

# Council Improvement Proposal

(Existing structure)

## MOSMAN COUNCIL



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:** Mosman Council

---

**Date of Council resolution endorsing this submission:** 5 May 2015

---

## 1.1 Executive Summary

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

Mosman Council submits that it is **Fit for the Future**, and is in a position to continue delivering excellent services to its local community as a financially sustainable, independent local government authority with appropriate scale and capacity and a commitment to strong regional collaboration.

In submitting this proposal, Council has given due consideration to the following:

- a) The results of recent community consultation demonstrating significant community support for Mosman's continued independence (Refer **Attachment 2**)
- b) The views expressed in recent community consultations that Mosman residents and ratepayers are strongly opposed to the lower north shore amalgamation model recommended by the Independent Local Government Review Panel (ILGRP), as well as smaller amalgamations with either North Sydney or Manly Council (Refer **Attachment 2**)

- c) The results of random intercept surveys of 450 residents in March 2015, as well as previous biennial Community Surveys indicating a high level of overall satisfaction with the performance of Mosman Council (Refer **Attachment 2**)
- d) Mosman Council's ongoing discussions with northern Sydney Councils and the clear views expressed by those Councils opposing the amalgamation model recommended by the ILGRP
- e) Mosman Council's discussions with adjoining Councils which have also failed to demonstrate any appetite for amalgamations with Mosman on a smaller scale to that proposed by the ILGRP
- f) Mosman Council is capable of meeting the NSW Government's Fit for the Future benchmarks for Sustainability, Infrastructure and Service Management and Efficiency according to the assessment methodology published by IPART in June 2015
- g) A business case undertaken by Morrison Low consultants between March and June 2015 that demonstrates the lower north shore amalgamation proposed by the ILGRP will not deliver any significant benefit to Mosman and that Mosman's performance against Fit for the Future benchmarks is superior to that of an amalgamated council (Refer **Attachment 4**)
- h) Mosman Council operates at a scale and capacity that it considers appropriate to the continued delivery of excellent services to the Mosman community and to effective engagement across the community, industry and government, being an effective member of the Shore Regional Organisation of Councils (SHOROC) and other ongoing and successful collaborations and partnerships as well as being a willing and capable participant in further strategic alliances and co-operative ventures (Refer **Attachment 1**)

Mosman Council has a reputation as an innovator and thought leader and has an excellent track record in providing high quality services that are in tune with the needs and expectations of a discerning community (Refer

**Attachment 3).** It has proactively and effectively tackled issues at local and regional levels, and built positive relationships across regional, State and Federal spheres.

Over the past twelve months Council has taken action to address one of the key issues confronting its longer term sustainability and has charted a course forward to remove its infrastructure backlog over the next decade. In so doing Council has also secured its financial future and is in a strong position to maintain and expand on existing service levels to its community.

Council is committed to further improving the efficiency with which services are delivered and will continue to actively review its own operations, while contributing to the further expansion of regional collaboration and participating in more effective dialogue and partnerships with State and Federal bodies by making best use of regional organisations or other joint authorities.

## Scale and Capacity

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

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

Yes / No

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

Mosman Council operates at a scale and capacity that it considers appropriate to the continued delivery of excellent services to the Mosman community and to effective engagement across the community, industry and government, being an effective member of the Shore Regional Organisation of Councils (SHOROC) and other ongoing and successful collaborations and partnerships as well as being a willing and capable participant in further strategic alliances and co-operative ventures.

Council has carefully reviewed the recommendation of the ILGRP for a lower north shore council, amalgamating Mosman with North Sydney, Willoughby, Lane Cove, Hunters Hill and two thirds of Ryde Council. This has included engaging with the local community and commissioning a business case for the merged entity proposed by the ILGRP.

Neither the community engagement (See **Attachment 2**) or the business case prepared by Morrison Low consultants (**Attachment 4**) demonstrate that the merged entity proposed by the ILGRP is superior to Mosman Council remaining an independent council.

The Mosman community has voiced strong opposition to the ILGRP merger as well as to smaller mergers with

the adjoining councils of North Sydney and Manly, and has conversely shown strong support for maintaining Mosman's independence, along with extensive collaboration with other councils. The community engagement undertaken by Council in 2015 is also supported by six successive community polls taken between 1962 and 2012, all of which demonstrate substantial opposition to the amalgamation of Mosman.

The business case for the merged entity indicates that a merged entity will not perform as well against the Fit for the Future benchmarks as Mosman Council will as an independent body. The business case shows a NPV financial benefit from the merger which is considered marginal over a 10 year period and of which Mosman's 'share' would be minimal. The report also identifies a series of risks which if realised would more than offset any cost savings. The business case states that each of the existing councils proposed for merger exhibits many characteristics of scale and capacity, albeit in different ways.

Mosman Council has also critically analysed the elements of *Strategic Capacity* established by the ILGRP and has prepared a **detailed response** to these elements in **Attachment 1**. Mosman Council performs strongly against each of the 10 elements, supporting Council's contention that an independent Mosman Council is superior to either the merged entity proposed by the ILGRP or some other amalgamated body.

