

ROCKDALE CITY COUNCIL

Council Improvement Proposal

(Existing structure)



Council name: Rockdale City Council

Date of Council resolution endorsing this submission: 17 June 2015

1.1 Executive Summary

As with much of Sydney, Rockdale faces a range of complex and interlinked future challenges regionally and locally. Throughout the Fit for the Future process Rockdale has been pragmatic, open and consultative in relation to the recommendations of the Independent Local Government Review Panel (ILGRP) for a merger with other St George Councils. Despite our best efforts, we have been unable to find a willing partner at this stage. Rockdale City Council has made a number of attempts to formalise conversations with our neighbouring Councils, clearly stating that Rockdale's position was to explore all options for amalgamation, with a preference for the St George merger (excluding Canterbury). Our neighbouring Councils continue to state that their preference is to stand alone.

Without a willing merge partner, Rockdale City Council has taken the time to re-engineer ourselves and design a new future with a new set of performance outcomes. If we are to remain a standalone Council, then we must be capable of achieving Fit for the Future endorsement, superior to the St George Council envisaged by the ILGRP.

With the established priority precincts at Arncliffe, Banksia and Cooks Cove already underway and with the potential for another precinct in Kogarah West, Council is well placed to accommodate increased population in these key areas. Based on the population growth associated with these precincts, the strong housing growth currently experienced in Rockdale will be sustained into the future, reaching 200,000 by 2036.

Major renewal projects currently underway demonstrate Council's existing strategic capacity to implement infrastructure improvements to meet community demand. Rockdale City Library is currently on track to open in 2016, while the Aquatic Centre and Youth Centre (with a private partner) have progressed to signed contracts for work commencement.

The Sydney International Airport is a significant piece of key infrastructure located within the Rockdale City boundary. The Airport continues to impact on the area and Council continually requests appropriate levels of rate equivalent payments from Sydney Airport Corporation Limited. Any changes to the boundary will significantly reduce Council’s revenue by a minimum of \$600K pa, but potentially by many millions over the next ten years. While we understand the logic that underpins the recommendation of this option in the ILGRP report, we strongly suggest that this decision will have significant and possibly unintended consequences on the area, removing income and any influence relating to the airport from one of the Councils subject to many of its impacts.

Rockdale City Council is well placed in terms of the number of current development commencements, being equal to the large, regional growth areas of Blacktown (Refer figure 1.1). Achieving strategic capacity, within our existing structure and governance framework is achievable with Rockdale City having the most significant brown field developments planned for the Sydney Metropolitan Area.

The size, scale and revenue generated from a rapidly growing city, and the projected infrastructure and business improvements proposed for the Council will ensure that Rockdale City Council has the capability to ensure the ongoing financial, social and environmental sustainability of Rockdale for future generations.

“...Rockdale City Council is committed to exploring our capacity to deliver financially sustainable and efficient local government” Source: Mayor Shane O’Brien - Mayoral Minute (ORD06) 15 October 2014

“Council supports in principle the amalgamation of the three St George Councils (Rockdale City Council, Hurstville City Council, Kogarah City Council) provided there is no detrimental financial impact on the communities/councils concerned and only post a survey or poll of all residents and ratepayers in the areas affected being conducted.” Source: Council Report (ORD18) 2 April 2014

Rockdale City Council is well placed in terms of the number of current development commencements being equal to the large, regional growth areas of Blacktown. Achieving strategic capacity, within our existing structure and governance framework is achievable with Rockdale City having the most significant brown field developments planned for the Sydney Metropolitan Area. **Refer - Figure 1.1**

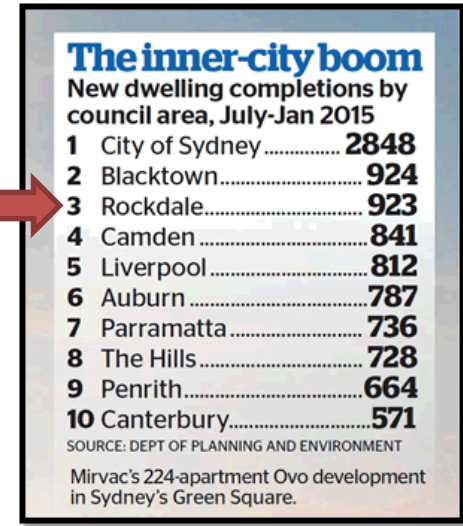


Figure 1.1 Source: Daily Telegraph 25 April 2015

Scale and Capacity

Rockdale City Council has the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel.

Rockdale will experience significant and sustained growth in the next 25 years, on target to exceed 200,000 residents and accommodate some of Sydney's largest residential infill growth precincts, creating a Rockdale of sufficient scale to more than meet the criteria for scale and capacity. Demonstrating the relative merits of any proposal (either stand alone or variations on the merger theme) in comparison to the ILGRP recommended merger is challenging without clear explanation on why the broader St George Council was considered the optimal solution. Nevertheless, Rockdale positively pursued merge options.

Council agrees there are benefits to the merger proposal set out in the ILGRP report, but can make an equal case for the benefits of standing alone, possessing the capability, skills and capacity to meet future challenges, with or without mergers with surrounding Councils.

A simple merger with Kogarah would cause minimal disruption, addressing problematic boundaries in commercial centres, roads and railway lines, creating a workable geographic and community construct, but Council is open to any other options, from the St George Council merger (closely reflects existing communities of interest and support), to a functional regional joint organisation.

Rockdale is a modern, progressive Council meeting the services, strategic planning and future requirements of our community in an effective and efficient way. Council currently provides for the needs of over 100,000 residents, with an 86% satisfaction rating, and is well prepared to meet the demands of a population currently planned to almost double by 2036. Rockdale has a number of initiatives currently underway that demonstrate the strategic capacity, capability and effectiveness of the organisation now and into the future. *(Refer Attachment 3 – Summary of ability to meet the 10 Key Elements of Strategic Capacity)*

This capability is reflected in State Government engagement with Council leading to the recent declaration of three priority precincts, with a potential fourth precinct at Kogarah West. These significant growth areas require solid strategic planning and infrastructure development skills, the ability to collaborate with State Agencies and consult with existing communities.

Regional collaboration networks exist through Council's membership in SSROC and regional bodies, ensuring our ongoing capacity for effective advocacy and partnerships. Shared arrangements with Hurstville and Kogarah Councils include the St George Regional Waste Contract (total value - \$100 Million), Design Review Panel and the Sydney RID squad. Council also collaborates with other inner west Councils including Marrickville Council on Airport issues.

Council is a leader in technology and business improvement, recently bringing our computer systems to industry leading levels. Rockdale has been annually audited by SAI Global Australia since 2007, successfully receiving an annual Registration of Certification in International Quality Standards.

Council’s Investment Strategy Working Group has initiated significant improvements in Council’s rationalisation of its property portfolio. Successful examples of capability include the sale of Chapel Street Car Park in December 2014 for a total of \$48M, creating a total return on investment of 643% (or creating a 32% return on investment per annum over the average land holding period of 20 years).

Council has also built significant project delivery capability, demonstrated through three current major infrastructure projects, and improving our capital works delivery capability over the past 3 years— our annual capital works program growing from \$9.1 M in 2011/12 to \$15.2mil in 2013/14. These changes have driven the achievement of our 86% community satisfaction levels.

The ongoing management and amenity of the F6 corridor, Botany Bay foreshore and the Airport requires Rockdale City to work effectively in partnership with many State and Federal Government Agencies.

Further information on Rockdale City Council’s ability to meet the 10 key elements of strategic capacity is contained at Attachment 3.



A Case Study in Alliancing & Regional Collaboration Fast Facts:
Principals: St George Region of Councils consisting of Hurstville, Kogarah and Rockdale City Councils
Project: Waste Collection and Recovery Services
Contract: Collective project development and tendering process with separate service contracts for each Council
Contractor: Single contractor appointed for an 8-10 year term
Delivery Model: Strategic Service Delivery Alliance
Capital Value: \$100m plus
Anticipated Savings: \$46m over 10 years
Source: Major Projects Guidance for Local Government – Case Studies, Maddocks and Ernst & Young

Figure 1.2 - Source: St George and Sutherland Shire Leader – October 2014

2. Your council's current position

2.1 About your local government area

The City of Rockdale is located 12 km from the heart of Sydney's CBD, and is only minutes from the Sydney International Airport. Rockdale covers 28 square kilometres (2823 hectares), stretching from Wolli Creek and Sydney International Airport in the north to Georges River in the south, and from Botany Bay to the M5 in the west.

Currently 108,072 (2014 ERP) people live in the city. The City is served with excellent transport connections provided by two railway lines, multiple bus routes and major roads including the M5 East, Princes Highway and General Holmes Drive. One quarter of our employed residents travel to work by train from one of 8 railway stations in Rockdale City (ABS Census 2011), and every day, over 130,000 cars (RMS 2012), travel through the city on major roads such as Princes Highway and General Holmes Drive.

There are 38,860 homes in Rockdale City, with more than 50% of the housing medium or high density. This is expected to increase as the property market is stimulated by the amenity of Botany Bay, and access to employment within Rockdale, Sydney City and Sydney Airport. The designation of Arncliffe, Banksia and Cooks Cove as "priority precincts" will further drive population growth.

The City is a culturally diverse area with 44% of Rockdale City residents born overseas; mainly from China, Greece, Former Yugoslav Republic of Macedonia, Lebanon and Nepal. The area is an excellent example of how residents from a wide range of countries, languages and cultures can build a solid and safe community together. Council works closely with its communities and shares significant Nepalese, Lebanese and Macedonian populations with Kogarah Council, partnering with Kogarah in a number of community initiatives.

In 2014, in recognition of the Nepalese community as the fastest-growing cultural group in the area, Rockdale Library launched the Nepali Collection - 500 books in Nepalese. This was a first in NSW and allowed us to continue to meet the needs of our culturally diverse residents.

Rockdale City Council manages over \$800 million in infrastructure assets on behalf of the community, and obtained an 86% community satisfaction rating with Council's services in the last community feedback survey.

Sport is very popular in the St George region and Rockdale City currently has fifteen sporting ‘precincts’ which provide for a variety of sporting needs within the local community, including soccer, cricket, Oz tag and netball. In addition, Council manages many large areas of open space (397 Hectares) and eight kilometres of beach on the foreshore of Botany Bay. Other significant infrastructure within the city includes a significant portion of Sydney International Airport, the St George TAFE, Rockdale Plaza Shopping Centre, and three golf courses.

Council is currently undertaking a major capital works program which includes a state of the art Library, new Aquatic Centre and Arncliffe Youth Centre, (a partnership between Council and private enterprise), which will deliver state-of-the art facilities able to accommodate a wide range of services.



