

# Council Improvement Proposal

(Existing structure)



# 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:** Ashfield Council

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**Date of Council resolution endorsing this submission:** 23 June 2015

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## 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.

Ashfield Council is recognised by the OLG for best practice in IP&R and has been recognised for excellence in strategic planning, community, economic development, development assessment and public arts. TCorp assessed Ashfield's FSR as sound, with a neutral outlook, and our Infrastructure Management has been assessed as strong, placing Ashfield in the top 15% of councils in NSW. In terms of efficiency, Ashfield Council has been in the top ten metropolitan councils for ten years. Ashfield Council has strategic capacity and strongly positioned to deliver the commitments in our Community Plan, *Ashfield 2023*.

In 2013/14, Ashfield meets three out of seven benchmarks. By 2016/17, we will meet five out of seven and achieve all seven benchmarks by 2019/20. This is primarily due to the implementation of the next phase of our Strategic Assessment Management Program from 2015/16 to address our infrastructure backlog and asset renewals programs. Continuing to provide the service levels, maintaining and improving our assets to meet the expectations and needs of our community now, and into the future, will continue to be Ashfield's greatest challenge. With a \$2.7m annual asset renewal program, \$14m redevelopment of the Ashfield Aquatic Centre and over \$12m in S94 upgrades to our Town Centre financed and integrated into our strategies and operational plans, Ashfield Council is strongly positioned to meet these challenges.

The Improvement Actions identified in this proposal are cost-containment, efficiency and new-income streams that were identified through our Business As Usual operations. Ashfield Council has realised \$3.8m in savings and efficiencies in the last three years.

We anticipate a further \$1.16m in the next four years.

Using FFTF criteria, Ashfield Council, with a population of 53,900 by 2031, is without scale. Council has worked with our neighbouring councils to explore the costs and benefits of the ILGRP's recommended amalgamation. We have published this information and undertook robust and balanced community consultation. Nearly half (46%) of our community prefer to remain as a stand-alone council, with some support (36%) for a smaller merger with Leichhardt and Marrickville Councils. Ashfield Council has made genuine efforts to facilitate exploration of merger options with our neighbouring councils, as detailed in Section 3.5. However, agreement for an amalgamation proposal has not been reached. Ashfield Council is submitting an Improvement Proposal for IPART's consideration.

## 1.2 Scale and Capacity

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

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

**No**

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).

Ashfield Council has worked with our neighbouring councils to share information, commission research and explore amalgamation options. We have implemented a balanced community engagement process and found that about half (46%) of our community preferred Council to stand alone. The other half indicated support for some level of change, with more (36%) preferring smaller merger with Leichhardt and Marrickville Councils. Ashfield has made genuine efforts to engage our neighbouring councils, particularly with Leichhardt and Marrickville Councils, to explore mergers, but no agreement for a merger has been reached. This work is detailed in Section 3.5.

### **Strategic Capacity**

Ashfield **has** strategic capacity as outlined below (detailed in **Attachment 1**).

Council's FSR is sound and our outlook, neutral.<sup>1</sup> With more than 85% Own-Source Revenue, \$3.8million (9% of annual budget) in realised savings/new income streams in past three years, our robust revenue base has supported increased scope/new functions, including:

- S94/94A Contribution Plans review (2011) resulted growth to \$12.7m, to fund the Ashfield Town Centre Renewal Strategy.
- Completed \$20million Civic Centre Redevelopment (2010), a complex building project with some unexpected changes during construction requiring high quality political and managerial leadership to successfully manage
- Discretionary resources available to retire the \$5million loan early which financed the Civic Centre (January 2015)
- Delivered \$4.5million Accelerated Footpath Renewal Program – ten years worth of capital renewals, delivered within 18 months, ahead of schedule and on budget (2013/14 – 2014/15)

Ashfield has a highly skilled, diverse workforce. 46% of staff are female (8% higher than average NSW Councils). We have increased the number of women in traditionally 'male' orientated-roles (horticulture, engineering, civil works) and also in leadership roles in these areas. Our strategic approach to recruitment, reviews functions and necessity of roles before going to market. As an Equal Opportunity Employer, we have implemented targeted employment strategies for key groups including Aboriginal and Torres Strait Islander and People With a Disability, when reviewing roles. Our recruitment process is between 6-9 weeks, compared to nearly 12 weeks for metropolitan councils.<sup>2</sup> We have a history of recruiting suitably experienced, knowledgeable staff to resource new functions and our culture of creativity and innovation as demonstrated by:

- 'Contracting back' management of Aquatic Centre, requiring recruitment of skilled staff, significantly reduced operational costs of Centre and increased attendance by 60% since 2011-12
- Delivering redeveloped Civic Centre that integrates offices with community spaces: library, meeting rooms, leased office

<sup>1</sup> TCorp (April 2013) Financial Sustainability of NSW South Wales Local Government Sector: Findings, Recommendations and Analysis

<sup>2</sup> LG Professionals and PWC Report 2015; Ashfield Council internal data

space for non-government organisations, e.g. Head Space, national leader in youth mental health services; Metro Assist, not-for-profit providing welfare/support services to migrant communities

- Delivery of award winning programs (with consistently lower Opex/capita than other councils)<sup>3</sup>: NSW Culture Award 2009 (Ashfield Youth Theatre), National Award for Economic Development Excellence 2010 (Feast of Flavours marketing strategy for local business) and Finalist in United Nations Association of Australia World Environment Day Awards 2012 (GreenWay Sustainability Project, Ashfield was lead council/sponsor)
- Proactive Workers' Compensation and Return to Work programs, reducing costs by \$200,000 in 2012/13, 2013/14