This Council is able to demonstrate that, irrespective of its size, it has been able to manage its finances effectively, be creative and innovative in its service delivery, adapt to change, manage large projects and new functions, operate strategically and attract quality staff and leaders and partner effectively at regional, State and Federal level.

Much of the strategic capacity enjoyed by Mosman Council reflects its membership of the highly successful SHOROC collaboration of councils. Over the last few years SHOROC's member councils have built an enviable record of regional/State collaboration to plan and deliver significant achievements for the region. SHOROC councils have been active over the past year in pursuing further regional alliances across northern Sydney and there is great potential to formalise arrangements for a new regional entity with both strategic and operational responsibilities working alongside constituent councils.

## 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.*

Mosman is located 8 kilometres north-east of the CBD on Sydney's lower north shore. With an area of 8.7 square kilometres, Mosman has a population of just over 30,000 (2014 ABS estimated resident population) and is characterised by high quality residential and commercial neighbourhoods as well as stunning natural bushland and foreshore parklands. The major thoroughfares of Military and Spit Roads connect residents of Mosman and those from further north to other parts of Sydney.

Mosman's population has experienced small but steady growth in its recent years and its population is estimated to reach 35,350 by 2031, with the most significant increases in the 70+ age group.

Slightly more of Mosman's residents are female than male, and 32% have moved to the area from another country. Fewer residents in Mosman come from non-English speaking countries or identify as being of Aboriginal or Torres Strait Islander descent than other areas of Sydney. The average household size (2011 census) was 2.3 persons including a significantly larger number of lone-person households than the Sydney average. Couples with or without children (at over 52%) represent the predominant household type in Mosman.



The major type of dwelling in Mosman is single houses although the proportion of medium and high density dwellings is also significantly above the Sydney average.

The qualifications of Mosman residents are higher than those for the average Sydney resident, and Mosman also has a significantly larger proportion of high income households than the Sydney average. Mosman has the second highest SEIFA index score in Sydney.

Mosman has a strong community spirit, with a significantly higher proportion of volunteers than the Sydney average. At the last census 23% of Mosman residents had carried out voluntary work in the past 12 months compared to the Sydney average of 15%.

Local residents consistently identify traffic, transport and development related matters as major issues of concern and have expressed a desire for improved local infrastructure. Maintaining Mosman's residential amenity as a premier living environment for residents is also a key issue for the local community.

Mosman has built a strong sense of local identity and is recognised both within and outside its boundaries as a unique part of Sydney. Mosman Council plays an important role in continuing to foster community connections and to provide its residents with a high level of service in accordance with community expectations. In turn, the Mosman community has indicated that it is highly satisfied with the performance of its Council (Refer **Attachment 2**).

Having the right scale and capacity as a local government authority should take into account, as a primary consideration, whether the authority is actually serving its residents in a manner that the community is satisfied with. The information contained in **Attachment 2** provides an overview of the people who live in Mosman, the kinds of issues faced by this community, its views on Council performance, the level of community connectedness and, importantly local views on Council mergers. Collectively, it demonstrates a community that is cohesive, proud of its local identity, able to tackle the issues that confront it, supportive of its continued independence and happy with the model of local government currently in place.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Strong and effective long term financial plan, including the approval of a 13% Special Rate Variation from 2015/16</li> <li>• Removal of infrastructure gap fully planned and funded by 2023/24</li> <li>• Increasing capacity over time to deliver more services/raise further loans to address community priorities or unforeseen circumstances</li> <li>• Strong local identity and support</li> <li>• Excellent community satisfaction with Council performance</li> <li>• Ability to quickly respond to local issues</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively small land asset base (e.g. significant areas of parklands, sporting fields and other open space owned by the Crown and other State/Federal agencies)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Expansion of regional collaboration, including strategic and operational responsibilities for a regional authority</li> <li>• Continued service reviews including efficiency savings</li> <li>• Changing functions and services in response to changing community priorities and expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in economic conditions (external to Council)</li> <li>• Changes in State/Federal government policy and funding arrangements</li> <li>• Structural reform resulting in the amalgamation of councils</li> </ul>

## 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)	0.31%	Yes	0.73%	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	88.29%	Yes	91.27%	Yes
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)	137.60%	Yes	119.50%	Yes

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

All Sustainability Benchmarks are achieved.

## 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%)	3.60%	No	3.30%	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	96.30%	No	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	6.50%	Yes	5.01%	Yes

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

The Infrastructure and Service Management Benchmarks for Asset Maintenance Ratio and Debt Service Ratio are achieved in 2016/17.

Although the Asset Maintenance Ratio was not achieved in 2013/14, the *ratio is achieved by 2016/17 and will*

*continue to be met from that time.* It is noted that there is no plan to spend more than is needed (i.e. 100%) as this would unnecessarily divert funds from other services. Further, IPART's *Methodology for Assessment of Council Fit for the Future Proposals* (June 2015) states that "...performance of close to 100%, rather than above 100%, will also be considered to meet the benchmark.."