Figure 1.4 Rockdale City Library – due for completion May 2016 and Photomontages: Bexley Aquatic Centre (Construction Contracts signed) and the Arncliffe Youth Centre (Partnership)

2.2 Key challenges and opportunities

Strengths	Score	Weaknesses	Score
<ul style="list-style-type: none"> Community satisfaction with Rockdale City Council services and advocacy 	5	<ul style="list-style-type: none"> Regular community feedback and user satisfaction surveys 	3
<ul style="list-style-type: none"> Location and proximity to the CBD, airport and sustainable population growth 	5	<ul style="list-style-type: none"> Multiple small centres with diverse characteristics and challenges 	4
<ul style="list-style-type: none"> Natural amenity, open space and access to Botany Bay, major infrastructure improvement program 	4	<ul style="list-style-type: none"> Aged public buildings and open space infrastructure, mixed land ownership, heavy community demand 	4
<ul style="list-style-type: none"> Planning of strategically important precincts 	3	<ul style="list-style-type: none"> Aging staff profile, gaps in broad cross-functional capability 	3
<ul style="list-style-type: none"> Relationship with State Government partners 	3	<ul style="list-style-type: none"> Lack of strategic cooperation from other LG partners in Fit for the Future (this will also be a challenge for any merger option) 	3
<ul style="list-style-type: none"> Technology innovation and quality systems e.g. VmWare – scalable and flexible, ISO accreditation. 	3	<ul style="list-style-type: none"> Varied business systems and processes, with limited real time reporting 	2
Opportunities	Score	Threats	Score
<ul style="list-style-type: none"> Enhancing series of vibrant centres/hubs 	5	<ul style="list-style-type: none"> Traffic and transport congestion 	5
<ul style="list-style-type: none"> Building a robust local economy 	4	<ul style="list-style-type: none"> Economic recession (putting revenue sources under pressure), Removal of Sydney International Airport revenue 	5
<ul style="list-style-type: none"> Building an industry leading culture of leadership and innovation 	3	<ul style="list-style-type: none"> Ageing workforce and competition for quality candidates 	3
<ul style="list-style-type: none"> Become a centre of process and business improvement excellence (and efficient service delivery) 	3	<ul style="list-style-type: none"> Change resistance and lack of process improvement skills 	3
<ul style="list-style-type: none"> Engage with the community to ensure service levels and standards meet expectations/needs 	2	<ul style="list-style-type: none"> Increasing service delivery expectations of communities 	3

2.3 Performance against the Fit for the Future benchmarks

General Comments - In May 2006, the NSW local government sector was put on notice, that without additional revenue, it was financially unsustainable (*Source: Independent Inquiry into the Financial Sustainability of Local Government*). Rockdale City took immediate steps to address this challenge (2007 Infrastructure Levy) and has sustained this effort with vastly improved Asset Management practices and further revenue increases, with a number of infrastructure related Special Rate Variations (SRV's) and major projects in construction. These efforts are coming into full effect now and over the next four years will deliver improved financial performance.

When Rockdale conducted its initial Fit for the Future financial self-assessment at the beginning of the year, financial modelling (by Morrison Low) showed Council achieved three out of seven (3/7) financial criteria results within the 2013/14 reference year.

Since that time, a number of changes have been introduced which significantly improve this performance assessment. These changes, and the assumptions underpinning this improvement are set out in summary below, and in more detail within each of the relevant seven financial criteria in this section. It is important to state that these changes are neither cosmetic nor recent, and are justified based on external, expert advice. The current assessment is that Rockdale will successfully meet four out of seven (4/7) criteria by June 2015 and the remaining three benchmarks within the five years set out by the Office of Local Government. Rockdale City Council's submission to the Fit for the Future process and associated financial modelling of potential improvements has been amended to reflect these improvements (within the limitations of the current public financial information of adjoining Councils).

There are a number of factors that have contributed to this improvement. Some of these factors impact on more than one measure, and there are many complex interactions that have amended the modelling in various ways, some negative, and some positive within the net improvement. While the detail is contained within the assumptions and modelling data, the following commentary is provided to explain the primary drivers of this improvement. Comments are only provided where there are noticeable changes, and only summarise the major factors.

The single largest impact is the change in methodology around depreciation – the total estimate of the liability, the years in which the costs fall, the way we estimate residual values, all supported by expert, independent advice. The changes are also a reflection of the positive contribution of the major projects to reducing backlog liabilities and improving our apportionment of parts of these projects to renewal costs.

Key assumptions that underpin Rockdale City's Results

- No major change in services delivered or service levels.
- Council will resolve to take full approved Special Rate Variation (SRV).
- Continued efficiency target of \$250,000 each year.
- Rate Peg projected between 2.3% and 3%.
- Growth of 0.4%, (\$165,000 p.a. – additional 480 new dwellings per year).
- Interest rates received range from 2.3% to 5%.
- User charges and other income increase between 2.5% and 3.5%.
- Grants and Contribution increase by 2.5%
- Expenses increase between 2.2% and 3.9%

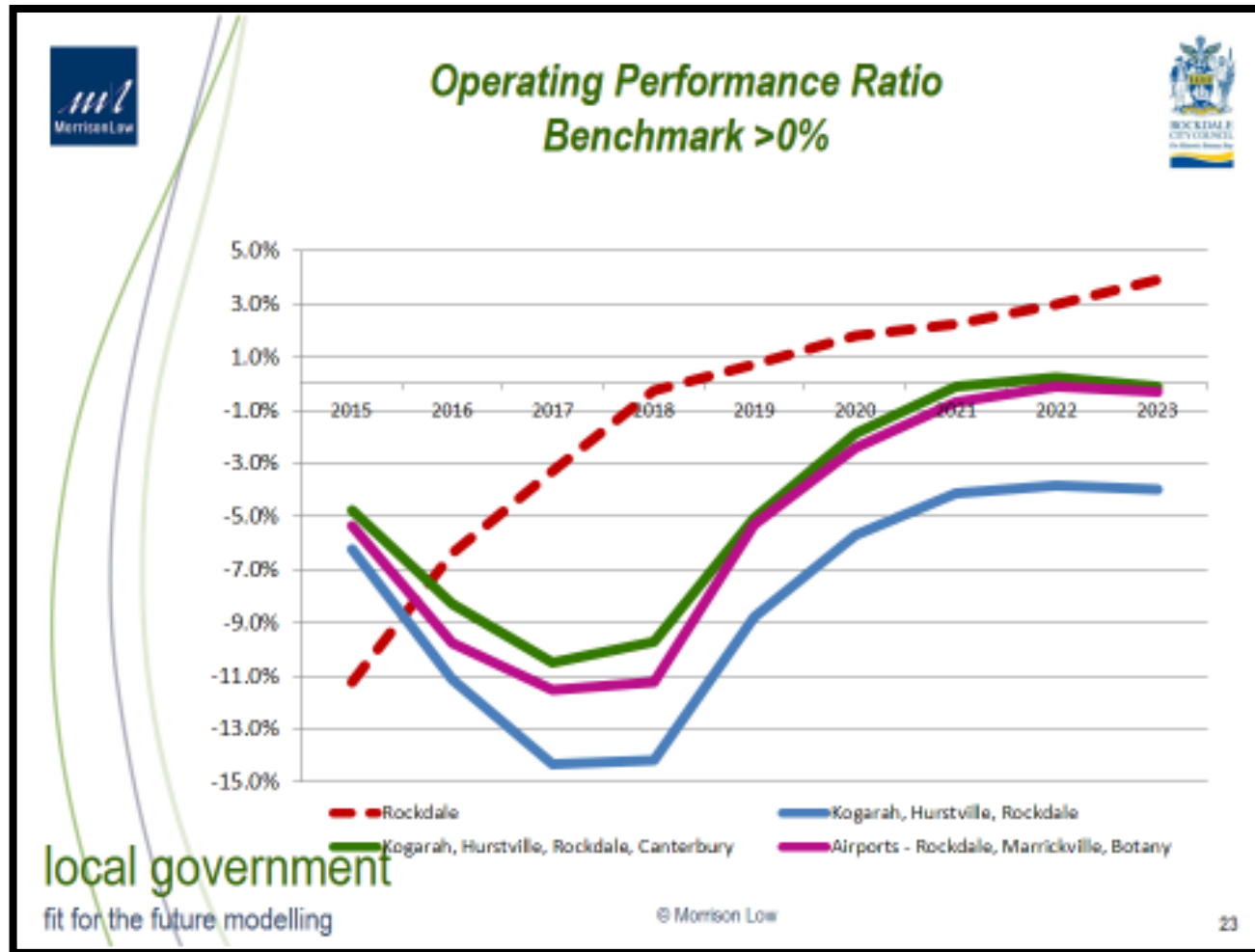
2.3 Performance against the Fit for the Future benchmarks

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)	-0.116	NO	-0.034	NO
Own Source Revenue Ratio (Greater than 60% average over 3 years)	82.9%	YES	86.3%	YES
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	32%	NO	107%	YES

Rockdale will meet four out of seven (4/7) criteria by June 2015 and the remaining three benchmarks within the five years set

Operating Performance Ratio

Rockdale's future performance against this benchmark is 3 years ahead of the other Independent Local Government Review Panel's merger options (based on publicly available data).



Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue. The major changes to this ratio mean that this benchmark will be achieved in the 2018/19 year, rather than being unachievable in the previous model.

The primary driver of this improvement is over \$6 million dollars of improvement in the depreciation assessment, and a change in the years these reductions take place. The most important component of this was the independent review of our depreciation methodology by Morrison Low (a FFTF Technical Panel Member), which recommended changes to the way we estimate asset replacement costs, consistent with National best practice.

This mostly relates to some of our larger asset classes such as roads, where for example, the new approach recognises that usual practice is to replace the top 30% of the road, rather than 100% of the asset, giving such assets a "residual value".

This simple correction has significant implications across an asset portfolio approaching \$800 million, with this being the major factor in the reduction. These changes also reduce the demand on increasing revenue.