Ashfield is recognised as a leading council for strategic planning and policy development by State Government agencies:

- Identified by OLG, in their IPR Manual, as an example of best practice for Integrated Planning and Reporting, Asset Management Planning and Community Plans in 2012.
- Ashfield LEP 2013 generated \$242m worth of DAs (approved/in process) in Ashfield Town Centre, alone, supporting the housing priorities in the Sydney Central Subregion<sup>4</sup>
- Innovation in DA processing took Council from one of the slowest in NSW to the top performing Sydney metro Council for DA processing times, for three consecutive years. We remain in top three, and have shared our process with other councils
- Recognised by the Office of the Commissioner for Information as an outstanding example for our publication guide on GIPA in 2011

DLG Promoting Better Practice Review (2008) noted that Ashfield has “strong and clear leadership that is well positioned to strategically address the future needs of the LGA,”. Council’s Executive, with over 50 years combined experience in local government, chair/actively participate in industry and regional groups (IPEWA, SSROC, working groups for Dept. of Premier and Cabinet). We have much higher proportion of women in executive leadership (75%) and managerial positions (36%) than other NSW Councils.<sup>5</sup> Our current elected Council has over 70 years combined experience in local government, as well as a wealth of experience working in private business, public sector and non-government agencies, and two Councillors have been recognised with a Public Service Medal and an Order of Australia Medal. In terms of diversity, there is even representation from major political parties and independents, gender, age and cultural-background.

Ashfield has a strong history of regional collaboration and effective advocacy on behalf of our community:

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<sup>3</sup> Ashfield has consistently had much lower Operation Expenditure/Capita than any other Group 2 Council, including those with lower SEIFA Index rankings, as shown in OLG Comparative Report 2012-14. Since 2005/06, Ashfield Council has been in the top ten metropolitan councils for lowest Opex/capita.

<sup>4</sup> NSW *A Plan for Growing Sydney* p8

<sup>5</sup> LG Professionals and PWC Report 2015

- Lead Council in establishing Internal Audit and Strategic Procurement shared services through SSROC
- Lead and host Council for the award-winning GreenWay Sustainability Project, that included successfully advocating for and working with the NSW Government to deliver the Inner West Light Rail with its complementary active transport and bushland corridor, with three neighbouring councils
- Lead Council for regional consortia of Libraries partnering with Victorian libraries (a first for NSW libraries) to significantly expand the collections, improve customer service and accessibility of the catalogue
- Effectively advocated on behalf of our community to explicitly exclude Ashfield Park from all construction and development plans for WestConnex
- Recognised by Urban Growth NSW for high level of strategic and economic development planning along Parramatta Road, complementing the priorities for the Sydney-Central Subregion for urban renewal corridors
- Delivered programs and worked in partnership with over 16 state and federal agencies in last 12 months, including the coordination of interagency forums and working groups

Further details and evidence to assess each element of our strategic capacity are provided in **Attachment 1**.



## 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.*

Ashfield Council is located in Sydney's Inner West, with a population of 44,180. Ashfield is the fourth most densely populated LGA in NSW.<sup>6</sup> This will increase with forecasted 20% growth in population. It is comprised of a series of distinct neighbourhoods. The character of each reflects the high value placed on built heritage conservation and quality urban design in development. Ashfield has the most Heritage Conservation Areas (50) in the Inner West and nearly 670 Heritage Items. The 2013 LEP is facilitating sustainable redevelopment in Ashfield town centre. The total value of building approvals has steadily increased over the past decade, with exponential growth reaching nearly \$120million in 2013-14. Our DA turnaround times are consistently in the top three for Sydney metro councils.

Ashfield's community is multicultural (44% born overseas, 27% arriving in Australia in last five years, 50% speaking a language other than English). Our Town Centre and neighbourhood villages are known for their immigrant heritage/culture, expressed through our local businesses: Ashfield's Asian restaurants/groceries, Haberfield's Italian restaurants, Summer Hill's cafe culture. Our community is diverse in income levels, education and housing tenure, and somewhat similar to Greater Sydney averages.<sup>7</sup>

Our community is more educated, more likely to be privately renting and there is a slightly higher proportion of seniors and elderly people (70years+) and young workforce/homebuilders (25-49years) than Greater Sydney's population, as shown in the table below:

Demographic Characteristics	Ashfield LGA	Greater Sydney	Demographic Characteristics	Ashfield LGA	Greater Sydney
<b>Age</b>			<b>Education</b>		
0-24yrs	27.4%	32.4%	Year 10 Completed	11.8%	19.6%
25-49yrs	41.7%	37.3%	Year 12 Completed	63.6%	55.0%
50-69yrs	19.5%	21.2%	Bachelor or Higher degree	34.0%	24.1%
70yrs+	11.3%	9.0%	Diploma or Vocational Qualification	19.5%	26.1%
Median age	37 years	36 years			
<b>Employment</b>			<b>Housing Tenure</b>		
Employed	58.9%	58.2%	Fully-owned	27.4%	29.1%
Unemployed	3.9%	3.5%	Mortgaged	26.3%	33.2%
Not in Labour force	30.3%	32.4%	Renting (Private)	35.6%	25.0%
Not stated (in Census)	6.9%	5.9%	Renting (Social)	2.4%	5.0%
			Other	8.4%	7.8%
<b>Household Income</b>			<b>SEIFA Rank</b>	122	n/a
Low income households (<\$600/week)	18.4%	18.9%			
High income households (>\$2,500/week)	22.2%	23.6%			
Median household income (weekly)	\$1,413	\$1,447			