Council has been taking steps to address its infrastructure backlog and has successfully applied for a 13% Special Rate Variation from 2015/16. Although the Infrastructure Backlog Ratio was not met in 2013/14 or forecast to be met in 2016/17, revenue from the Special Rate Variation will progressively improve this position, *allowing Council to meet the benchmark by 2020/21*, with the projected Infrastructure Backlog Ratio to be at 0.0% by 2023/24. *This forecast progress meets IPART's assessment methodology for metropolitan/regional councils of 'Meet or improve/inform within 5 years'.*

The Special Rate Variation will also provide Council with greater fiscal flexibility over time, giving Council the opportunity from 2017/18 to either increase its spending on the infrastructure backlog or review and consider other service opportunities.

### 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> <small>A decrease in Real Operating Expenditure per capita over time</small>	\$1,336	Yes	\$1,346	Yes

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

Although the Real Operating Expenditure per capita benchmark result for 2016/17 is above 2013/14, *it does meet the benchmark* as it represents an improvement on the 2014/15 (\$1360) and 2015/16 (\$1,365) results. Progressive improvement in the result is also forecast to be achieved each year until at least 2024/25.

It is also noted that the 2013/14 figures reflect actual employee costs, taking into account unfilled positions during the year. The budgeted 2016/17 figures reflect a full staff complement and also take into account four-yearly election expenses. From 2015/16 figures also include an additional \$250,000 in maintenance per annum, funded through the new Special Rate Variation.

Further, it is noted that IPART suggested a deflation factor of 2.5% when calculating this measure. Mosman Council has used 2.7% as this accords with the contract cost inflator used in its long term financial modelling; revising this factor down would achieve the same 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.**

Mosman Council can demonstrate that it has already achieved all Sustainability Benchmarks. It will continue to maintain and/or improve upon these results by:

- Applying a one-off, permanent Special Rate Variation of 13% from 2015/16 (inclusive of a 'retired' 5% Community Environmental Contract levy and rate peg), with proceeds being primarily directed to infrastructure renewal (\$1.52 million p.a.) and maintenance (\$250,500 p.a.), indexed annually
- Undertaking a rolling loans program, with additional borrowings of \$400,000 per annum from 2015/16. The fiscal flexibility provided by Council's long term financial model will provide Council with the opportunity to increase borrowings from 2016/17 if required.
- Reviewing further opportunities for external funding and other revenue generating initiatives
- Participating in further opportunities for regional collaboration, targeting additional procurement savings and opportunities for shared services
- Maintaining a high level of own source funding, reducing reliance on external grant funding



- As a 'contracting Council', Mosman will continue to benefit from regular market testing of major expenditure programs
- Ongoing service reviews and expenditure control through Council's Expenditure Review Committee

**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.*

Mosman Council's Long Term Financial Plan LTFP has the following **goals**:

- modest operating surpluses in order to insulate Council from unforeseen events
- as a minimum, the provision of current service levels and where appropriate increase service levels to meet the needs of the community
- reduce or eliminate the infrastructure backlog
- maintain adequate levels of debt/equity funding
- a program of activity that sees Council's assets leveraged appropriately for the long term benefit of the Mosman community

Mosman Council's Long Term Financial Plan was based on a number of key **assumptions** that IPART identified, when considering Council's Special Rate Variation application for 2015/16, to be risk averse but not unreasonable, stating in its Determination that "*..We assess it is possible that the council will achieve higher operating results, in the order of 3% and 4% over the next 10 years...*" These assumptions included:

## ***Rates and Annual Charges***

The LTFP is based on the commencement of a one-off, permanent 13% Special Rate Variation in 2015/16 (including the rate peg), with a temporary 5% Community Environmental Contract Levy concluding in 2014/15. An ongoing Infrastructure levy of 5.99% will also be applied in all years, in addition to the rate peg (assumed to be 3%) in all future years.

## ***Population***

The latest available population statistics for the Mosman local government area indicate an Estimated Resident Population (ABS - 30 June 2014) of 30,276 people. According to the NSW Population, Household and Dwelling Projections 2014 commissioned by the NSW Government, the Mosman population is expected to grow at an annual average rate of 1% between 2016 and 2031 - up from an average annual increase of 0.8% between 2011 and 2016.

The 2031 population estimate for Mosman, based on this forecasted rate of growth, is 35,350 people, with the most significant increases in population being in the 70+ age group. Mosman has already experienced a steady increase in its older population over recent years, and the continuation of this trend will require ongoing attention to appropriate services and infrastructure. Claims for pensioner rate rebates may increase.

## ***Economic Growth***

Economic growth within the local government area is expected to remain static over the life of the current LTFP, with limited scope for the introduction of new industries or services.

### ***Major Expenditure***

No major new capital works had been adopted at the time of adopting the LTFP in February 2015, with infrastructure renewal and maintenance representing expenditure priorities.