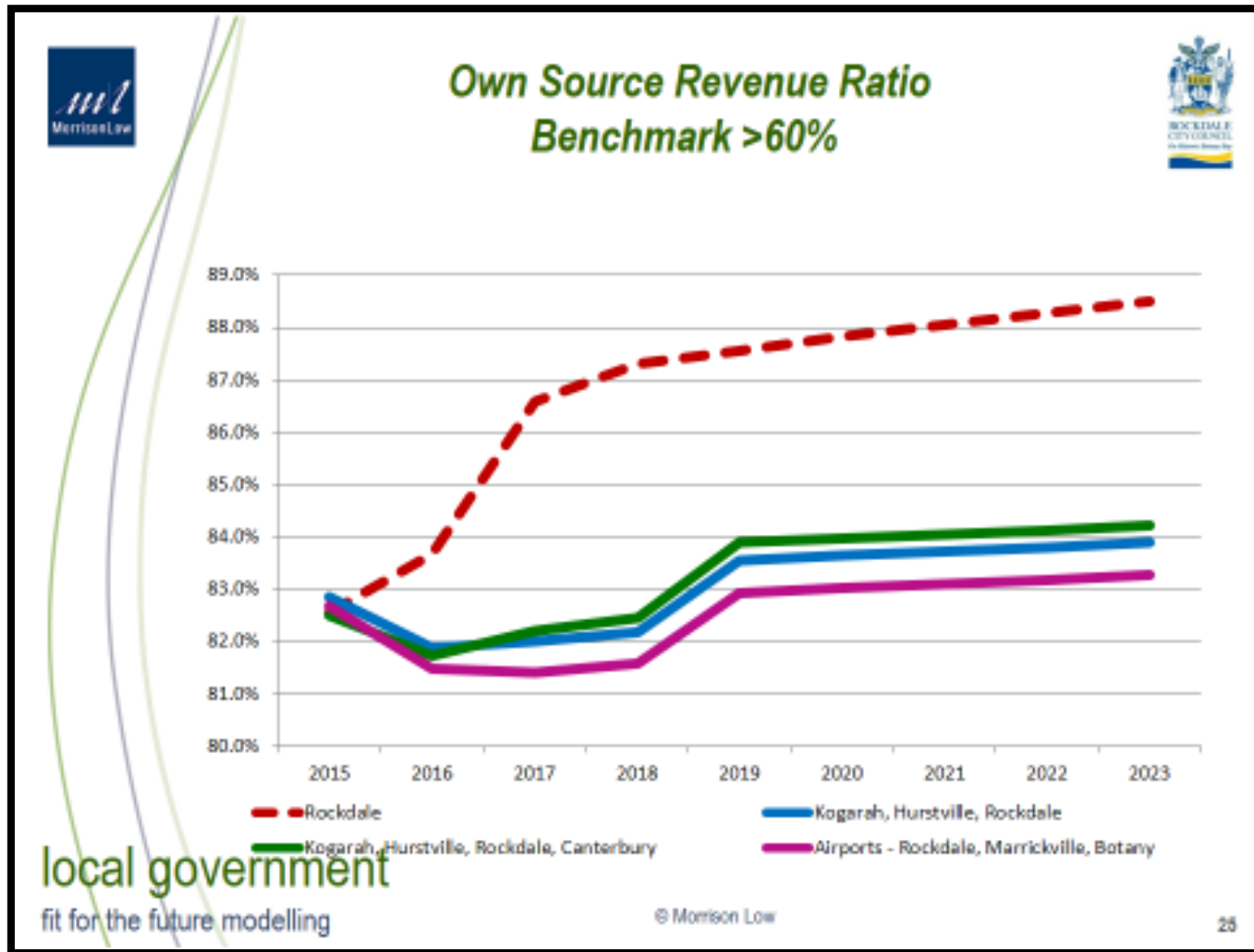
There are some compounding impacts of other changes - reduced inflation estimates (based on current economic modelling) are then applied to this reduced depreciation rate.

This is partially offset by other related changes - mostly relating to reduced income growth from rates and interest earning accounts. Recent revaluations provided more accurate and contemporary cost estimates, but made no significant impacts on the depreciation totals.

This significant reduction in depreciation also impacts (in part) on other criteria such as Building and Infrastructure renewals and Infrastructure Backlog.

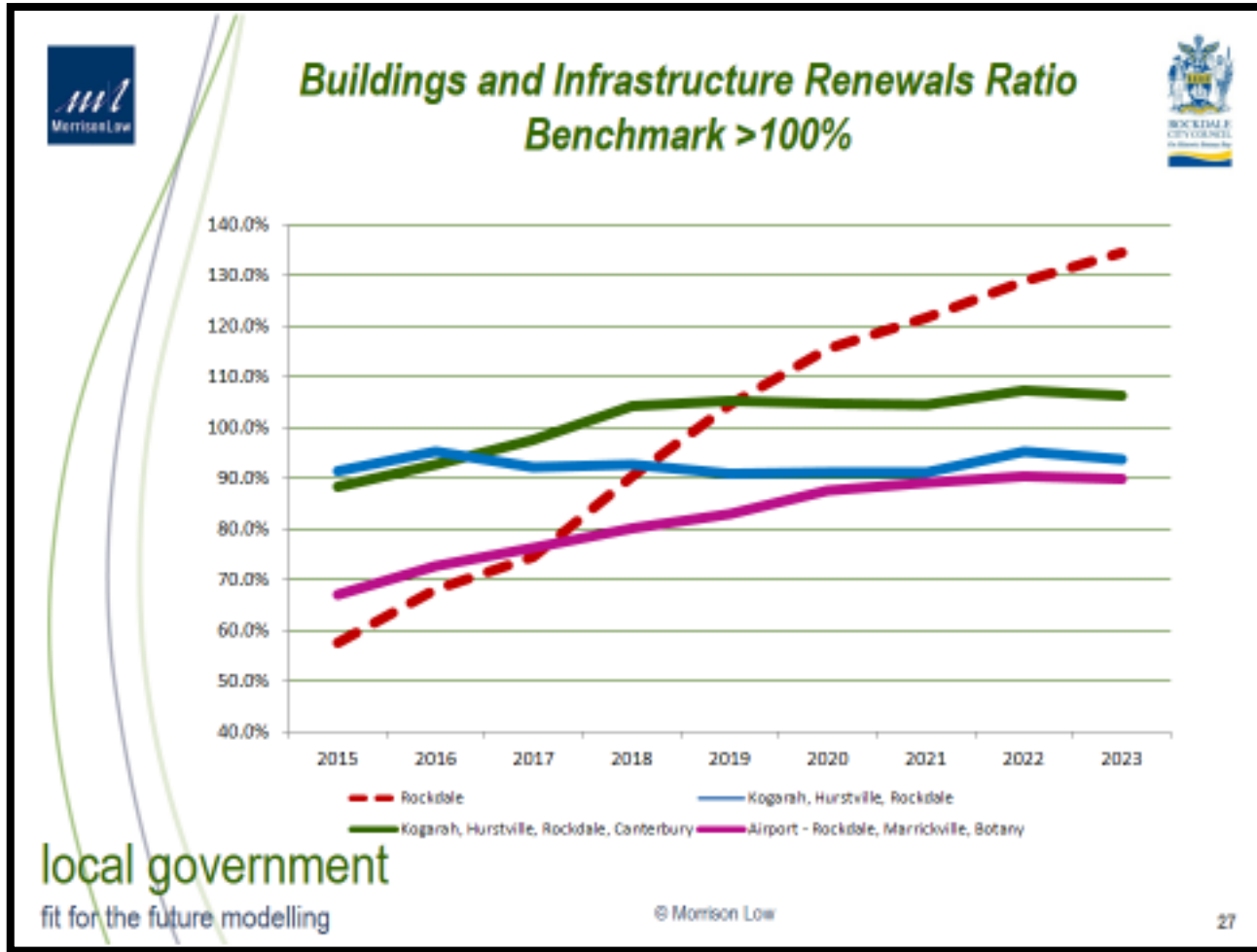
Own Source Revenue

Rockdale City easily meets this benchmark, now and in the foreseeable future.



Building and Infrastructure Renewal

Rockdale City achieves this benchmark within the set timeframe.



Building and Infrastructure Renewal

This ratio assesses the rate at which the assets are being renewed relative to the rate at which they are depreciating. Performance below the benchmark is indicative of existing assets deteriorating faster than they are being renewed leading to a potential increase in the infrastructure backlog.

There are a number of changes to how Council has estimated this ratio, leading to Council successfully exceeding the benchmark in the 2018/19 financial year, rather than not achieving this measure at all.

Again, the approved, reduced depreciation costs from the amended methodology have driven much of this improvement, with a more refined logic underpinning this approach also amending the spread of depreciation costs across the years.

Performance against this criteria has also been improved by including a portion of the major projects in this renewal calculation - the areas of the existing Central Library, Aquatic Centre, York Street Car Park and Ramsgate Beach Improvements that will be replaced by these projects have (rightly) been included the new figures.

There has also been a seemingly minor change in the percentage allocation between the general rate and special rate variation (SRV), within the total increase of 6%, with adjustment in the recent estimates resulting in an increase to the portion of the 6% being directed to the SRV rather than general revenue.

This has a sizeable compounding impact over the next 5 years (in the region of \$1.5 M in the final year), positively impacting on this measure.

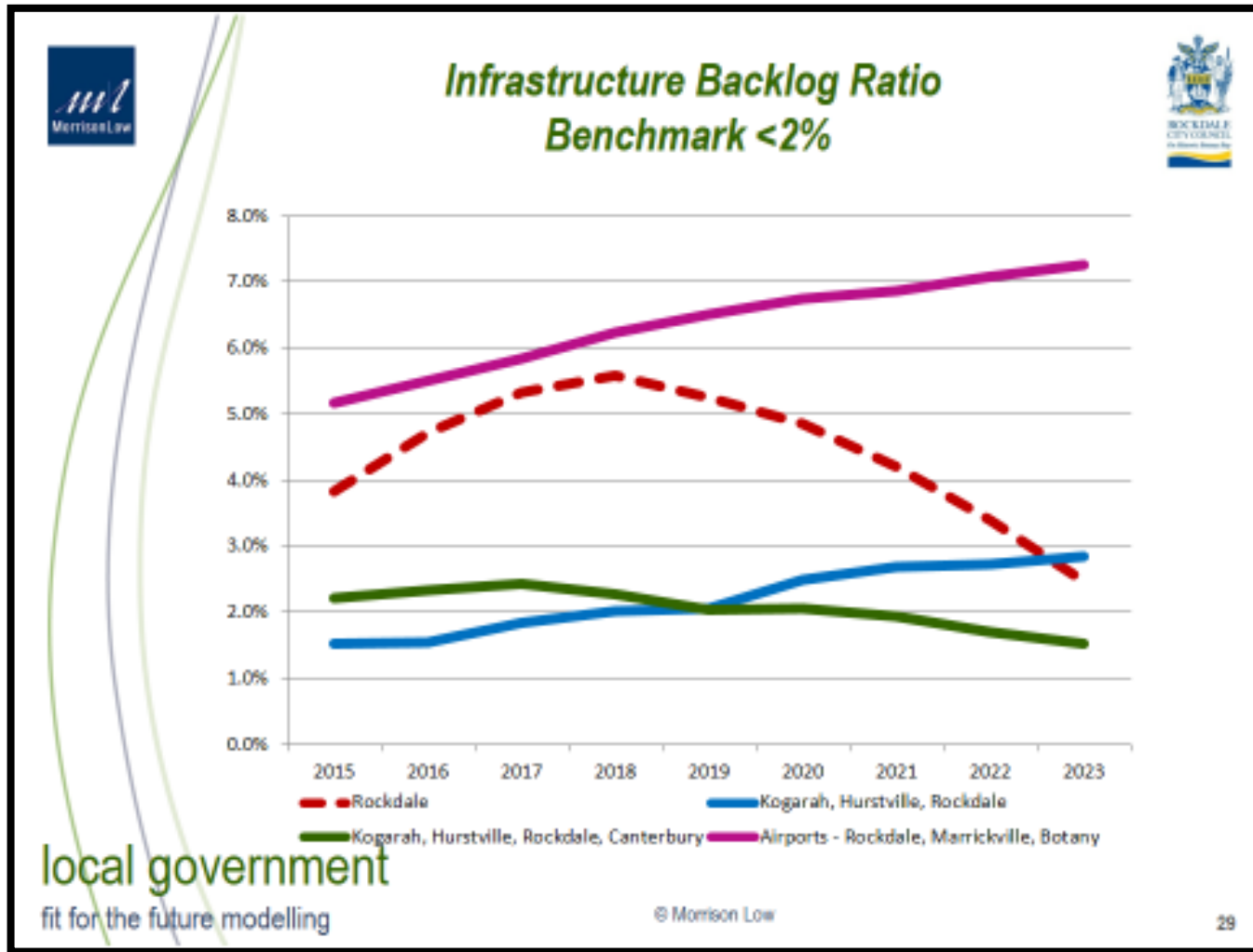
2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Greater than 2%)	2.98%	NO	1.38%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	44%	NO	106%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2%	YES	1.8%	YES

Rockdale will meet four out of seven (4/7) criteria by June 2015 and the remaining three benchmarks within the five years set

Infrastructure Backlog

Rockdale City's future performance against this benchmark improves significantly with more robust asset management accounting.