<sup>6</sup> 2012-13 OLG Comparative Data

<sup>7</sup> Source: profile.id.com.au/Ashfield (2011 Census – ABS)

Ashfield's Community Plan *Ashfield 2023: Our Place, Our Future* (**Attachment 2**) identifies seven key result areas that reflect our community's vision for the future and are translated into priorities in our 4year Council Plan (**Attachment 3**):

<b>Ashfield 2023 Key Result Area</b>	<b>Council Plan 2015-19 – Selection of priority programs and activities</b>
Creative and inclusive community	<ul style="list-style-type: none"> <li>• Library Programs including highly valued Author Talks and home delivery library service</li> <li>• Community Programs including Reconciliation Action Plan, Artist in Residence, Volunteer Program and Ashfield Youth Theatre</li> <li>• Provide suite of programs at Ashfield Aquatic Centre</li> </ul>
Unique and distinctive neighbourhoods	<ul style="list-style-type: none"> <li>• Planning policies to support heritage conservation and management of stormwater, and undertake Development Assessment</li> <li>• Playground, sportsground and parks renewals and upgrades</li> </ul>
Safe, connected and accessible places	<ul style="list-style-type: none"> <li>• Accelerated footpath and accelerated road, kerb and gutter renewal across 90% of LGA</li> <li>• Disability Action Plan and cycle infrastructure</li> </ul>
Living sustainably	<ul style="list-style-type: none"> <li>• Increase uptake of renewable energy across LGA, improve Council's energy efficiency and implement climate change adaptation projects</li> <li>• Ongoing support for GreenWay Program to enhance environmental and active transport corridor</li> <li>• Reduce waste through recourse recovery, waste minimisation and other sustainability initiatives</li> </ul>
Thriving local economy	<ul style="list-style-type: none"> <li>• Support local businesses with Outdoor Dining and Footpath Trading Policy, Small Business Expo partnerships and other initiatives</li> <li>• Renew street furniture in village centres and paving in Town Centre</li> </ul>
Attractive and lively Town Centre	<ul style="list-style-type: none"> <li>• 'Renew Ashfield' Town Centre Public Domain Strategy including upgrades to laneways and streets, gateway treatments and installation of public art and weekly community events via 'Frolic in the Forecourt'</li> <li>• Work with NSW Government to deliver commuter car park</li> </ul>
Engaging and innovative local democracy	<ul style="list-style-type: none"> <li>• Inform and communicate with our community, actively engage our community on matters that effect them and encourage community participation in council programs</li> <li>• Continue to provide transparency and accountability in Council process, supported by our Internal Audit Program</li> </ul>

The work driven by *Ashfield 2023* and related key plans aims to prepare and shape our community for future challenges. Most of our forecasted population growth will occur in the over 65years age bracket (65% increase to 2031).<sup>8</sup> In terms of disability, 5.9% of our community need assistance with core activities (compared to 4.4% Greater Sydney), with predominately more in older (70years+) age groups. Ashfield is already densely populated with limited open space. Our challenges will be to facilitate opportunities for development to provide suitable and affordable housing, promote an integrated and active transport network and provide facilities that meet the needs of our community, in line with the goals of the Central-Sydney Subregion.

Council is responding to these challenges through a number of aligned and complementary strategies. The Ashfield LEP 2013 has already

<sup>8</sup> Source: Health Stats NSW

begun facilitating redevelopment and will support the economic renewal along Parramatta Road, planned by Urban Growth NSW. Our Capital Works Program has, and will, continue to focus on improving accessibility through footpath, kerb/gutter renewals and installation of accessible playgrounds. In addition, delivering the \$14million Aquatic Centre redevelopment will meet the needs of our culturally-diverse, aging population, as well as support healthy, active lifestyles across the community. Council's focus on renewing the Ashfield Town Centre, driven through the Ashfield LEP 2013 and Public Domain Strategy, will contribute to providing housing for our growing population and renewing infrastructure to support local business.

Ashfield has invested heavily in preparing our Capital Works Program to meet the needs of our current and future populations and identified service levels that our community is willing to accept and fund. It is strongly integrated with the priorities of *Ashfield 2023* and our Council Plan 2015-19. With the next phase of our Strategic Asset Management program, Ashfield is well positioned to deliver the future outcomes our community has defined in *Ashfield 2023*, our Community Plan.