### ***Inflation Forecasts***

Inflation forecasts considered by the Governor of the Reserve Bank indicate that the level of inflation will remain within the band of 2.0 to 3.0%, and the LTFP is based on a CPI of 2.8%.

### ***Interest Rate Movements***

Whilst inflation remains low, interest rates will also remain low, however a slightly higher borrowing rate of 6.5% has been used as the basis for determining borrowing costs.

### ***Borrowings***

As at 30 June 2014 Council's loan portfolio stood at \$10.966m, including two \$2m Local Infrastructure Renewal Scheme (LIRS) loans. The current loans will be fully repaid by 2023.

Council has applied increases in parking revenues as a loan repayment funding source. Council's Debt Service ratio (the proportion of loan repayments to Operating Income) as at 30 June 2014 is well below the maximum benchmark of 20%. Loan funds are seen as a suitable funding source for infrastructure asset renewal as the cost of providing the renewed assets is spread across future beneficiaries.

The LTFP is based on establishing a rolling annual \$400k program from 2015/16. Over the longer term Council could consider increasing its level of borrowing.

## ***User Charges and Fees***

Council annually establishes its fees and charges in accordance with the provisions of the *Local Government Act 1993*. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how the statutory fee amount is determined nor do such statutory fees tend to increase by CPI or reflect their true cost of providing the service.

All other non-statutory fees and charges are closely reviewed annually as part of the budget preparation process. As a general rule these increase by a minimum of the CPI with other market based fees and charges reviewed against adjacent Councils.

## ***Interest and Investments***

Investments are made in accordance with the Minister for Local Government Investment Order and Council Investment Policy. There is limited scope for reliably predicting interest rates. Accordingly the predicted return on investments has been based on similar levels of unrestricted funds remaining invested over the term of the LTFP.

## ***Grants and Financial Assistance***

Given the uncertain nature of grant funding, the budget has been prepared with the following grant funding sources included (all assumed to continue over the duration of the LTFP). Where possible, grants have been increased in line with CPI. If information is insufficient to assume CPI will apply, grants have remained static in value:

- Roads to Recovery
- Roads and Maritime Services (RMS)

- Financial Assistance Grant (FAGs)
- Library Per Capita Grant
- Heritage Assistance Schemes

### ***Employee Costs***

Employee costs cover wages, all leave types, training, superannuation and associated costs. The budget factors in the recently adopted award increases (2.6% 2014/15, 2.7% 2015/16 and 2.8% thereafter) have been applied.

All associated employee costs have also been increased in the same manner, with the exception of superannuation and Workers Compensation insurance.

Provisions for Workers Compensation have been adjusted on the advice of Council's Insurers and superannuation has been adjusted to reflect the Federal Government's position on the Superannuation Guarantee.

Council is also a party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'. Council's additional contribution for 2015/16 is \$126,244 and this contribution is assumed to be required to be paid over the duration of the LTFP.

### ***Depreciation***

Depreciation expense has been projected based on useful life estimates in accordance with Council's Accounting Policies and Plans. Budgeted capital works expenditure has been included in the depreciation calculation.

It is considered reasonable to assume that future asset revaluations will have an impact on infrastructure values. The LTFP does include the potential impact of future asset revaluations. In moving to a surplus Operating Result before Capital Grants and Contributions Council is in a healthy financial situation, and will be able to cover the costs associated with revaluations.

### ***Materials and Contracts***

Materials and contracts expenditure has generally been indexed in line with CPI forecasts. Some costs have been based on previous year expense movements whilst others consider Council operational needs. Significant contracts are subject to regular competitive market testing.

### ***Other Expenses***

Generally, other expense budget items have been increased by CPI forecasts or by reviewing the past four years of actual expenditure for trends. Some expenses are sporadic in nature (for example, conduct of council election every four years) or tied to grant funding which has not moved by CPI.

### ***Outcomes***

Council's long term financial forecasts including Income Statement, Balance Sheet, Cash Flow Statement and Equity Statement are included in **Attachment 5**.

**Attachment 5** also includes a full account of Mosman Council's projected performance against Fit for the Future benchmarks for the period 2013/14 to 2024/25.

## 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. Expand regional collaboration	Actively participate in discussions/ negotiations with other councils regarding additional opportunities for collaboration, particularly in relation to service delivery and procurement	Meetings and negotiations with other northern Sydney/northern beaches councils	Identification and implementation of shared services and additional joint procurement  Additional operational savings	Subject to the reallocation of any efficiency savings to identified priorities, this will contribute to a further reduction in real operating expenditure per capita
	Actively participate in further discussions/negotiations to formally establish an expanded regional organisation/ authority operating across the current SHOROC and NSROC catchments	Meetings and negotiations with other northern Sydney/northern beaches councils	Agreement on preferred regional organisation model	Subject to the reallocation of any efficiency savings to identified priorities, this will contribute to a further reduction in real operating expenditure per