Infrastructure Backlog

This ratio shows what proportion the identified asset backlog represents in comparison to the value of Council's total infrastructure value.

It measures the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way.

Simply stated, if Council is spending less on infrastructure renewal than on depreciation costs, then this ratio will continue to deteriorate, which is exactly the scenario described in the old model, never achieving the benchmark.

In the current model, the performance has dramatically improved, achieving the desired ratio in 2017/18.

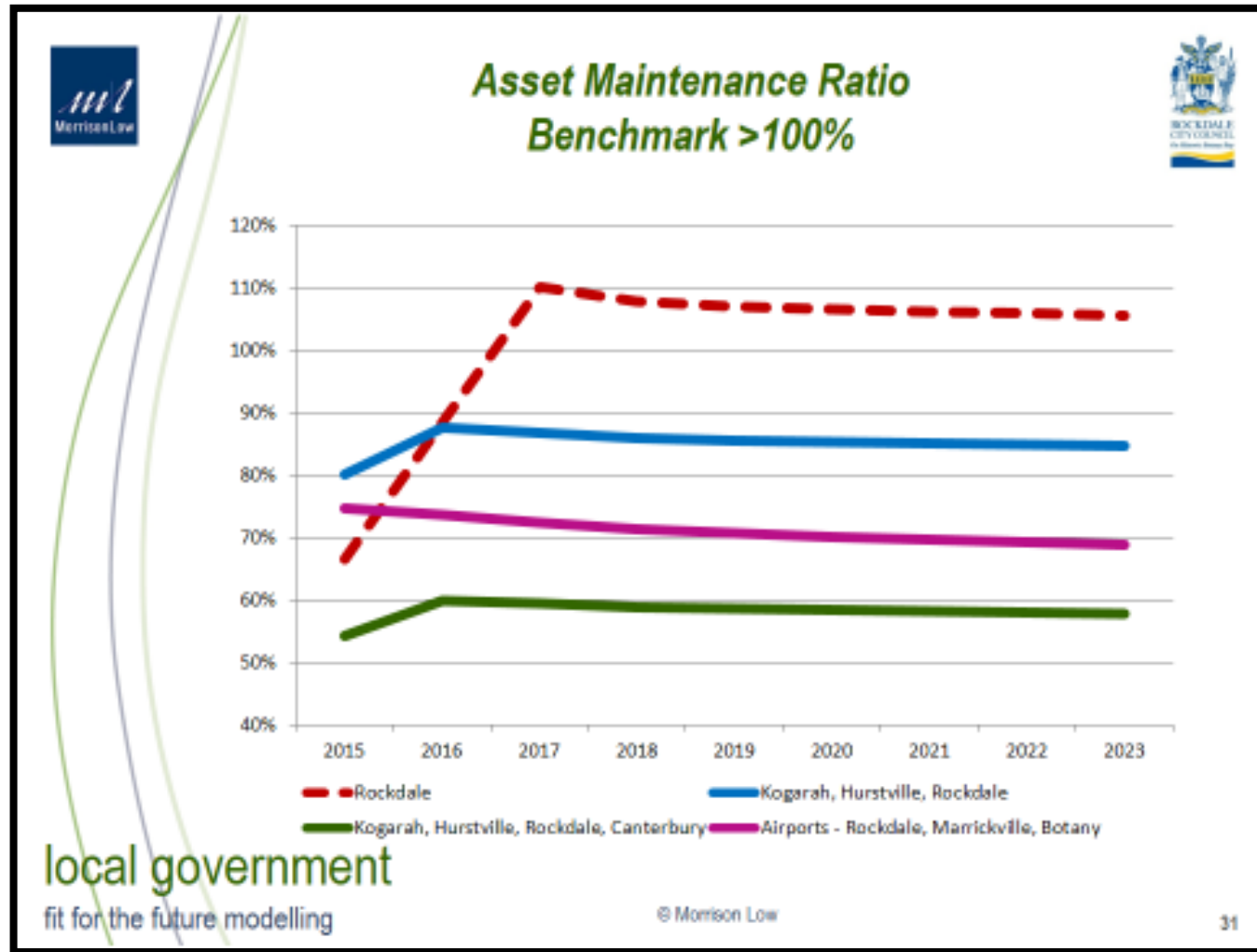
This improvement has again, been largely driven by the approved changes to depreciation, combined with the impact of the major projects.

For example, our current model estimates depreciation of \$13 M in 2016/17 year, \$17 M is anticipated to be spent on addressing backlog, coming from SRV and major projects.

An additional benefit was realised when old buildings such as 444 Princes Hwy and the Bexley Pool were demolished for major projects, removing these backlog liabilities from the calculation (not factored into the original modelling).

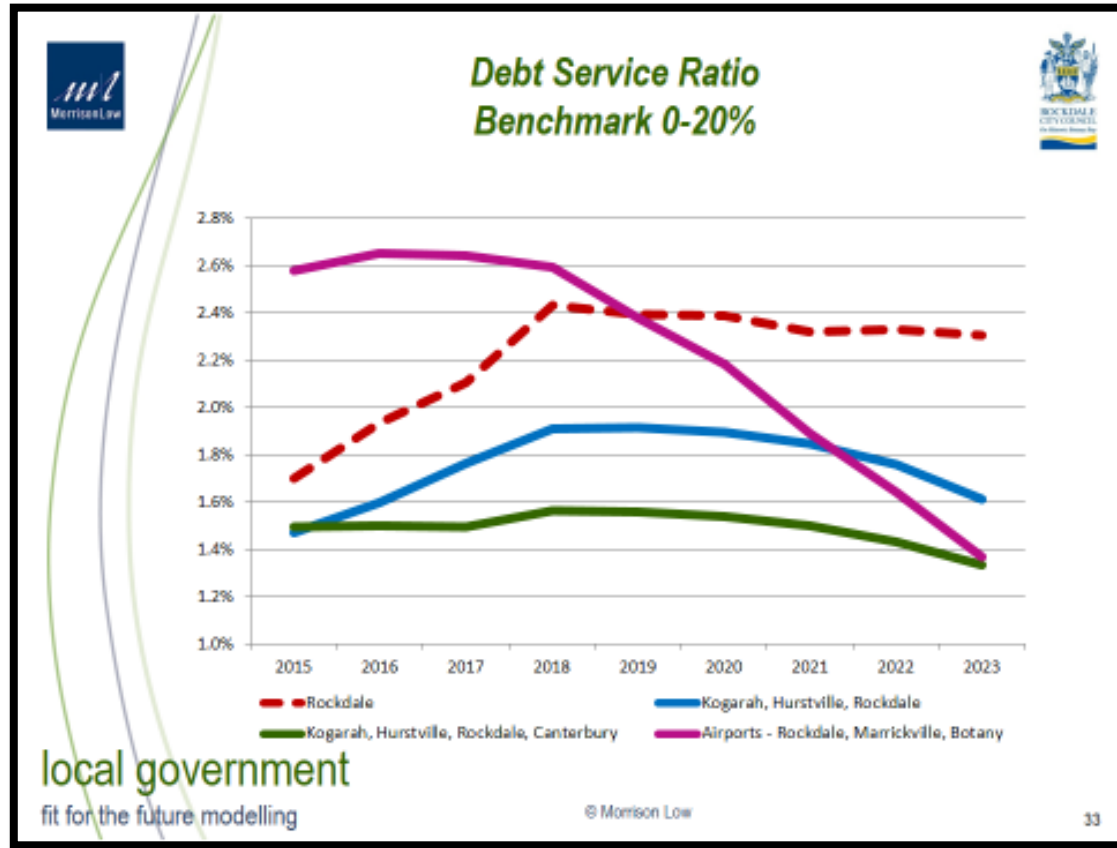
Asset Maintenance Ratio

Rockdale City easily meets this benchmark, now and in the foreseeable future.



Debt Service Ratio

Rockdale City easily meets this benchmark, now and in the foreseeable future.



This ratio assesses the impact of loan principal and interest repayments (including finance leases) on the discretionary revenue of Council. While this measure was achieved in the original model, it has been improved in the revised version. This has been achieved as a result of the successful sale of Chapel Street, which has enabled the option of internal rather than external borrowing to take place. This removes approximately \$8 M in asset renewal loan funding from the modelling of this criteria.