## 2.2 Key challenges and opportunities

<b>Strengths</b>	<b>Weaknesses</b>
<p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• TCorp assessment of strong with neutral outlook</li> <li>• Strong balance sheet/cash flow position, with &gt;80% own source revenue, securing our financial sustainability. Strong budget reporting frameworks and third party audit assessed.</li> </ul> <p><b>Infrastructure Management</b></p> <ul style="list-style-type: none"> <li>• LG Infrastructure Management Audit assessment as 'strong', placing in top 22% of councils.</li> <li>• Refined and improved Asset Management capabilities: identified rate of decline, adopted Asset Management Strategy that is at 95% core capacity (as assessed by IPWEA); consulted with the community and have a strategy, funded by an approved SRV, to address our backlog</li> <li>• Invested in improving project management capacity and improving capital works programming, as demonstrated by the Accelerated Footpath program, partially funded by LIRS, delivered in \$4.5m projects in less than 18months, on time and on budget.</li> </ul> <p><b>Organisational Capability</b></p> <ul style="list-style-type: none"> <li>• Strong ability to advocate for the community and influence NSW strategic planning decisions in line with community priorities e.g. Parramatta Road Revitalisation and WestConnex/Ashfield Park</li> <li>• High organisation capability for effective community engagement and involvement in decision-making e.g. Your Say Your Future SRV, Renew Ashfield Collaborative Map.</li> <li>• Highly agile organisational structure, due to size, providing capacity to respond, buy-in required skills and re-distribute workforce as needed</li> <li>• Strong internal focus on business and process improvement e.g. process review resulted in change from worst in NSW to top performer in DA turnaround times for three consecutive years</li> <li>• Striving to be an 'Employer of choice', high ability to recruit talent; provide effective pathways for learning and development for staff</li> </ul> <p><b>Community and Environmental Context</b></p> <ul style="list-style-type: none"> <li>• Low ratio of population to Councillors result in an elected Council that is closely connected to, and in touch with, the needs and priorities of their</li> </ul>	<p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Limited business and building portfolio to provide additional income</li> <li>• FTE is lower than other Group 2 Councils (OLG 2012-13 Comparative Data)</li> </ul> <p><b>Infrastructure Management</b></p> <ul style="list-style-type: none"> <li>• Aging infrastructure, nearing End of Useful Life, (will be renewed with SRV budget)</li> </ul> <p><b>Organisational Capability</b></p> <ul style="list-style-type: none"> <li>• Low FTE means reduced potential challenges for business continuity and in succession planning</li> <li>• 12% of workforce has &gt;8 weeks leave accrued</li> </ul> <p><b>Community and Environmental Context</b></p> <ul style="list-style-type: none"> <li>• Limited brown sites available for large redevelopment</li> <li>• Housing affordability (rental and ownership) increasing in Inner West, including Ashfield, may change demographics of community, reducing social diversity (by affluence)</li> <li>• Among the lowest open space per capita in Sydney resulting in high demand for open space, particularly sports fields in the Inner West, increasing pressure on Ashfield's sportsgrounds</li> </ul>

<p>community and a high level of personal accountability to the electorate</p> <ul style="list-style-type: none"> <li>• High social cohesion and participation in community life, indicated by nearly 25% of population volunteering and/or providing unpaid care and high attendance/participation levels in community programs, events and activities.</li> <li>• While there is some socioeconomic disadvantage, generally Ashfield's community has high levels of postgraduate qualifications and professional employment and there is a high level of employment containment within Ashfield (25% of those employed in Ashfield, live in Ashfield.)</li> <li>• Positioning at intersection of light rail, rail, bus and bicycle corridors, and road network make Ashfield highly accessible and prime for residential and economic development</li> <li>• Cultural diversity (languages spoken other than English, large immigrant population and emerging communities) provide a rich social fabric in terms of community organisations, groups, activities, local businesses and economy.</li> </ul>	
<h2>Opportunities</h2>	<h2>Threats</h2>
<p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• High capacity to increase borrowings to deliver large projects and address intergenerational equity of asset management</li> <li>• Access to untapped income streams to support revenue growth (e.g. paid for parking)</li> </ul> <p><b>Infrastructure Management</b></p> <ul style="list-style-type: none"> <li>• Completion of Capitalisation Policy will further strengthen organisational approach to asset management</li> <li>• Implementation of Asset Management Strategy software systems to further improve management capability</li> </ul> <p><b>Organisational Capability</b></p> <ul style="list-style-type: none"> <li>• Succession planning as mentoring/L&amp;D, increasing morale and staff engagement</li> <li>• SRV capital works program as opportunity for staff to deliver CSP commitments to community</li> <li>• Responding to FTF as opportunity for staff to demonstrate their value to the community</li> </ul> <p><b>Community and Environmental Context</b></p> <ul style="list-style-type: none"> <li>• Opportunity to share regional collaboration from ROC partners to</li> </ul>	<p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Community willingness to take on debt, or use loans to service infrastructure</li> <li>• Challenge to absorb cost-shifting from other tiers of government</li> <li>• Changes to rate-pegging or approved SRV by NSW Government</li> </ul> <p><b>Infrastructure Management</b></p> <ul style="list-style-type: none"> <li>• Ongoing community expectations for improved service levels</li> </ul> <p><b>Organisational Capability</b></p> <ul style="list-style-type: none"> <li>• Loss of high performing/valuable staff during uncertainty of amalgamations process/Fit For The Future reform agenda</li> </ul> <p><b>Community and Environmental Context</b></p> <ul style="list-style-type: none"> <li>• Growing and aging population, with 60% increase in the over 65yrs by 2031 forecasted (NSW Health Stats). This will require facilities to meet the needs of an older population and a focus on accessibility in all services</li> <li>• WestConnex development will increase pressure on local roads and deteriorate local air quality.</li> <li>• Climate change induced extreme weather events will exacerbate asset deterioration and impact on vulnerable groups in the community</li> </ul>

schools and community-organisations to address shortage of open space/sportsfields

- Ashfield Town Centre: Renewal Strategy with new LEP driving redevelopment to create thriving economic hub and liveable town centre
- Parramatta Road Revitalisation: Partnering with Urban Growth to realise the economic redevelopment, already planned in LEP for Ashfield, along length of corridor
- New development opportunities generated by improved transport internodes (i.e. light rail, train, bus interchanges)
- GreenWay active transport and bushland corridor is providing support for increased use of the light rail system, improving biodiversity, facilitating a sustainability education and creative arts initiatives in the Inner West
- \$14million redevelopment of Ashfield Aquatic Centre will provide a fit-for-purpose and enhanced community asset, encouraging increased participation in active lifestyles

