



Gosford City Council

Fit for the Future Proposal



30 June 2015

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1 INTRODUCTION

Details of the Council Resolution endorsing this submission:

At the Central Coast Regional Organisation of Councils (CCROC) Meeting held on 19 February 2015, both Gosford City Council (GCC) and Wyong Shire Council (WSC) unanimously resolved that:

- The CCROC rejects the NSW Government’s position that neither Gosford nor Wyong Councils have the size and capacity under the ‘Fit for the Future’ proposal and therefore should be allowed to stand alone based on:
 - Past, present and projected performance
 - Strategic plans
 - Future growth and development
- The CCROC rejects the NSW Government’s position that excludes the water authorities from the ‘Fit for the Future’ templates

This position was endorsed by resolution at the next Gosford City Council Meeting on 10 March 2015.

In an extraordinary council meeting on 29 June 2015, Gosford City Council unanimously resolved to:

- Endorse the Fit for the Future proposal, the preferred option and key assumptions outlined therein (this document and its appendices)
- Note that the preferred option is in line with the Gosford community’s preference as indicated in the Community Survey conducted in June 2015
- Note the proposal includes a commitment to further investigate membership in the Hunter Joint Organisation
- Note the changed assumptions in the long term financial model as result of the Fit for the Future review
- Note the changed assumptions in Special Schedule 7 as a result of the independent asset assessment undertaken by Jeff Roorda & Associates (JRA)

1.1 EXECUTIVE SUMMARY

1.1.1 INTRODUCTION

Gosford City Council has investigated both the options of the Independent Local Government Review Panel's (ILGRP) recommendations in the Revitalising Local Government (RLG) Report, which included:

- Full amalgamation with Wyong Shire Council
- A multi-purpose Joint Organisation

While both options have the potential to provide benefit in net present value terms, an amalgamation comes with significantly greater risk, upfront costs and longer time lag for benefit realisation. A merger will also result in a significant increase in rates to Gosford as a part of the equalisation, without any overall increase in revenue.

Gosford City Council and Wyong Shire Council already provide a number of services jointly. While this proposal looks to develop this further, Council will put forward the view that standing alone and becoming part of the Hunter Joint Organisation will provide a level of strategic capacity that a Gosford / Wyong amalgamation will not achieve.

1.1.2 GOSFORD'S PROPOSAL

Gosford City Council proposes a multi-purpose Joint Organisation along the following lines:

- Gosford City Council to remain as a stand-alone council with its current Local Government Area (LGA), allowing it to continue on the current transformation journey it commenced in 2013 (refer to Section 3)
- Gosford City Council and Wyong Shire Council to continue to build on their current joint service arrangements (See **Error! Reference source not found.**)
- Gosford City Council to further pursue membership of the Hunter Joint Organisation¹.

Gosford City Council will review the need for a Special Rate Variation (SRV) of around 9.5% in 2017/18 to create the funds to address Gosford's Infrastructure Gap (See Section 2)². This potential SRV would be half of the expected rate increase that Gosford residents would experience as a result of an amalgamation.

This proposal directly aligns to the recommendation in the Independent Local Government Review Panel's (ILGRP) Revitalising Local Government (RLG) report of a "multi-purpose Joint Organisation" (JO). Although, the multi-purpose JO implied in the RLG report was between Wyong and Gosford, inclusion in the Hunter JO would provide strategic capacity beyond either Central Coast option.

In August 2014, Gosford City Council commissioned SGS Economics & Planning to undertake a study to look at the option of amalgamation. Below is comparison of Gosford's proposed option and an amalgamation of Gosford and Wyong.

¹ Membership of the Hunter JO is subject to an approved business case and agreement with other Hunter Councils. Preliminary discussions with some current member councils have been positive.

² Any SRV would be subject to IPART approval and appropriate community consultation before implementation.

GOSFORD'S PROPOSED OPTION: STAND ALONE WITH MULTI-PURPOSE JOINT ORGANISATION

AMALGAMATION: GOSFORD CITY COUNCIL AND WYONG SHIRE COUNCIL

RATES RISES

There is a potential need for a Special Rate Variation of **9.5%** ongoing from the 2017/18 financial year³. However, unlike the amalgamation rate rise, this would directly increase Council's total revenue, enabling Council to improve services (particularly infrastructure)⁴

Rate equalisation between two councils would result in up to **19% rate rise** for Gosford City residents (up to an average increase of **\$160pa or 18.1% for residents** and **\$683pa or 26.3% for businesses**). This increase would occur with no commensurate increase in total revenue for the amalgamated council⁵.

Up-front costs would be limited to the cost to 'buy into' and transition some corporate services to the Hunter Joint Organisation, which would be **approximately \$5-8m**.