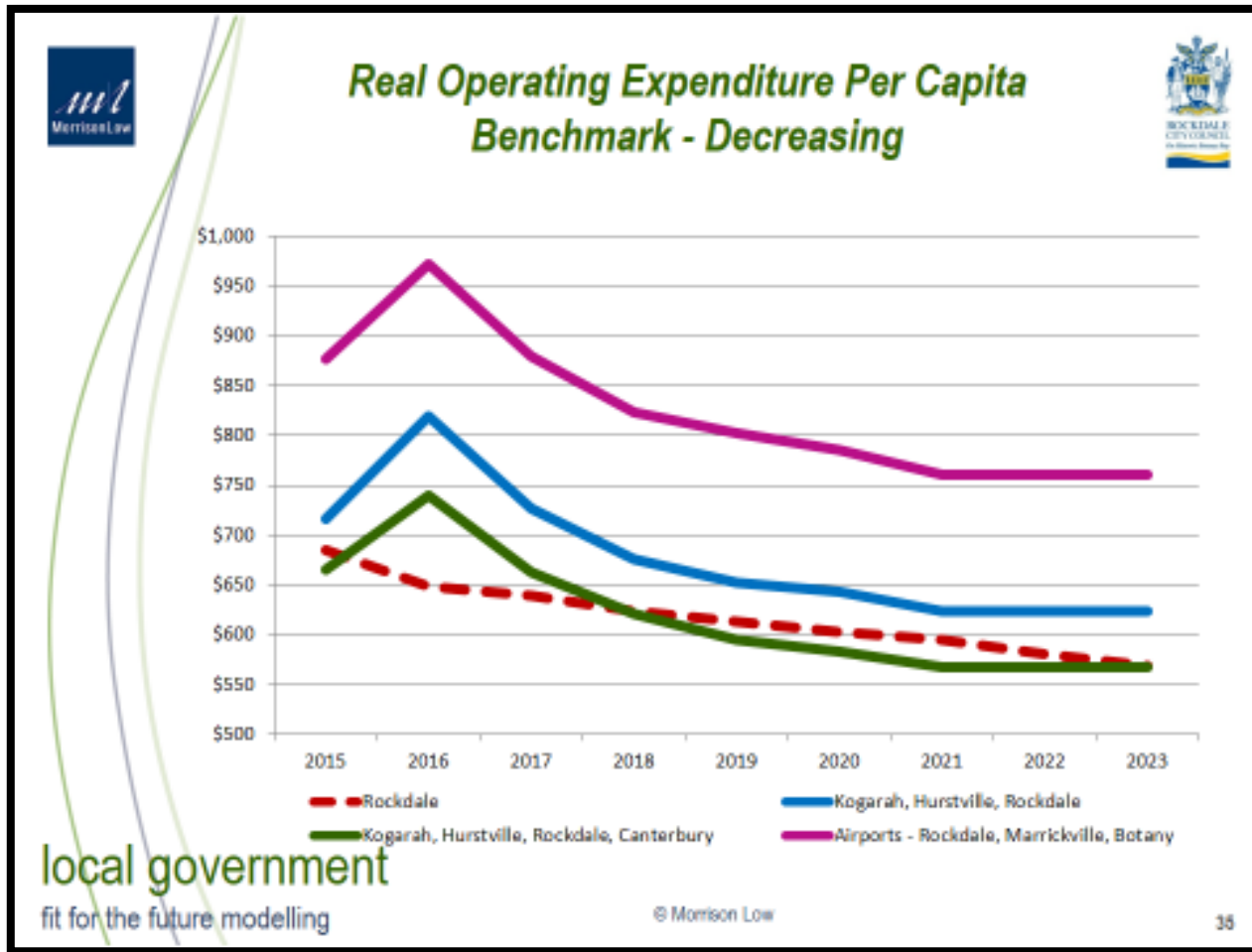
2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	660	NO	610	YES

Rockdale will meet four out of seven (4/7) criteria by June 2015 and the remaining 3 benchmarks within the 5 years set

Real Operating Expenditure Per Capita

Rockdale City Council meets this benchmark, showing consistent improvement over time. This projection has been driven by improvements to the operating performance ratio and the significant future increases in population.



3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Rockdale City Council has been working to address the financial challenges highlighted in these measures for a number of years. Council's goal has consistently been to ensure a financially sustainable Rockdale City Council, with the ability to fund ongoing service delivery, and the renewal and replacement of assets, without imposing excessive debt or rate increases on future generations. This definition has been translated into four key financial sustainability principles within the current Long Term Financial Plan:

- Council must achieve a fully funded operating position reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
- Council must maintain sufficient cash reserves to ensure that it can meet its short- term working capital requirements
- Council must have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works
- Council must maintain its asset base, by renewing ageing infrastructure which is identified, and by ensuring cash reserves are set aside for those works

Council has been consulting with the community about the need to increase funding towards the renewal of infrastructure since 2007 when the first SRV was approved. The second SRV application in 2010/2011 (an additional 3% for seven years) was specific to public amenities and community buildings, approved for three years. Prior to the expiry of the public amenities and community buildings SRV in 2012/2013, Council

applied to retain the 3% and this application was successful. Following further work on the condition of non-building infrastructure assets, Council successfully applied for a further 3% variation to the general rate, each year (for four years) to assist with funding roads, foreshore, open space and playground assets.

An additional initiative of an annual self-imposed efficiency target of \$250,000 p.a. has also been transferred from operational budgets to asset renewal.

These changes, combined with recent improvements in financial methodologies has led to significant improvements in the current position and future sustainability performance of Rockdale City Council.

The most important component impacting on the financial sustainability measures was the recent independent review of our depreciation methodology by Morrison Low (a FFTF Technical Panel Member), which recommended changes to the way we estimate asset replacement costs.

This mostly relates to some of our larger asset classes such as roads, where for example, the new approach recognises that usual practice is to replace the top 30% of the road, rather than 100% of the asset, giving such assets a "residual value". This simple change has significant implications across an asset portfolio approaching \$800 million, with this being the major factor in the improvement of Council's performance in this area.

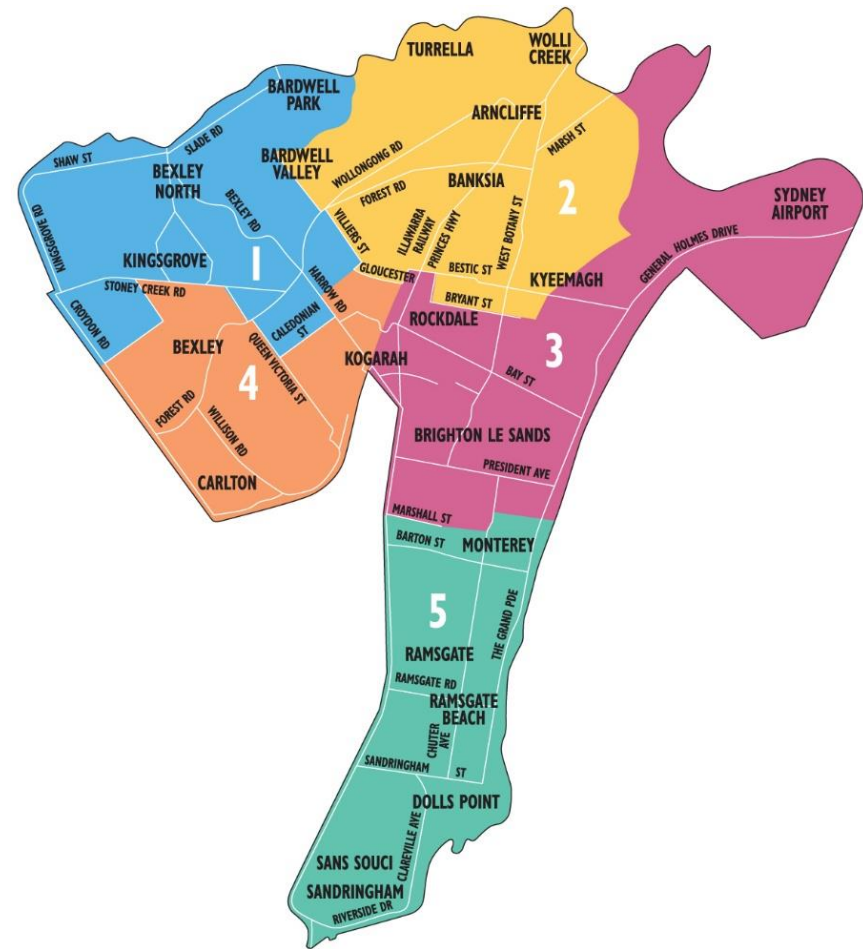
In the long term, there are many other areas where Council can significantly improve its long term financial sustainability.

As set out in Rockdale’s Long Term Financial Plan, Council must increase operational revenue or reduce operational expenditure or a mixture of both or reduce the value and number of assets held and maintained.

To achieve this, a program of actions across the following areas are currently being finalised. These impact on both the sustainability and efficiency measures:

- Improved asset management (including Demand Driven Asset Renewal Practices and new asset management business systems)
- Contracts and procurement reviews (particularly those supplier contracts that impact on operational expenditure)
- Service reviews (targeting efficiency improvements, customer service and business process improvements)
- Optimal use of Plant, Fleet and Equipment
- Identification of potential increased revenue generation

Collectively, the improvement target for these areas is \$1 million over the four year delivery program of the next Council.



1.6 Rockdale Local Government Area by Ward (including suburbs)

3.1 Sustainability

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improve Operating Performance Ratio through improved revenue	a) Identify new income stream opportunities b) Review Council's fees and charges. c) Maximise revenue from the Sydney International Airport (SACL)	14/15 <ul style="list-style-type: none"> Information base providing real cost of services to Council Ongoing negotiations with SACL. 15/16 <ul style="list-style-type: none"> Cost of service comparison with associated new and/or existing fees and charges 16/17 <ul style="list-style-type: none"> Revised revenue sources implemented Synthetic Sports Field Capital and Cost Recovery (ROI) 	<ul style="list-style-type: none"> Higher Own Source Revenue Ratio through identification of additional revenue sources Improved Operating Performance Ratio via optimal fees and charges schedule Additional rate equivalent payments from SACL. 	<ul style="list-style-type: none"> Refined Real Operating Expenditure per Capita due to revised revenue sources

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
2. Improve Asset and Infrastructure Backlog Renewal	<ul style="list-style-type: none"> a) Manage Asset Renewal in response to measured community demand b) Develop and implement contemporary Asset Management System 	<p>14/15</p> <ul style="list-style-type: none"> • Assess non-renewal options for all assets with condition ratings of 4 and 5 <p>15/16</p> <ul style="list-style-type: none"> • Prioritise based on the merit of renewing these assets • Develop a Building Rationalisation Strategy • Develop a Playground Rationalisation Strategy 	<ul style="list-style-type: none"> • Improved Operating Performance Ratio via reduced operating costs for assets • Improved Building and Infrastructure Asset Renewal Ratio 	<ul style="list-style-type: none"> • Reduced Infrastructure Backlog Ratio • Higher Asset Maintenance Ratio • Reduced Real Operating Expenditure per Capita

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3. Improve Operating Performance Ratio through service delivery efficiencies	a) Review utilisation of Plant, Fleet and Equipment b) Explore cost / benefit to share services regionally c) Review renewal and disposal strategy	15/16 <ul style="list-style-type: none"> Identify surplus and/or underperforming plant, fleet and equipment 16/17 <ul style="list-style-type: none"> Identify share service opportunities Identify opportunities to hire specialised equipment to neighbouring LGAs (income generating) 	<ul style="list-style-type: none"> Improved Operating Performance Ratio 	<ul style="list-style-type: none"> Higher Asset Maintenance Ratio Reduced Real Operating Expenditure per Capita

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
4. Improve Operating Performance Ratio through a planned program of organisation wide service and efficiency reviews	a) Cost/benefit analysis and Service Level Agreements (SLAs) on services and work practices (both internal and external)	15/16 Prioritisation of Services to be reviewed 16/17 Initial service reviews including: <ul style="list-style-type: none"> • Library Services • Saturday morning trading / customer service • Meals on Wheels • Cleaning Services Contract 	<ul style="list-style-type: none"> • Higher Own Source Revenue ratio via the identification of new/improved revenue streams • Improved Operating Performance Ratio via improved knowledge of the costs to enable informed decision making around service provision; demand - (continuation) • Improved Building and Infrastructure Asset Renewal Ratio primarily influenced by demand and the way we provide services. 	<ul style="list-style-type: none"> • Higher Asset Maintenance Ratio • Reduced Real Operating Expenditure per Capita

3.2 Infrastructure and Service Management

Due to the interrelated nature of depreciation and operating incomes, many of the long term financial management improvement initiatives underway target both operating revenue and asset management practices. As a community service provider, many of these initiatives are aimed at meeting customer expectations while improving the efficiency of delivery of those services.