## 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)	- 2.10%	No	- 6.06%	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	86.76%	Yes	93.83%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	74.44%	No	110.49%	Yes

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



#### **Operating Performance Ratio:**

- Whilst Council's operating performance ratio (OPR) over the 3 years to 2016/17 does not achieve the FFF benchmark, **it is important to note that Council's OPR is almost at benchmark (-0.6%) by the 4<sup>th</sup> year 2017/18, and is well above benchmark from 2018/19 onwards**. The realisation of \$1.16million worth of cost-savings and income streams from 2016 onwards will further improve Council's operational performance.
- **IPART has noted that the recently approved SRV will improve the operating performance ratio to 13% in 2024-25<sup>9</sup>**
- Factors impacting the OPR over the 3 years to 2016/17 include:
  - expenditure relating to several projects in progress carried-over from 2013/14
  - an overstatement of operational expenses which could appropriately be capitalised, and will be under the new capitalisation policy being developed
  - financing of the \$14million redevelopment of the Ashfield Aquatic Centre between 2015-16 and 2017-18. Council intends to borrow in order to finance the project with loan repayments serviced by the IPART approved SRV (May 2015).

#### **Own Source Revenue:**

- Council continues to exceed this benchmark.

#### **Building and Infrastructure Asset Renewal Ratio:**

- Benchmark is met (102.41%) in 2015/16 as a result of Council's Accelerated Footpath Program in 2013/14 and 2014/15, delivering ten years worth of renewals, in under two years, partially funded through a Local Infrastructure Renewal Scheme loan.
- Over the last two years, Council has undertaken a rigorous review of the Asset Maintenance Strategy and assessed our community's willingness to pay for asset renewals.
- As a result, IPART has approved a SRV that will fund a \$2.7million annual program of capital works and a \$14million redevelopment of Ashfield Aquatic Centre.
- This will see the BIARR benchmark exceeded, as council takes a considered and affordable approach to asset renewal.
- **IPART has noted that the recently approved SRV will improve the asset renewals ratio in 2024-25 to 137%<sup>10</sup>**

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<sup>9</sup> IPART (2015) Ashfield Council's application for a special variation for 2015-16 p6 **Attachment 4 – IPART SRV Determination**

<sup>10</sup> IPART (2015) Ashfield Council's application for a special variation for 2015-16 p6 **Attachment 4 – IPART SRV Determination**

## 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%)	8.49%	No	6.48% - WDV 4.68 - CRV	Yes - Improving
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	91%	No	93%	Yes - Improving
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	3.74%	Yes	5.27%	Yes

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

### Infrastructure Backlog:

- 2013/14 Ratio as reported in Special Schedule No 7 – which uses Current Replacement Value not Written Down Value.
- Council considers the Current Replacement Value (CRV) to be a more accurate measure of the Backlog than Written Down Value (WDV). By definition, if Council has more assets in Conditions 1, 2 or 3 as a percentage, their WDV is greater, as Condition 4 and 5 assets have a low remaining WDV. CRV allows a better relative comparison of the percentage in each asset condition.
- Using CRV, Backlog Ratio 8.49% in 2013/14, improving to 4.68% in 2016/17 and then reaching 2% in 2021/22, continuing to reduce thereafter.

- Condition 4 and 5 assets considered when calculating Ratio
- Jeff Roorda & Associates, an industry specialist, assessed asset conditions in 2014, using appropriate industry standards
- Higher service levels are expected by the community, where our condition 4 and five assets will be renewed to condition 1
- Ratios using Written Down Value (WDV), as per FFF Guidelines, are improving between 2013/14 and 2016/17, and continue to improve out to 2019/20.
- Infrastructure Backlog is being addressed through IPART-approved SRV, starting in 2015/16.
- By 2016/17, only two years' worth of renewals will have been implemented, including the redevelopment of the Aquatic Centre.
- Council was commended by IPART in their SRV Determination on our integration of the Asset Management Strategy with the Long Term Financial and Community Plans in evaluating the level of SRV required to address the Backlog and meet community expectations.
- Due to historic ratings policy decisions, Council expenditure in renewals has been underfunded in the past. Today, Council's approach to asset renewal is redressing historical underinvestment.
- **Using Current Replacement Values, backlog is 2% by 2020/21 and continuing to decrease thereafter**

#### **Asset Maintenance Ratio:**

- Council has taken a conservation approach to forecasting this Ratio and has assumed that required maintenance will remain at approximately the same level for the forecast period (1% of total CRV of assets).
- The extensive program of renewals addressing Condition 4 and 5 assets is anticipated to reduce maintenance requirements (assumed 1% reduction of required maintenance annually).
- Implementation of Council's Capitalisation Policy anticipates increased accuracy in costings for asset maintenance, which will result in reporting increased expenditure, improving this ratio.
- Based on our conservative approach, this ratio is improving between 2013/14 and 2016/17.
- External consultants have identified a funding gap in asset maintenance of \$500,000. This has been address through the implementation of the Capitalisation Policy and a reallocation of approximately \$600,000 to maintenance

#### **Debt Service Ratio:**

- Council is well within the benchmark for this ratio.
- Change to this ratio reflects Councils intention to utilise borrowings to fund the planned redevelopment of the Aquatic Centre and share the cost for this community asset with future generations.