	and having sub-regional planning, service delivery and procurement responsibilities			capita
2. Address existing infrastructure backlog	Apply approved Special Rate Variation from 2015/16 to infrastructure renewal works	Annual capital works programs	Progressive reduction in infrastructure backlog to 0.0% in 2023/24	Will ensure that Council meets the required infrastructure backlog ratio
3. Improve level of asset maintenance	Apply approved Special Rate Variation from 2015/16 to maintenance works	Annual maintenance programs	Improved maintenance levels - 100% asset maintenance ratio	Will ensure that Council meets the required asset maintenance ratio
4. Optimise additional revenue generation from existing operations and assets	Review opportunities for additional revenue generation, with particular reference to Council's investment property portfolio and redevelopment of operational land assets  Undertake regular reviews of Council's Pricing Policy	Identification of programs and assets capable of generating new or additional revenues  Annual reviews in conjunction with budget preparation	Additional operating revenue for discretionary expenditure items and 'budget shocks'	Will provide capacity to achieve an optimum debt service ratio



5. Optimise operating efficiencies

Maintain the current rolling program of service reviews

Identification of improvements to and savings in current programs and services

Continue to exercise expenditure control and optimise efficiencies through the Expenditure Review Committee

Better alignment of services and programs with community priorities

Additional operating revenue for discretionary expenditure items and 'budget shocks'

Subject to the reallocation of any efficiency savings to identified priorities, this will contribute to a further reduction in real operating expenditure per capita

## 3.2 Infrastructure and Service Management

**Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.**

The Infrastructure and Service Management Benchmarks for Asset Maintenance Ratio and Debt Service Ratio are achieved in 2016/17.

The approved Special Rate Variation of 13% provides an additional \$1.57 million in capital funding and \$250,500, indexed annually.

Although the Asset Maintenance Ratio was not achieved in 2013/14, the *ratio is achieved by 2016/17 and will continue to be met from that time.*

Although the Infrastructure Backlog Ratio was not met in 2013/14 or forecast to be met in 2016/17, measures are in place to progressively improve this position, *allowing Council to meet the benchmark by 2020/21*, with the projected Infrastructure Backlog Ratio to be at 0.0% by 2023/24.

The key strategies to improve performance and achieve the above results include:

- Applying a one-off, permanent Special Rate Variation of 13% from 2015/16 (inclusive of a 'retired' 5% Community Environmental Contract levy and rate peg), with proceeds being primarily directed to infrastructure renewal (\$1.52 million p.a.) and maintenance (\$250,500 p.a.), indexed annually

- Undertaking a rolling loans program, with additional borrowings of \$400,000 per annum from 2015/16. The fiscal flexibility provided by Council's long term financial model will provide Council with the opportunity to increase borrowings from 2016/17 if required.
- Reviewing further opportunities for external funding and other revenue generating initiatives
- Participating in further opportunities for regional collaboration, targeting additional procurement savings and opportunities for shared services
- Maintaining a high level of own source funding, reducing reliance on external grant funding
- As a 'contracting Council', Mosman will continue to benefit from regular market testing of major expenditure programs

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

*See Key Assumptions and Outcomes under 3.1 - Sustainability*

## 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. Address existing infrastructure backlog	Apply approved Special Rate Variation from 2015/16 to infrastructure renewal works	Annual capital works programs	Progressive reduction in infrastructure backlog to 0.0% by 2023/24	Will contribute to maintaining a long term improvement in the operating performance ratio
2. Improve level of asset maintenance	Apply approved Special Rate Variation from 2015/16 to maintenance works	Annual maintenance programs	Improved maintenance levels - 100% asset maintenance ratio	Will contribute to maintaining a long term improvement in the operating performance ratio
3. Optimise borrowing levels	Implement annual borrowing program of \$400,000 pa from 2015/16, with ongoing review of borrowing levels from 2016/17	Annual loan drawdown and payments	Reduction in infrastructure backlog	Contributes to the achievement of an optimal building and infrastructure asset renewal ratio

<p>4. Improve alignment and integration of financial and asset information to assist decision making</p>	<p>Undertake further integration of and linkages between Asset Management Plans and budget tools</p> <p>Undertake further analysis to better align operational area budgeting and MOSPLAN/Delivery Program</p>	<p>Integration opportunities identified and implemented</p> <p>Preparation of annual budgets, Operational Plans and Delivery Program revisions</p>	<p>Improved integration of asset and financial management information</p> <p>Improved alignment and transparency of financial information and budget data</p>	<p>Over time this should contribute to a further reduction in real operating expenditure per capita</p>
<p>5. Expand regional collaboration</p>	<p>Actively participate in discussions/ negotiations with other councils regarding additional opportunities for collaboration, particularly in relation to service delivery and procurement</p> <p>Actively participate in further discussions/negotiations to formally establish an expanded regional organisation/ authority operating across the current SHOROC and</p>	<p>Meetings and negotiations with other northern Sydney/northern beaches councils</p> <p>Meetings and negotiations with other northern Sydney/northern beaches councils</p>	<p>Identification and implementation of shared services and additional joint procurement</p> <p>Additional operational savings</p> <p>Agreement on preferred regional organisation model</p>	<p>Subject to the reallocation of any efficiency savings to identified priorities, this will contribute to a further reduction in real operating expenditure per capita</p> <p>Subject to the reallocation of any efficiency savings to identified priorities, this will contribute to a further reduction in real operating expenditure per</p>

NSROC catchments  
and having sub-regional  
planning, service  
delivery and  
procurement  
responsibilities

capita

### 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.**

Mosman Council meets the Real Operating Expenditure per capita benchmark, with progressive improvement in the result also forecast to be achieved each year until at least 2024/25.