Of the previously identified key strategies to address sustainability, the following areas also are aimed at improving infrastructure and service management.

- Improved asset management (including Demand Driven Asset Renewal Practices and new asset management business systems)
- Service reviews (targeting efficiency improvements, customer service and process improvements)

In addition to these initiatives, Rockdale is currently undertaking a business system procurement process to replace an aging finance system and create a contemporary asset management system. The new system will lead to better data capture and management, particularly of residual asset values and maintenance levels, as well as improved modelling.

The objectives of the project include:

- Implementing a centralised, integrated corporate asset management system which enables an optimal multi-disciplinary asset life-cycle approach.
- Reengineering business processes and workflow where relevant to adopt 'best industry practice' in asset and financial management
- Improve data capture, management and reporting to comply with statutory and business requirements
- Reduce duplication and administrative time by enabling more seamless workflows within and external to the organisation

Rockdale City Council has also spent considerable effort in the past year to clarify policies and governance roles and responsibilities for asset management. All these elements will improve Council's ability to streamline asset management and combined with our system and process improvements, enable staff to confidently predict asset renewal, maintenance and replacement requirements.

3.2 Infrastructure and Service Management

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improve Infrastructure Backlog Ratio by consolidating Rockdale Council's Asset Portfolio	a) Develop and implement contemporary Asset Management System b) Review Rockdale's asset portfolio and reconfirm what assets are to be renewed and what assets should be decommissioned	15/16 Demand and condition analysis undertaken on the following to determine which assets to continue to renew or decommission; <ul style="list-style-type: none"> All assets in the SRV Program reviewed – 2015/16 All condition 4 & 5 assets (outside of SRV) reviewed – 2015/16 All condition 1-3 Assets (outside of SRV) reviewed – 2016/17 	Improvement Backlog Ratio & Asset Maintenance Ratio due to: <ul style="list-style-type: none"> Reduction in Rockdale City Councils asset backlog Greater investment and redistribution of funds for asset renewals 	These improvements will also positively influence the Building Infrastructure Renewal Ratio and Operating Performance Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
2. Improvement to the Asset Maintenance Ratio through Optimised Management of Assets	<p>a) Review and Implement policies, procedures and practices to better account for asset maintenance, renewal and capital activities</p> <p>b) Seek leverage opportunities with other Councils to accumulate our usage with common suppliers</p>	<p>15/16</p> <ul style="list-style-type: none"> Revised capitalization policy and procedures implemented New Corporate asset management and finance systems Proactive maintenance programs and contracts reviewed Trial cyclic proactive maintenance Review trial data Identify joint supplier areas and discuss with other SSROC Councils. 	<ul style="list-style-type: none"> Clear and consistent asset accounting methodology and practice Optimised proactive maintenance plans for assets Application of 'best practice' technology system that support the above points Reduce replacement costs over time. 	<p>Improvements also positively influence the building infrastructure renewal ratio, operating performance ratio and Real Operating Expenditure per capita</p>

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3. Improved Asset Maintenance Ratio through optimised services that meet community needs.	<ul style="list-style-type: none"> a) Undertake service reviews b) Review demand of existing assets c) Review levels of services standards for assets with the Community d) Seek leverage opportunities with other Councils to accumulate our usage with common suppliers 	15/16 <ul style="list-style-type: none"> • Service reviews commenced • Review contracts for council owned buildings • Community Engagement on Levels of Service standards for assets completed • Adjustments made to maintenance programs and practices as a result • Identify joint supplier areas and discuss with other SSROC Councils. 	<ul style="list-style-type: none"> • Improvement to the Infrastructure Backlog Ratio and Asset Maintenance Ratio • Reduce replacement costs over time. 	Improvements also influence building infrastructure renewal ratio and operating performance ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
4. Improved Asset Maintenance Ratio decreased expenditure on required annual maintenance	<p>a) Review design specifications for assets that enables more cost effective maintenance treatments and practices</p> <p>b) Review service contracts to identify cost efficiencies whilst maintaining required service level standards</p> <p>c) Seek leverage opportunities with other Councils to accumulate our usage with common suppliers</p>	<p>15/16</p> <p>a) Design standards for asset classes developed – Buildings – completed</p> <p>b) Design standards for asset classes developed – Playgrounds –</p> <p>c) Specifications established for materials, fixtures and fittings</p> <p>d) Audit and review major service contracts – 2015-2016</p> <p>e) Identify joint supplier areas and discuss with other SSROC Councils.</p>	<ul style="list-style-type: none"> Improvement to the asset maintenance ratio Reduce replacement costs over time. 	Improvements also influence operating performance ratio

3.3 Efficiency

The combination of the previous improvement initiatives from the sustainability and infrastructure categories combine with increasing population levels to create the improvement to the efficiency measure. In this area, the improvements in this measure should be understood to be cumulative with the previous two categories, focussed of improving the operating performance and asset and infrastructure management, rather than simply changes to the population measures.

The first four measures relate to the proposed increases to population (over and above the levels foreshadowed by existing population predictions) due to the inclusion of a number of priority precincts and new residential development priorities (supported by State Government) that may increase the population of the existing Rockdale Local Government area by up to 40,000 new residents, many within high density residential precincts. Matched with increasingly efficient service delivery and improved infrastructure management, this ratio is projected to significantly improve over the next 10 years.



Arncliffe Precinct

The Arncliffe precinct, in Sydney's south, will be a vibrant and well-planned town centre around Arncliffe station. The new centre will include more restaurants and cafes, open space and parks, and more local jobs. The NSW Government and Rockdale City Council are inviting you to help shape the future of the neighbourhood. The Government will invest up to \$5 million in local infrastructure for the Arncliffe precinct and the local community will have direct input into deciding on the local infrastructure projects that will be delivered.

Source: www.planning.nsw.gov.au/arncliffe

Figure 1.7 – Capable partner with State and Federal Agencies

3.3 Efficiency

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. A decrease in Real Operating Expenditure per capita over time	a) Arncliffe Priority Precinct	15/16 -Revision of Planning Controls -Analysis completed -Infrastructure plans completed 17/18 -Development 'approved'	<ul style="list-style-type: none"> • CAPEX per Priority Precinct for local infrastructure works (DP&E grant \$5M) • Planning Controls established • Increase in population established - 22,500 	Will also impact on: <ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio • Asset Maintenance Ratio • Own Source Revenue
2. A decrease in Real Operating Expenditure per capita over time	b) Banksia Priority Precinct	15/16 -Revision of Planning Controls -Analysis completed -Infrastructure plans completed 17/18 -Development 'approved'	<ul style="list-style-type: none"> • CAPEX per Priority Precinct for local infrastructure works (DP&E grant \$5M) • Planning Controls established • Increase in population established - 10,000 	Will also impact on: <ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio • Asset Maintenance Ratio • Own Source Revenue

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3. A decrease in Real Operating Expenditure per capita over time	c) Cooks Cove Priority Precinct	15/16 -Revision of Planning Controls -Analysis completed Infrastructure plans completed 17/18 -Development 'approved'	<ul style="list-style-type: none"> • CAPEX per Priority Precinct for local infrastructure works (DP&E grant \$5M) • Increase in population established – 10,000-15,000 	Will also impact on: <ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio • Asset Maintenance Ratio • Own Source Revenue
4. A decrease in Real Operating Expenditure per capita over time	d) Kogarah West – potential Priority Precinct	15/16 -Priority Precinct Announcement 16/17 -Revision of Planning Controls -Analysis completed -Infrastructure plans completed 17/18 -Development 'approved'	<ul style="list-style-type: none"> • CAPEX per Priority Precinct for local infrastructure works (DP&E grant \$5M) • Increase rate revenue through development contributions (collect enough money to pay for the development) • Increase in population established – 8,000 	Will also impact on: <ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio • Asset Maintenance Ratio • Own Source Revenue

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
5. A decrease in Real Operating Expenditure per capita over time by optimising open space amenities across the City	a) To increase efficiency of open space provision b) Move towards cost neutrality	15/16 -NSW Government Community & Open Space Facilities analysis -Adapt analysis for Rockdale Community 16/17 -Revision of Planning Controls -Analysis completed Infrastructure plans completed	<ul style="list-style-type: none"> Reduction in Council's financial obligations Enhanced ability for public access to open space Open space facilities for multiple uses 	Will also impact on: <ul style="list-style-type: none"> Building and Infrastructure Asset Renewal Ratio Asset Maintenance Ratio
6. A decrease in Real Operating Expenditure per capita over time by enhancing Council's decision making on Asset Management Works	a) Enhance Council's decision making on Asset Management Works	15/16 -Prioritisation of projects and appropriate allocation of funding from correct sources 16/17 -Cross functional review involving all relevant stakeholders -Review S94/City Works to ensure projects are adequately funded -Incorporate new system, policy and practices	<ul style="list-style-type: none"> Pooling of internal resources Coordinated approach to Asset Works to ensure efficiency and removal of duplications 	Will also impact on: <ul style="list-style-type: none"> Building and Infrastructure Asset Renewal Ratio Asset Maintenance Ratio

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
7. A decrease in Real Operating Expenditure per capita over time by optimising Community Assets	a) Review of the utilisation rates for each community facility (building)	15/16 Identification of under utilised community facilities 16/17 Identification of opportunities to co-locate like minded groups / operations	<ul style="list-style-type: none"> • Maintain services • Identification of opportunities to rationalise; enhance; expand or amend facilities 	Will also impact on: <ul style="list-style-type: none"> • Building and Infrastructure Asset Renewal Ratio • Asset Maintenance Ratio



Banksia Precinct

The Banksia precinct, in Sydney's south, will be a vibrant and well-planned town centre around Banksia Station. The new centre will include more restaurants and cafes, open space and parks, and more local jobs.

The NSW Government and Rockdale City Council are inviting you to help shape the future of the neighbourhood. The Government will invest up to \$5 million in local infrastructure for the Banksia precinct and the local community will have direct input into deciding on the local infrastructure projects that will be delivered. Source: www.planning.nsw.gov.au/banksia

Figure 1.7.b – Capable partner with State and Federal Agencies

3.4 Improvement Action Plan

Action plan

Actions

1. Capacity to Deliver Change

Develop and implement agreed solutions to ensure sufficient senior leadership capacity and organisational readiness is in place to drive and deliver change. (Delivery Program Outcome 4.4.4.A.)