## 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> A decrease in Real Operating Expenditure per capita over time	0.765	Yes	0.869	No

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

- **By 2019/20, Real Operating Expenditure per capita will be 0.858, a declining trend, meeting the benchmark.**
- Ashfield Council was the tenth most efficient Council in Metropolitan Sydney in 2013/14 and has been in the top ten for efficiency for the last ten years.<sup>11</sup>
- Compared to similar councils (OLG Group 2), Ashfield Council has had the lowest Operating Expenditure per capita in the past and in 2013-14, was the second lowest.
- In 2013/14, the average Operating Expenditure per capita for NSW Councils is \$1,359.57<sup>12</sup>, and the average for metropolitan Councils is \$1,028.27. Ashfield Council's result in the same year (\$780) is 74% and 31% lower, respectively.
- The average cost per FTE, ratio of population to FTE and number of FTE staff has varied by less than 2% between 2009-10 and 2012-13.<sup>13</sup>
- Consultancy/contactor costs decreased by over 50% from 2009/10 to 2012/13.

<sup>11</sup> OLG Comparative Data 2013-14, by Total Operating Expenses per capita

<sup>12</sup> OLG Your Council Report 2013-14; OLG Comparative Data 1994-2011

<sup>13</sup> IPART (2015) Ashfield Council's application for a special variation for 2015-16 p18 **Attachment 4 – IPART SRV Determination**

## 2.4 Water utility performance

*NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management*

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

**NOT APPLICABLE**

If NO, please explain the factors that influence your performance against the Framework.

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

## 2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council’s water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

### Capital works

Proposed works	Timeframe	Cost	Grants or external funding

## 2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

**No**

If No, please explain the factors that influence your performance.





## 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.

Council is committed to reducing operational costs, improving resource efficiency and growing new income streams. As identified by IPART (**Attachment 4 – Ashfield SRV Determination**), Council has achieved \$3.8million in cost containment, with a further \$1.16million in savings and new income identified. The key strategies include:

- Strategic procurement to reduce costs through regional tenders, use of panel contracts and renegotiating with suppliers for better outcomes
- Increasing revenue through improved management of Council's leasing portfolio, securing external funding through grants, partnerships and S94/94A to provide additional or enhanced services
- Increasing Efficiency and Productivity Target in annual budget process by 20%

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.*

Council's financial sustainability is modelled in the Long Term Financial Plan 2015-24 (**Attachment 5**) and assumes:

- All revenues increase by 3% pa
- Employee costs increase by 3%pa
- Materials and contracts increase by 3.5%pa
- Legal and consultant costs increase by 2.5%
- Depreciation increases by 1.5%
- Other expenses increase by 0.5%
- No change to the IPART approved-SRV, effective from 2015-16 onwards

## 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. Reduce operational costs	a) Strategic procurement opportunities for IT	i) Renegotiate internet contract ii) Renegotiate IT infrastructure contract	i) Reduced costs and improved internet service for staff and customers ii) Reduced costs	Improve Real Opex per Capita
	c) Strategic procurement opportunities for waste	i) Joint regional contract for waste disposal/recycling ii) Contract for treatment of putrescibles waste	i) Reduced costs ii) Increased waste diversion rates, reduced costs	Improve Real Opex per Capita
2. Increase sources of income	a) Improved leasing portfolio in Council-owned buildings	i) Secure competitive leases for available spaces	i) Increase income through leasing portfolio	Improve Real Opex per Capita
	b) Improved performance for competitive grants	i) Secure grant funding for community education programs and facilities renewal	i) Improve and enhance service delivery	Reduce Real Opex per Capita

	c) Improve regulatory capabilities	i) Implement auto-notification in car parks	i) Improved efficiency of staff resources, increased enforcement revenues	Improve Real Opex per Capita
	d) Investigate partnership opportunities to fund new/enhance services and programs	i) Secure funding through town centre redevelopment ii) Secure partnership with relevant agencies to support small businesses	i) Fund and implement Public Art Strategy to support temporary and permanent public art in Ashfield Town Centre ii) Improve support for small businesses and grow local economy	Reduce Real Opex per Capita
3. Reduce organisational liabilities	a) Improved management of employee leave entitlements	i) No staff with >8 weeks accrued	i) Reduced ELE liability	Improve Real Opex 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.

Council has been recognised as having 'strong' Infrastructure Management, by the LG Infrastructure Audit (June 2013). Our key strategies are integrated into our Community Plan, Long Term Financial Plan and Asset Management Strategy:

- Implement SRV-funded capital works program to address the Back Log, that includes \$2.7million in annual asset renewals and a \$14million redevelopment of the Ashfield Aquatic Centre
- Upgrade Ashfield Town Centre assets and implement the Ashfield Public Domain Strategy, utilising S94/94A funding
- Implementation of our Capitalisation Policy to improve the reporting of costs associated with infrastructure management

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

- IPART-approved SRV will generate \$11.9million from 2015/16 to 2019/20
- Capitalisation Policy will improve accuracy of costings; increasing asset maintenance expenditure by \$600,000
- Potential for required maintenance costs to reduce, as renewal program implemented.
- Total value of assets (approx \$290million) does not change substantially (i.e. no significant asset disposals or gains)