The key strategies to maintain this ongoing improvement include:

- Participating in further opportunities for regional collaboration, targeting additional procurement savings and opportunities for shared services
- As a 'contracting Council', Mosman will continue to benefit from regular market testing of major expenditure programs
- Ongoing service reviews and expenditure control through Council's Expenditure Review Committee

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

*See Key Assumptions and Outcomes under 3.1 - Sustainability*



## 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. Optimise operating efficiencies	<p>Maintain and review service contracts and explore further contracting opportunities where appropriate</p> <p>Maintain the current rolling program of service reviews</p> <p>Continue to exercise expenditure control and optimise efficiencies through the Expenditure Review Committee</p>	Identification of improvements to and savings in current programs and services	<p>Increased efficiencies and cost savings</p> <p>Better alignment of services and programs with</p> <p>Additional operating revenue for discretionary expenditure items and 'budget shocks'</p>	Subject to the reallocation of any efficiency savings to identified priorities, this would contribute to an improvement in the operating performance ratio

<p>2. Expand regional collaboration</p>	<p>Actively participate in discussions/ negotiations with other councils regarding additional opportunities for collaboration, particularly in relation to service delivery and procurement</p> <p>Actively participate in further discussions/negotiations to formally establish an expanded regional organisation/ authority operating across the current SHOROC and NSROC catchments and having sub-regional planning, service delivery and procurement responsibilities</p>	<p>Meetings and negotiations with other northern Sydney/northern beaches councils</p> <p>Meetings and negotiations with other northern Sydney/northern beaches councils</p>	<p>Identification and implementation of shared services and additional joint procurement</p> <p>Additional operational savings</p> <p>Agreement on preferred regional organisation model</p>	<p>Subject to the reallocation of any efficiency savings to identified priorities, this would contribute to an improvement in the operating performance ratio</p>
---	---	---	--	---

## 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
Actively participate in discussions/ negotiations with other councils regarding additional opportunities for collaboration, particularly in relation to service delivery and procurement	Meetings and negotiations with other northern Sydney/northern beaches councils
Actively participate in further discussions/negotiations to formally establish an expanded regional organisation/ authority operating across the current SHOROC and NSROC catchments and having sub-regional planning, service delivery and procurement responsibilities	Meetings and negotiations with other northern Sydney/northern beaches councils
Apply approved Special Rate Variation from 2015/16 to infrastructure renewal works	Annual capital works program
Apply approved Special Rate Variation from 2015/16 to maintenance works	Annual maintenance program

Review opportunities for additional revenue generation, with particular reference to Council's investment property portfolio and redevelopment of operational land assets	Identification of programs and assets capable of generating new or additional revenues
Undertake a review of Council's Pricing Policy	Review of Pricing Policy in conjunction with budget preparation
Maintain the current rolling program of service reviews	Identification of improvements to and savings in current programs and services
Maintain and review service contracts and explore further contracting opportunities where appropriate	Identification of improvements to and savings in current programs and services
Continue to exercise expenditure control and optimise efficiencies through the Expenditure Review Committee	Identification of improvements to and savings in current programs and services
Undertake further integration of and linkages between Asset Management Plans and budget tools	Integration opportunities identified and implemented

Undertake further analysis to better align operational area budgeting and MOSPLAN/Delivery Program

Preparation of annual budget, Operational Plan and Delivery Program revisions

Implement annual borrowing program of \$400,000 pa

Annual loan drawdown and payments

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

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

This Action Plan reflects ongoing planning and review processes undertaken over many years and as part of Councils' integrated planning and reporting framework, as well as discussions and negotiations undertaken since the release of the NSW Government's Fit for the Future reform agenda.

Mosman Council has considered its future planning in workshops, public meetings and open Council meetings and has also participated in numerous meetings and forums involving its SHOROC partners as well as Councils across northern Sydney. The Action Plan also has regard for the findings of the merger business case prepared by external consultants and community engagement undertaken over recent months.

Council considered information relevant to its positioning on Fit for the Future at the Council meeting held on 5 May 2015. It was subsequently resolved at the meeting that a Council Improvement Proposal (Existing Structure) be lodged with IPART.