2. Service Reviews

Develop and coordinate the implementation of a Service Review Framework. (Delivery Program Outcome 4.4.1.A.3)

3. Priority Precinct Activation

Partnering with the State Government to increase Rockdale City's population over and above modelled estimates (Delivery Program Outcome 4.2.1.B)

Milestones

1. Organisation wide engagement survey, 360 degree feedback and leadership personal action plans complete – end 2015.
2. Leadership and Change management action plans in place – Jan 2016.
3. Leadership development and organisation change program initiated – Feb 2016.

1. Engage internal stakeholders/customers to identify 'quick wins' – November 2015
2. Undertake foundation development eg; customer identification, service definition and business purpose (statutory/discretionary) – Jan 2016
3. Outline agreed model including clarity of purpose and design principles (communicated to all staff) – Feb 2016
4. Identify and prioritise service reviews – March 2016

1. Arncliffe Priority Precinct Program established refer Efficiency Item 3.1 - March 2015
2. Banksia Priority Precinct Program established refer Efficiency Item 3.2 – March 2015
3. Cooks Cove Priority Precinct Program established refer Efficiency Item 3.3 – June 2015
4. Kogarah West Priority Precinct – (in progress)

Action plan

Actions

4. Asset Management Strategy

Continue to progress the Asset Management Strategy that considers:

- What assets do we currently have?
- What is the current asset management position, including current and forecast future needs and adequacy of funding?
- Where do we want to be (in relation to the plan for the future)?
- How will we get there? (Delivery Program Outcome 4.4.2.A.1-4)

5. Investment Strategy Working Group (ISWG)

Continue the work of the ISWG to investigate and advise Council on opportunities to use its property portfolio to improve Councils financial sustainability and increase the range of services and facilities provided to the community by way of leasing or disposing of under-utilised properties and developing under-capitalised properties. (Delivery Program Outcome 4.4.1.A.4)

6. Review Council revenue opportunities

Establish opportunities to grow new and existing revenue. (Delivery Program Outcome 4.4.1.)

Milestones

1. Tender for Data and System Requirements – complete
2. Governance and management structures for Asset Management in place- December 2015
3. Asset management plans developed – June 2016
4. Levels of service defined – June 2016
5. Improvement in processes – December 2016

1. Property development opportunities (Target Site) (as they arise)
2. Community Facilities Policy - 2016 (refer Efficiency Item 3.7)
3. Playground Strategy revised - 2016
4. Fleet and Equipment Rationalisation Strategy developed - 2017
5. Opportunities for shared services identified – 2015-17

1. Identify new potential income sources (end 2015)
2. Review fees and charges (March 2016)
3. Undertake during Service Reviews (Action Plan Item 2 above)
4. Levels of Services defined (based on community consultation)

Action plan

Actions

7. Organisational Capability Assessment

Finalise and adopt a high level operating model for organisational capability

(Delivery Program Outcome 4.4.4)

8. Skilled and Motivated Workforce

Develop a flexible, agile 'fit for the future' organisation that delivers efficiency, value for money and continuous improvement.

Develop a reputation that attracts high calibre candidates.

Create an organisation where employees are inspired to perform at a high level and delivery quality service outcomes while building a culture of continuous improvement.

(Delivery Program Outcome 4.4.4)

Milestones

1. Implement Business Excellence Framework at a practical level (ongoing)
2. Outline agreed clarity of purpose and design principles (communicated to all staff) – end 2015
3. Implement corporate performance dashboard to measure the health of the organisation and provide data for performance improvement strategies – end 2015

1. Implemented the components of the Business Enterprise Framework and the Workforce Plan (ongoing).
2. Continue to grow organisation capacity and efficiency (Refer Service Review Action Item 2 above)
3. Improved customers satisfaction (Community survey results – Sept 2015)
4. Reputation in the industry as 'a good place to work' increased
5. Establish a baseline organisation satisfaction measures (end 2015)

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

In a Mayoral Minute released 15 October 2014, the Mayor and Councillors indicated their support for exploring Fit for the Future by stating “...*Rockdale City Council is committed to exploring our capacity to deliver financially sustainable and efficient local government. As part of this process, Council held an information session for Councillors on 12 March 2014, outlining the NSW State Government’s final report of the NSW Independent Local Government Review Panel. At the Council meeting on 2 April 2014, Council resolved to support voluntary mergers that do not have a detrimental financial impact on communities.*”

Council actively pursued merger options with our neighbouring Councils to no avail (refer Section 3.5). We concurrently worked on the development of this Improvement Action Plan throughout 2015 via a series of internally facilitated Leadership Team developmental workshops. The workshops engaged senior managers and relevant coordinators drawn from all service areas across the organisation.

Smaller working groups combining managers and key stakeholders in terms of Assets; Finance and Efficiency were drawn together to test the authenticity; achievability and prioritisation of the objectives for each of the improvement actions.

We engaged Procurement Advisory Services Pty Ltd and the Chartered Institute of Procurement Services (CIPS) 2014 Global President to explore new and creative ways to work with suppliers to generate more value from our supplier spend.

The Improvement Action Plan was endorsed by the Executive Committee followed by approval from Councillors at an Information Briefing session prior to Council resolution at its meeting on 17 June 2015.

3.5 Other actions considered

Rockdale City Council has:

1. Engaged external consultant to independently investigate financial modelling on all merge options for Rockdale City
2. Actively consulted our community on their first and second preferences for amalgamation
3. Pursued our neighbouring Councils to discuss and share financial and other relevant data for mergers
4. Parked our **support for a Joint Organisation** in line with the Office of Local Government advice – we are willing to further explore given IPART's advice that Joint Organisations for Sydney metro could be submitted
5. Indicated our willingness to be the lead Council in any potential merger with our neighbouring Councils.

Fit for the Future Financial Benchmark	Rockdale Standalone (FY 2013/14)	Rockdale Standalone (modified*)	St George	Rockdale and Kogarah #	Rockdale and Hurstville #	St George and Canterbury	Airport
Operating Performance	Does not meet the benchmark	Meets the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark
Own Source Revenue	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark
Building and Infrastructure Asset Renewal	Does not meet the benchmark	Meets the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark
Infrastructure Backlog	Does not meet the benchmark	Meets the benchmark	Does not meet the benchmark	Meets the benchmark	Meets the benchmark	Does not meet the benchmark	Does not meet the benchmark
Asset Maintenance	Does not meet the benchmark	Meets the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark	Does not meet the benchmark
Debt Service Ratio	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark	Meets the benchmark
Real Operating Expenditure	Meets the benchmark	Meets the benchmark	Meets the benchmark	Does not meet the benchmark	Does not meet the benchmark	Meets the benchmark	Meets the benchmark
TOTAL	3/7	7/7	3/7	3/7	3/7	3/7	3/7

Community support	n/a	35%	36%	13%	1%	4%	11%
-------------------	-----	-----	-----	-----	----	----	-----

* **Rockdale Standalone (modified)** Modelling underpinned by 2015/16 Financial Plan (Budget and Operational Plan). This work to address financial challenges has been underway for a number of years, and is now starting to positively impact on Rockdale City Council's performance. These steps, combined with recent improvements in financial methodologies (most notably in the area of asset management) has led to significant changes in Council's position. This work has been independently verified by external consultants Morrison Low. # **Assessment on limited publicly available data (2013/2014 Actuals)** (refer Section 2.3 General Comments for further information)

Local Government Reform is about more than amalgamations

Amalgamations is only one of a suite of local government reforms recommended by the ILGRP. There were 65 recommendations. Not all of these have been explicitly captured in the FFTF process, and it will be important to not lose sight on some of these recommendations, particularly the non-financial or non-structural issues. The State Government needs to consider the impact of these proposals on the average resident or business owner. In our experience, their most immediate concerns will include:

1. Costs. How will this change their rates and fees? (Media reports have potentially raised community fears/expectations in this area)
2. Services. Will their current services will be affected?
3. Customer service and access. How will customers and ratepayers contact/make submissions/influence their Council?

Community and consultants have confirmed that these are the metrics against which the public will judge the success of this process.

Through learnings from recent experience in preparing this submission (largely through discussion with Marrickville Council), Rockdale would suggest that when/if the State Government considers the implementation of any merger proposals, it puts significant resources into the following across all proposed merger Councils to ensure the public judges this a successful process:

Prior to commencing the process:

- Review of relative rating structures and land values of the Councils (these variations are significant and will be important to residents)
- Review of summary service catalogues of the respective Councils (including SLA's, costs and FTE's, IT systems)
- Reconciliation of the asset management systems, asset valuations and related accounting assumptions
- Review of knowledge management and customer service structures at the relevant Councils (including Customer Request Management systems, Customer service processes, document management and customer relationship management)
- Review award systems and human resources allocations
- Validate the financial statements and assumptions of each Council's Fit for the Future submission to conduct accurate modelling.

During the merger process, the following strategies should be implemented as soon as possible by any new entity:

- Appointment and resourcing of a skilled transition management team
- Published explanation of the proposed future rating structures (with worked case examples).
- Agreed service levels and allocation of resources to maintain existing service levels (as a minimum)
- An agreed Asset Management strategy (including standardised values and assumptions)
- An agreed customer improvement strategy, including improved customer relationship management, knowledge management and on-line services.

These would ensure that (on balance, in the medium term) the public receives clear information on their costs and improved service and the rationale for change. Supporting these initiatives, Council believes the success of the new entity will be underpinned by the following essential supporting elements:

- Organisation climate surveys to identify staff development priorities
- IT rationalisation strategy
- Award review and HR strategy
- Business improvement review (including problem solving and process training – eg Lean and adoption of modern procurement practices)
- Asset review and documentation

Rockdale City's Proactive Approach to Responding to Fit for the Future

Rockdale City Council has been actively engaged in local government reform and responded to the previous discussion papers published by the Local Government Review Panel. In summary, Rockdale supported 52 of the 57 recommendations applicable to our LGA particularly in the areas of:

- Fiscal Responsibility
- Strengthening the Revenue Base
- Meeting Infrastructure Needs
- Improvement, productivity and accountability
- Political leadership and good governance
- Regional Joint Organisations ('Council of Mayors')
- State-Local Government Relations

At the Council meeting on 2 April 2014, the Council submission stated support in principle for the amalgamation of the three St George Councils (Rockdale City Council, Hurstville City Council, Kogarah City Council) provided there is no detrimental financial impact on the communities/councils concerned and only after a survey or poll of all residents and ratepayers in the areas affected being conducted.