## 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. Reduce Infrastructure Backlog	a) Implement SRV-funded Capital Works Program	<ul style="list-style-type: none"> <li>i) Complete Ashfield Aquatic Centre redevelopment</li> <li>ii) Complete annual capital works program of \$2.7m renewals</li> </ul>	<ul style="list-style-type: none"> <li>i) Reduced backlog, expanded services through fit-for-purpose Aquatic Centre</li> <li>ii) Reduced backlog and maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>Improve Opex Performance</li> <li>Improve Real Opex per Capita</li> <li>Improve BIARR</li> </ul>
	b) Upgrade Town Centre assets utilising S94/94A funding	<ul style="list-style-type: none"> <li>i) Delivery of street and laneway treatments</li> <li>ii) Delivery of gateway treatments</li> </ul>	<ul style="list-style-type: none"> <li>i) Reduced backlog and maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>Improve Opex Performance</li> <li>Improve Real Opex per Capita</li> <li>Improve BIARR</li> </ul>
2. Utilise borrowings to address intergenerational equity of SRV-funded Capital Works Program	a) Fund Ashfield Aquatic Centre Redevelopment through loan, to be repaid through SRV income	<ul style="list-style-type: none"> <li>i) Loan secured</li> <li>ii) Loan retired</li> </ul>	<ul style="list-style-type: none"> <li>i) Aquatic Centre redeveloped and funded through current and future populations</li> </ul>	<ul style="list-style-type: none"> <li>Improve BIARR</li> </ul>

<p>3. Improved Infrastructure Management processes</p>	<p>a) Complete Capitalisation Policy</p>	<p>i) Capitalisation Policy adopted by Council ii) Implement Policy and reassess Asset Maintenance expenditure</p>	<p>i) Improved accuracy of costs associated with infrastructure management, including maintenance, operational &amp; capital expenditure</p>	<p>Improve Opex Performance Improve Real Opex per Capita Improve BIARR</p>
	<p>b) Meet and exceed IPEWA core capabilities for Asset Management</p>	<p>i) Implement specialised asset management software, data &amp; system ii) Utilise Capitalisation Policy to better inform asset management strategy &amp; decisions</p>	<p>i) Informed decisions to improve Capital expenditure &amp; better prioritisation of funds ii) Improved knowledge of whole-of-life costs and the appropriate renewal intervention point</p>	<p>Improve BIARR</p>
	<p>c) Expand benchmarking program to include roads and other assets</p>	<p>i) Annual survey and data collection</p>	<p>i) Informed decisions to improve maintenance budgets</p>	<p>Improve Opex Performance Improve Real Opex per Capita Improve BIARR</p>

### 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.

- Increasing annual Efficiency and Productivity target by 20% in annual budget
- Implement energy efficiency project at Civic Centre

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

- Efficiency and Productivity Factor savings are reallocated to deliver priority services, as identified in the Community Plan. This will not reduce reported expenditure, but will reduce required increases in real operating expenditure
- Energy efficiency project able to be implemented within two years



### 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. Ensure continuous improvement in efficiency of operations	a) Undertake progress of service reviews to increase Efficiency and Productivity Factor in annual budget	i) Increase annual Efficiency and Productivity target by 20%	i) Target is increased from \$500,000 to \$600,000	Improve Opex Performance
	b) Increased use of e-business	i) Improve services for online payments for customers ii) Transition Council business papers to E-Environment	i) Reduce staff time required for process, improved service standards for customers ii) Reduced resource use and improved delivery times for business papers	Improve Opex Performance
	c) Implement energy efficiency project at Civic Centre	i) Optimisation and energy efficiency improvements completed	i) Reduced operational costs for Civic Centre	Improve Opex Performance

## 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
Renegotiate IT contracts to improve internet service and consolidate infrastructure	New contracts signed
Increase annual Efficiency and Productivity Target by 20%, to \$600,000 pa	Target is integrated into process for preparing 2016/17 Budget
Complete and implement Capitalisation Policy	Policy is adopted by Council
Secure competitive leases for available spaces	New contracts for available spaces signed
Complete year one of SRV-funded \$2.7million annual capital works program	Quarterly project targets met
Delivery of Town Centre upgrades (street and gateway treatments) through S94/94A funding	Quarterly project targets met

Secure loan for Ashfield Aquatic Centre Redevelopment

Loan agreement signed

**\* Please attach detailed action plan and supporting financial modelling**

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

- Council began process in 2013 to determine infrastructure priorities, acceptable service levels, suitable funding mechanisms and evaluating the outcomes of completed cost containment strategies and new incomes sources
- Extensive body of work has culminated in Council's resolution to apply to IPART for a SRV, which was subsequently approved. In IPART's Determination (**Attachment 4**), Council's consideration of other finance mechanisms, realised and planned expenditure savings were noted.
- All productivity improvements and cost-containment strategies, were developed and put forward by the staff responsible, as part Council's organisational development program.
- This work has formed the foundation for this Action Plan.
- Actions identified are within Council's Operational Plan and aligned with our Integrated Planning and Reporting documentation
- Research and modelling by Morrison Low, conducted in partnership with four neighbouring, Inner West Councils (**Attachment 6**) identified FFTF ratios that would not be met if Council was successful in its SRV application (Asset Maintenance Ratio).
- This document, and the Improvement Action Plan (**Attachment 7**), were reported to Council on 23 June 2015, for review and endorsement.