## 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.**

### *Merger Consideration*

Since the September 2014 announcement of the NSW Government's Fit for the Future reform package in response to the Final Report of the Independent Local Government Review Panel (ILGRP), Mosman Council has been engaged in conversations at local, regional and metropolitan level to clarify options available and to crystallise Council's position moving forward. These conversations have included engaging with Mosman residents and ratepayers, as well Council's partners in the long-standing SHOROC alliance, the northern Sydney councils recommended for amalgamation in the ILGRP's report (and more broadly members of the Northern Sydney Regional Organisation of Councils) and the Sydney Metropolitan Mayors Association.

In conjunction with Lane Cove, Hunters Hill, Ryde and Willoughby Councils, Mosman Council jointly commissioned consultant firm Morrison Low to undertake an independent assessment of the lower north shore Council grouping (i.e. Mosman, North Sydney, Lane Cove, Willoughby, Hunters Hill and part of Ryde) recommended by the ILGRP.

From the outset of discussions with the lower north shore Councils, there has been unanimous reservation regarding forced amalgamations and over the past eight months each council has worked both independently and in consultation to determine the best way forward for their respective communities. This has been the same for the northern beaches Councils which, together with Mosman, collectively form the SHOROC alliance. A high level of community engagement has been undertaken across the wider northern Sydney region, with

various studies and consultancies employed.

The outcome of Council's continued discussions with its neighbouring and other northern Sydney Councils confirmed the initial reservations and led to strong opposition, either to the larger scale proposed by the ILGRP or to any smaller scale, to enter into merger talks with Mosman.

A period of community engagement undertaken by Council from late February to early April this year reaffirmed the Mosman community's long-standing support for continued independence, with strong opposition to any form of amalgamation. Detailed results from this engagement are included in **Attachment 2**.

The SHOROC group of Councils, which has delivered excellent results for its constituent Councils in terms of shared resources, procurement and regional advocacy in particular, has continued to work together to progress current and future initiatives for the benefit of both member councils and the region. New linkages have also been developed and fostered with the Northern Sydney Regional Organisation of Councils and new opportunities for stronger, wider regional collaboration have been identified.

Having also reviewed its finances against the Fit for the Future benchmarks, particularly in view of its successful Special Rate Variation application announced in May this year Mosman Council is also able to demonstrate that it meets, over the required time period, the NSW Government's Fit for the Future benchmarks of Sustainability, Infrastructure and Service Management and Efficiency. In relation to the Fit for the Future criteria of 'scale and capacity', Council's performance over recent years - including but not confined to the collective successes of SHOROC and other key partnerships - also demonstrates that mergers do not represent the only way forward for efficient and effective local government. (See **Attachment 1** for a detailed response to the elements of *Strategic Capacity*).

Further, the independent review conducted by Morrison and Low in recent months does not present any compelling evidence to support the proposition that the lower north shore merger proposed by the ILGRP is superior to Mosman Council retaining its independence. This business case is included as **Attachment 4**.

Mosman Council resolved on 5 May 2015 to proceed with this 'Council Improvement Proposal (Existing Structure)' as it's Fit for the Future submission to the NSW Government's Expert Advisory Panel based on the following:

- a) The results of recent community consultation demonstrating significant community support for Mosman's continued independence
- b) The views expressed in recent community consultations that Mosman residents and ratepayers are strongly opposed to the lower north shore amalgamation model recommended by the Independent Local Government Review Panel, as well as smaller amalgamations with either North Sydney or Manly Council
- c) The results of random intercept surveys of 450 residents in March 2015, as well as previous biennial Community Surveys indicating a high level of overall satisfaction with the performance of Mosman Council
- d) Mosman Council's ongoing discussions with northern Sydney Councils and the clear views expressed by those Councils opposing the amalgamation model recommended by the Independent Local Government Review Panel
- e) Mosman Council's discussions with adjoining Councils which have also failed to demonstrate any appetite for amalgamations with Mosman on a smaller scale to that proposed by the Independent Panel
- f) Based on the application submitted to [and subsequently approved by] the Independent Pricing and Regulatory Tribunal in February 2015, Mosman Council is capable of meeting the NSW Government's Fit for the Future benchmarks for Sustainability, Infrastructure and Service Management and Efficiency
- g) Mosman Council operates at a scale and capacity that it considers appropriate to the continued delivery of excellent services to the Mosman community and to effective engagement across the community, industry and



government, being an effective member of the Shore Regional Organisation of Councils (SHOROC) and other ongoing and successful collaborations and partnerships as well as being a willing and capable participant in further strategic alliances and co-operative ventures

### ***Other Financial Considerations***

In developing its Long Term Financial Plan in support of its Special Rate Variation application, Council explored a variety of funding options. These options, and their limitations, include:

#### *Grant Funding*

Over the last five years, Mosman Council has successfully received operational and capital grants totalling \$14.8 million. Recently the funding opportunities through the Federal and State Government have been more difficult to obtain and this remains true for 2014/2015. The current external economic circumstances indicate that there are limited grant funding options available and this is unlikely to change for the foreseeable future.

Additionally, many grant opportunities require matching funding from Council. Council's approved Special Rate Variation has improved its previously limited capability to meet these requirements without placing pressure on projects already prioritised in its works program.