ILGRP's Recommendation for Rockdale

The Independent Local Government Review Panel recommendation for Rockdale City Council was to merge with Hurstville and Kogarah Councils to form a regional St George Council. The recommendation included an option for Canterbury to join the St George Council and also indicated a boundary adjustment removing the Sydney International Airport from Rockdale's local government area. Rockdale City Council strongly opposes and does not support boundary adjustments that remove the Sydney International Airport from Rockdale's local government area yet leaves the impacts on our City and our community. Council does not support a merger with Canterbury based on poorly performing sustainability indicators and community preference.

Opening strategic dialogue with our neighbouring councils (ILGRP's Recommendation)

Council has made a number of attempts to formalise strategic conversations with our neighbouring Councils as recommended by the ILGRP, commencing with a meeting of Mayors and General Managers from Canterbury, Hurstville and Kogarah on 11 November 2014.

At this meeting, Rockdale stated its position to explore all options for amalgamation that did not disadvantage the Council or its community. There was an indication of support from Hurstville and Kogarah Councils to open strategic dialogue, however both Councils stated their preference at this time was to stand alone rather than explore voluntary amalgamation.

Canterbury Council indicated a willingness to pursue the exploration of merger options, however their first preference was to continue strategic dialogue with Bankstown.

There was no agreement amongst Councils to collaboratively share 'open book' information, despite Rockdale being prepared.

A second meeting was set down for March 2015. This meeting was further delayed due to community consultation being undertaken at various times by Hurstville and Kogarah Councils. The meeting was scheduled to be held on 6 May 2015, however Canterbury and Rockdale were the only Council Mayors and General Managers to attend. Hurstville and Kogarah did not attend, with Hurstville stating that they did not have a resolution/direction from their Council on how they would proceed at this time and Kogarah advised they were still awaiting the outcomes of their consultation process. A new meeting date was proposed for 27 May 2015, with both Canterbury and Rockdale indicating attendance.

Kogarah and Hurstville declined the invitation stating they were awaiting a Council decision on how to proceed. Review of the most recent minutes in relation to Fit for the Future state as follows:

Canterbury:

Resolved on 26 February 2015

"Council's preferred position is to continue its standalone separate existence and that if an amalgamation is the only available option this should be pursued with one or more of the St George Councils, not Bankstown."

Hurstville:

Resolved on 3 June 2015:

"THAT Council endorse the Council Improvement Proposal (Existing Structure) submission to be lodged with IPART by 30 June 2015 with the clear message that Hurstville City Council is "Fit for the Future" as an independent Local Government Authority and wishes to remain so."

Kogarah:

Resolved on 25 May 2015

- a) *"That the NSW Government's Template 2: Council Improvement Proposal (Existing structure) be completed in accordance with the details contained within the report.*
- b) *That the submission referred to in (a) above be presented to Council in June 2015 for consideration and endorsement prior to formal lodgement with PART."*

Please note however, that the body of the report considered by Council included the following paragraph:

25. However, in the event that IPART, in finalising the 'Methodology for Assessment of Council Fit for the Future Proposals', modifies the methodology for assessment of Scale and Capacity, Council may need to reconsider its position. Based on consideration of community of interest factors and demonstrated capacity for regional collaboration, an amalgamation comprising of Kogarah, Hurstville and Rockdale Councils would be preferable to the amalgamation proposed by ILGRP which also incorporates Canterbury Council. A draft copy of Council's submission will be presented for endorsement at the June 2015 Council meeting."

Rockdale:

Resolved on 20 May 2015

- a) *"...That Council reaffirms its willingness to enter into negotiations with one or both of the St George Councils with a view to agreeing to a voluntary merger.*
- b) *That the General Manager make a further request for detailed and current financial information from Kogarah and Hurstville Councils to enable an up to date and meaningful comparison of a merger option to be made, with Rockdale Council to reciprocate.*
- c) *That Council delegate the General Manager to complete the submission as set out in this report, to ensure that a Draft Submission is tabled at the Council Meeting on 17 June 2015, prior to formal submission to IPART."*

A letter was sent to Hurstville and Kogarah Councils on 27 May 2015, from the Mayor and General Manager of Rockdale City Council as per Council's resolution. Both Hurstville and Kogarah Councils declined to provide any further information to Rockdale, instead directing Rockdale to review the published submissions once made publicly available.

Opening strategic dialogue with our neighbouring councils (ILGRP's Recommendation)

The ILGRP also recommended that Council's explore any options that were broadly consistent with the Review Panel's recommendation. The Mayors of Rockdale City and Marrickville identified a potential amalgamation opportunity to create an Airport/Bayside (Employment) Council through merging Botany Bay; Marrickville and Rockdale.

On 10 December 2014, the Mayors and General Managers from Botany Bay; Marrickville and Rockdale met to discuss the potential new entity that would incorporate Port Botany and Sydney Airport and provide the new Council with oversight of the two most crucial drivers of economic activity in Sydney.

At this meeting, Botany Bay indicated a preference to stand alone rather than explore voluntary amalgamation. Marrickville and Rockdale Councils agreed to open strategic dialogue and undertake financial modelling on the potential amalgamation option, with Botany Bay agreeing to participate at arms-length a later stage. At a second meeting on 15 January 2015 Morrison Low Consultants were engaged by the three Councils.

In March 2015, Councils received the joint report on the Airport/Bayside (Employment) Council (attached). The findings of the report noted that the new entity would not meet the seven financial benchmarks of Fit for the Future within the timeframes and did not identify/demonstrate any real benefits in the longer term.

Rockdale City unable to identify willing merge partners

In April 2015, Rockdale City consulted with the community based on the six options available to Council –

1. Standalone Rockdale City Council with an Improvement Plan
2. Rockdale and Hurstville
3. Rockdale and Kogarah
4. St George Council – Hurstville, Kogarah and Rockdale
5. St George Council – Hurstville, Kogarah and Rockdale including Canterbury
6. Airport/Bayside Council – Botany Bay; Marrickville and Rockdale.

The results of Council's extensive community consultation identified that the respondents equally supported the Standalone Rockdale City Council (35%) and the St George Council (without Canterbury) received support (36%). The Airport/Bayside Council received support (14%).

Staff consultation was also undertaken and indicated support for the Standalone Rockdale City Council (55%).

By the end of May 2015, Rockdale City Council had exhausted all avenues to gain resolutions from our neighbouring Councils to merge through the commencement of a merger business case for amalgamation.

The resolution of Rockdale City Council on 20 May 2015 noted *“with no agreement amongst our neighbouring Councils as potential merge partners, Rockdale City Council will submit a Council Improvement Proposal (Template 2) in response to Fit for the Future.”*

Our proposal details how Council meets the financial health benchmarks of the Fit for the Future criteria over time and demonstrates our strategic capacity and financial sustainability in the longer term.

Joint Organisations for Sydney Metropolitan Councils

The ILGRP final report recommendation for Rockdale City included consideration of a Joint Organisation combining the St George Councils with Sutherland Shire Council.

Development of a detailed business case for a new Southern Sydney Joint Organisation (JO) was considered in the early stages of FFF but put aside when the Independent Review Panel & the NSW Government advised that JOs would not be considered for Sydney Metro Councils. However based upon the most recent advice from IPART that they will in fact be considered, Rockdale City Council puts forward our interest to commence working with our neighbouring Southern Sydney Councils to develop a sound business case for a JO – starting with the SSROC model submitted to the NSW Government in March 2014.

The Councils of Southern Sydney aim to deliver these outcomes and continue to benefit from the services of a regional organisation by a model that provides for:

- Membership of a regional group determined by Councils, not prescribed by the State Government
- A Council of Mayors governance model
- Sub regional groups or Joint Organisations as described by the panel, but without the detailed prescription suggested by the Panel, for strategic planning purposes and/or specific projects that have an end date e.g. the current WestConnex project.
- The state government entering into a ‘compact’ with local government, specifying the obligations on both sides in relation to intergovernmental relations. In particular, the government would commit to agreed protocols governing consultation on policy and planning, including an undertaking that consultation would take place primarily through the Councils of Mayors.

The solution builds on what is currently the best of regional collaboration with a number of key enabling legislative changes and mutually agreed changes to intergovernmental relations between the State Government and its agencies and local government. We urge the Government to adopt this model, or to permit its trial in southern Sydney.

Source: Executive Summary – SSROC Submission Revitalising Local Government – March 2014.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.034	-0.003	0.007	0.019	YES
Own Source Revenue Ratio (Greater than 60% average over 3 years)	86.3%	87.3%	87.6%	86.7%	YES
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	107%	122%	112%	104%	YES
Infrastructure Backlog Ratio (Greater than 2%)	1.38%	1.37%	1.36%	1.35%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	106%	106%	106%	106%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.8%	1.8%	1.7%	1.7%	YES
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	610	600	590	580	YES

4.1 Expected improvement in performance

On our current financial modelling, we believe Rockdale City Council can easily meet the seven benchmarks within the set timeframe. Council believes that with the implementation of our Improvement Plan we will more than exceed the required performance against the benchmarks.

Rockdale City Council has prepared a response to Fit for the Future that demonstrates Council is sustainable in the long term including that we have the scale and capacity to meet the current and future expectations of our community

5. Putting your plan into action

Rockdale City Council's Delivery Program & Operational Plan translates the strategic goals articulated in our Community Strategic Plan 2011-2025 into specific actions which detail Council's four year commitment to our community.

The "Fit for the Future" Improvement Action Plan aligns to Council's Integrated Planning and Reporting framework. As we further develop and scope this work, it will be undertaken through the inclusion of the improvement actions into the Operational Plan, Delivery Program, Resourcing Strategy and Long Term Financial Plan.

The General Manager is responsible for the implementation of Council's "Fit for the Future" Improvement Action Plan with reporting to Council and the community on a twice yearly basis. Leadership Team and general staff briefings will also be undertaken as part of the clarification of all roles and responsibilities to deliver on our Improvement Action Plan.

Rockdale City Council will also continue to meet all statutory reporting requirements through annual Financial Statements and our Annual Reports to appropriately report on Council's delivery of the Improvement Action Plan initiatives and our solid foundation for long term sustainability.

List of Attachments to Rockdale City Council's Submission

1. Morrison Low – Airport Council Financial Modelling
2. Morrison Low – St George Council Financial Modelling
3. Summary of Rockdale's ability to meet the 10 key elements of strategic capacity
4. Council Reports (www.rockdale.nsw.gov.au/councilmeetings) (Mayoral Minute 15/10/2014; Council Report 04/02/2015 ORD-23; Council Report 20/05/2015 ORD-13)
5. Source Documentation including chronology of outgoing correspondence with neighbour Councils
6. Morrison Low – Asset Management Conditions Reports
7. Community Consultation Brochure and Survey Card
8. Results of Community Consultation – Final Report
9. Results of Staff Consultation – Final Report
10. Community Strategic Plan (<http://www.rockdale.nsw.gov.au/pages/pdf/CityPlan2013CommunityStrategicPlan.pdf>)
11. Delivery Program and Operational Plan (<http://www.rockdale.nsw.gov.au/pages/pdf/2014DPOP.pdf>)
12. Special Rate Variation documentation