### 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.

Ashfield Council entered into a Memorandum of Understanding with neighbouring councils to share information and model the ILGRP's proposed merger (Inner West merger) (**Attachment 6**). Ashfield also commissioned work to model the redirection of the net financial benefits achieved through the Inner West merger to address backlogs and renewals (**Attachment 8**).<sup>14</sup>

Council resolved to put three options to the community through a balanced and effective engagement strategy (stand alone, Inner West merger, Ashfield-Leichhardt-Marrickville merger) (**Attachment 9 – Report to Council: Community engagement results**). 46% of the community preferred to stand alone. The other half were indicated support for some level of change, with more respondents (36%) preferring a merger with Leichhardt and Marrickville Councils. The ILGRP's recommendation was the least preferred option (18%).

Ashfield has continued to engage with our neighbouring councils, particularly Marrickville and Leichhardt Council, but no agreement for a merger has been reached.

It is the view of Ashfield Council, that while **we have strategic capacity and our community's preference is to remain stand alone, *if forced to amalgamate*** our community's strong preference is for a merger with Leichhardt and Marrickville rather than the Inner West merger.<sup>15</sup> This option is broadly consistent in terms of scale, with a population of 217,000 by 2031. It is a superior alternative to the ILGRP's recommendation as it achieves scale, without significant compromise on the valuable role of local government in *local* decision-making, political representation (diversity and population/councillor) and our community's sense of identity.

<sup>14</sup> These net financial benefits are realised at the cost important functions of local government including representation (population/councillor), diversity of representation (ability of independents to be elected), loss of 'local' decision-making and an increase in bureaucracy due to a much larger organisation.

<sup>15</sup> The Inner West merger meets 4/7 benchmarks, with a net benefit of \$143million, over nine years. Additional modelling, commissioned by Ashfield, shows that redirecting this surplus to address backlogs and renewals, this option will meet 6/7, and arguably has the resources to meet the seventh. The second option considered meets 6/7, by redirecting surplus to backlog/renewals, where both Ashfield and Marrickville retain their recently approved SRVs. This option is broadly consistent with the ILGRP's recommendation and a superior alternative, as it retains our local identity, reasonable representation and is more likely to conserve diversity of political representation.

Ashfield Council has openly and constructively participated in processes with neighbouring councils to explore the costs and benefits of mergers. This has included jointly funding research/modelling (**Attachment 6**), and self-funding additional modelling (**Attachment 8**). A merger of six councils is a very high number of organisations to coordinate and bring to an agreement, particularly given the likely distribution of costs and benefits, identified through our shared modelling exercise and the limited timeframe available (September 2014 to June 2015).

Council remains opposed to forced amalgamations. However, if standing alone was no longer a viable option, Council is committed to working towards a merger that best serves our community's current and future interests. To this end, an alternative option was put to our community and the results of that consultation showed that there is more community support for an amalgamation of Ashfield with Leichhardt and Marrickville Councils than a merger of six Inner West Councils (**Attachment 9**).

This alternative option was resolved to be offered to the community in our engagement process for the following reasons:

- Representation (population per councillor) is not as diminished as a six-council merger
- Diversity of representation may be more likely to be retained
- Strong histories of working together on cross-council partnerships and shared assets on common boundaries
- Closely aligned communities of interest
- More similarities between the LEPs (in terms of building heights, patterns of development, heritage conservation), than with those councils further west

This option meets six out of seven of the FFTF ratios by 2019/20, as shown in **Attachment 8**.

To this end, Council has engaged with Leichhardt and Marrickville Councils to further explore this option. Ashfield Council invited the Mayors, Councillors and General Managers of Leichhardt and Marrickville Councils to a meeting on 11 May 2015 to discuss this option. It was attended by the Mayor and General Manager of Marrickville Council only. Ashfield Council participated in a meeting with the General Managers and Mayors of four other Inner West Councils (Burwood, Canada Bay, Marrickville and Leichhardt) on 12 May 2015. No agreement for a merger at either scale. Ashfield Council must submit an Improvement Proposal in response to Fit for the Future.

## 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)	-4.13%%	-6.15%	- 6.06%	- 0.6%	4.22%	8.22%	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	90.38%	93.09%	93.83%	94.1%	94.47%	94.66%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	77.42%	102.41%	110.49%	105.06%	87.86%	107.63%	Yes
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	10.07% WVD (7.20% CRV)	8.21% WDV (5.91% CRV)	6.48% WDV (4.68% CRV)	5.29% WDV (3.84% CRV)	4.36% WDV (3.17% CRV)	3.57% WDV (2.6% CRV)	Improving (Yes)
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	81%	86%	93%	98%	101%	101%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	3.44%	4.52%	5.27%	6.3%	5.66%	5.37%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	0.820	0.851	0.869	0.862	0.859	0.858	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.

Ashfield Council meets all criteria for Fit for the Future, except scale:

- ✓ Demonstrated that Council has all elements of strategic capacity (Attachment 1)
- ✓ Meets Operational Performance benchmark by 2018/19
- ✓ Currently meets, and continues to exceed, Own Source Revenue benchmark
- ✓ Meets Building and Infrastructure Asset Renewal benchmark by 2015/16
- ✓ Currently meets requirement to improve Infrastructure Backlog benchmark, and meets 2% benchmark by 2020/21
- ✓ Current meets, and continues to meet, Debt Service Ratio benchmark
- ✓ Meets requirement to decrease Real Operating Expenditure per capita over time by 2019/20

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

- All strategies in the Improvement Action Plan are included in our Operational Planning and their progress tracked through the Quarterly Reporting process
- The purpose of the strategies is to meet/improve towards the benchmarks of the Fit for the Future ratios. It is anticipated that the Office of Local Government will require Councils to report against these ratios, in the next stage of Fit for the Future.
- Therefore, Annual Report will include reporting and publishing current performance against the ratios