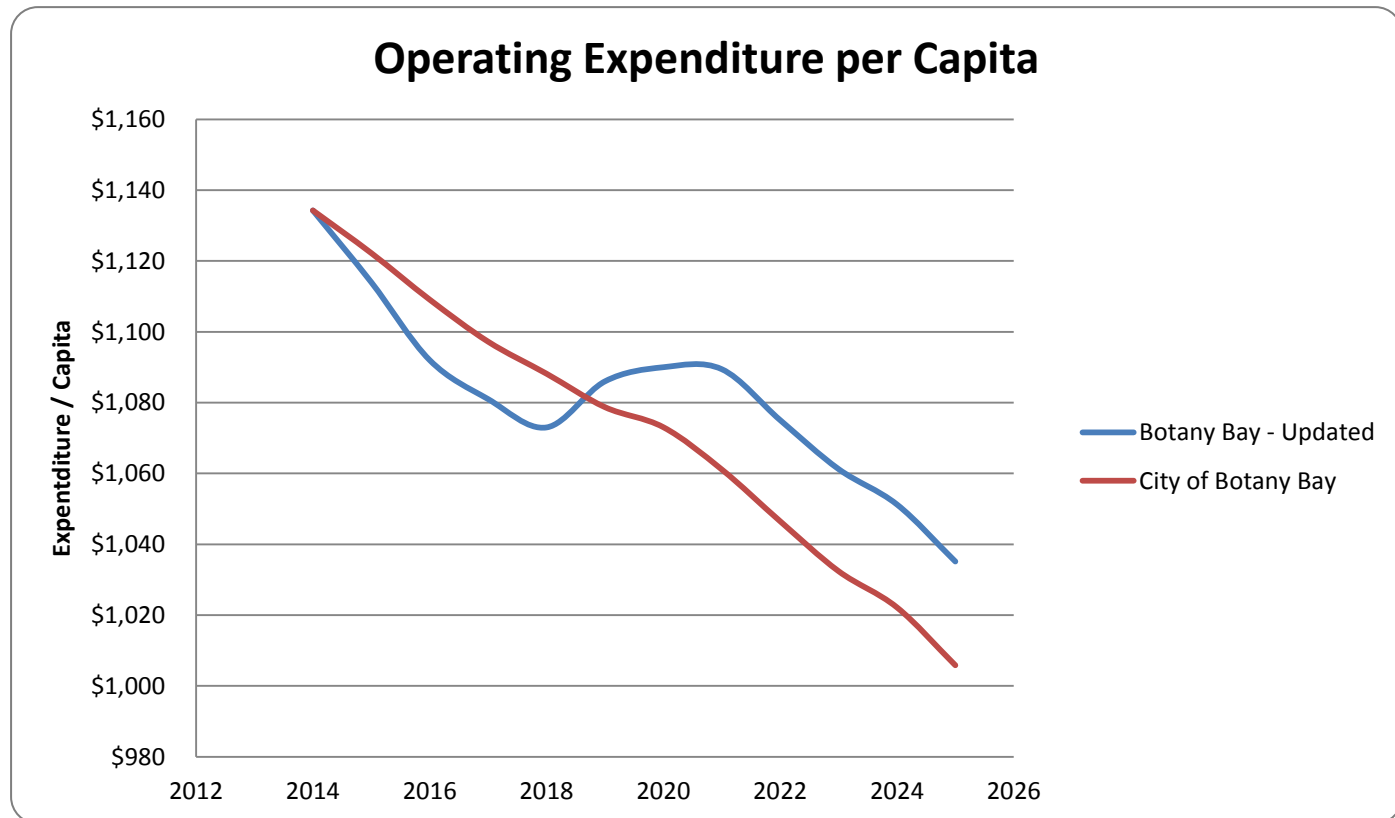


Infrastructure Backlog

(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 vertical stack, with 'local government' at the top and 'sustainability' at the bottom. The words are in various colors: dark blue, green, and purple. The font is a sans-serif typeface.

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