Council will continue to seek out opportunities as they arise. It is likely that if Council was able to secure additional grant funding, the grant will be for one-off projects.

#### *Loans*

As at 30 June 2014 Council's loan portfolio stood at \$10.966m, including two \$2m Local Infrastructure Renewal Scheme (LIRS) loans. The current loans will be fully repaid by 2023.

Council has traditionally applied increases in parking revenues as the funding source for loan repayments. Council's Debt Service ratio at 30 June 2014 is well below the maximum benchmark of 20%. Loan funds are seen as a suitable funding source for infrastructure asset renewal as the cost of providing the renewed assets is spread across future beneficiaries.

The current LTFP includes a rolling annual \$400,000 loans program from 2015/16 aimed at supplementing the reduction of the infrastructure backlog. As current loans are repaid, it is expected that loan repayment levels will be contained within current funding levels. The improved flexibility of Council's long term financial modelling will enable Council to consider increasing its loan program in future years if the need arises.

#### *Review of rates of asset depreciation*

In the last three years significant investment has been undertaken in relation to asset management in Mosman. Council has in place Asset Management Plans for all asset classes and has adopted an Asset Management Policy and Strategy. This work is a result of a combination of in-house expertise, a community-based Asset Management Reference Group and external consultants.

As part of this process, and in conjunction with Council's Independent Audit Committee, a new *Infrastructure Assets – Capitalisation, Revaluation and Disposal Policy* was adopted by Council in June 2013, whereby unit rates and useful lives of assets are reviewed annually. This work has resulted in a reduction in depreciation expenses of infrastructure assets since 2011 from \$7.847m to \$5.557m in 2014.

The ongoing review of depreciation forms part of Council's continuous improvement strategy.

#### *Pricing Policy Reviews*

Council annually establishes its fees and charges in accordance with the provisions of the *Local Government Act 1993*. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has

no influence on how the statutory fee amount is determined nor do such statutory fees tend to increase by CPI or reflect the true cost of providing the service.

The most recent review of Council's fees and charges resulted in increases primarily around 3.0%, although some higher increases were found to be justified in limited circumstances.

In the last five years Council has undertaken extensive reviews of its adopted Pricing Policy - Schedule of Fees and Charges particularly in the areas of pay and display parking; construction traffic related matters and the use of Council's public areas, including community properties.

It is considered that some of the fees which represent key revenue generating opportunities are now at their upper limit and further significant increases are not foreseeable.

### *Reserve Funding*

Council holds limited externally restricted financial reserves. Those held cover funds raised for domestic waste, Section 94 Contributions and specific purpose grant funds. These funds are only to be used for the purpose they were raised.

Internally restricted reserves include funds held under resolution of Council for such items as employee leave entitlements and plant and vehicle replacement. These funds are only to be used for the purpose under which they were resolved by Council.

The 2014 financial year financial reports show that Externally Restricted Reserves amount to \$4.475m and Internally Restricted Reserves amount to \$4.362m.)

### *Redirection of funds through service reductions and/or further productivity improvements*

Mosman Council undertakes a rolling program of service reviews, although a long term financial goal is, as a minimum, to maintain the provision of current service levels and where appropriate increase service levels to meet the needs of the community. Reviews are focussed on achieving savings and efficiencies to be applied to priority areas, as well as meeting community needs in more effective ways. Operational efficiencies achieved through this review process will continue to be built in to Council's long term financial planning as they arise.

### *Expenditure Control and Efficiencies*

Council has maintained stringent control over expenditure and has optimised efficiencies through careful oversight and review of key expense items and service areas. This continues to be undertaken both operationally and through Council's Expenditure Review Committee.

### *Optimisation of Assets*

The opportunities for redevelopment of operational land assets to generate additional revenue and to deliver new or renewed community infrastructure have been acknowledged by Council. This includes two projects involving the Mosman Civic Centre site and the Raglan Street (West) carpark that have been progressing through either consultation or feasibility stages.

## 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)	-0.59%	0.23%	0.73%	1.01%	1.21%	1.27%	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	90.00%	91.20%	91.27%	91.41%	91.48%	91.55%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	107.52%	119.66%	119.50%	128.18%	130.22%	130.24%	Yes
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	3.50%	3.40%	3.30%	3.00%	2.40%	1.90%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	6.28%	5.75%	5.01%	3.25%	2.97%	2.87%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1,360	1,365	1,346	1,330	1,316	1,304	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.*

It is expected that all Fit for the Future benchmarks will be achieved.

## 5. Putting your plan into action

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

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

The implementation of, and reporting of progress against Key Strategies will be undertaken at Operational, Executive and Council level.

Day-to-day oversight of strategy implementation will be the responsibility of Council's General Manager and Executive Team, with progress reported to Council and the community at regular intervals.

Implementation of the Improvement Action Plan will be included as a Key Initiative in Council's Delivery Program and reporting will be undertaken in conjunction with quarterly and annual reports prepared as part of Council's integrated planning and reporting framework.