Without a due diligence process, merger transition costs are difficult to estimate. IT and process alignment costs will be significant and critical to achieving efficiencies. Based on historical evidence, transition costs have been estimated at 1.4% of total expenditure, which would be **\$37m for Gosford** and **\$31m for Wyong** (\$68m in total)

UP-FRONT COSTS

RISKS

Both options are not without risk but the proposed option carries significantly less risk than the amalgamation option. The key risks include an **unsuccessful SRV bid, failure to join the Hunter JO** or effectively integrate joint services with Wyong, and **slower than expected efficiency improvements**.

A review of past experience illustrates **significant risks in amalgamations**. Key risks include higher than estimated **integration costs**, lack of **community and political support**, and **non-achievement of expected benefits**. In some cases, these have led to a halt in the reform process, as in Western Australia, or de-amalgamations, as in Queensland. In many other cases, councils, burdened with the cost without the expected benefit, have remained unfit.

From Feb 2014 to January 2015, Gosford City Council undertook a significant restructure. While Gosford is committed to continuing to review the efficacy of the structure and each position when it becomes vacant, **we do not envisage any further wholesale structural change** in the medium term.

It is not anticipated that there would be any forced redundancies below the executive level. Without a due diligence process, there is **no clarity on the costs and upheaval** associated with developing a single salary system and the present occupant only arrangements that will ensue.

WORKFORCE IMPACTS

INFRASTRUCTURE

Independent JRA report confirms that infrastructure backlog is manageable within a 10 year timeframe, without additional revenue or disposal. However, Council plans include further work to speed up this timeframe.

An amalgamation on its own will not generate sufficient financial savings (in present value terms) to completely bring assets up to a satisfactory condition. Modelling indicates that a further SRV of at least 3.5% (in addition to rate rise through equalisation) would be required to achieve this.

³ Any SRV would be subject to IPART approval and appropriate community consultation before implementation

⁴ Percentage rates increase are exclusive of rate pegging

⁵ Percentage rates increase are exclusive of rate pegging

1.1.3 WHAT IS OUR COMMUNITY TELLING US?

Gosford City Council commissioned Elton Consulting to undertake a survey to understand the community’s preference for the structural options.

Three survey media were undertaken:

- A telephone survey of 507 randomly selected Gosford residents, which provides a statistically significant sample of our population
- An online survey that anyone could participate in, which attracted 377 responses
- Eighty face to face intercept surveys in key locations throughout the LGA over a two day period.

The results outlined here are of the telephone survey, unless otherwise stated, as this is the statistically representative sample of the wider adult community. The full report and results of the survey are provided in Appendix C.

In terms of awareness and interest in reform, the results showed that:

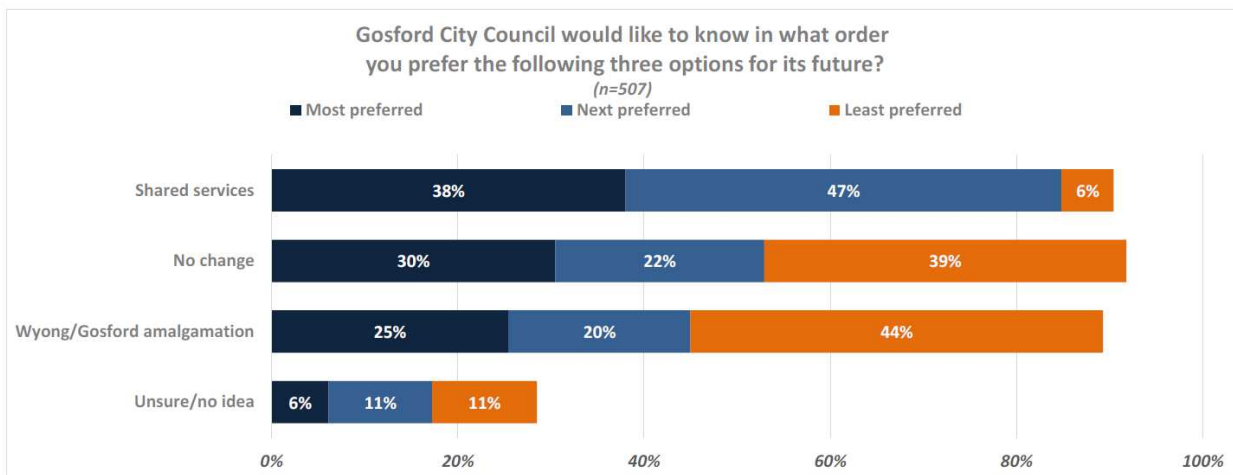
- 52% of respondents were aware of the local government reform program prior to receiving the survey call and 48% were not aware.
- 59% of respondents were either interested or very interested in the subject of local government reform.

Respondents were asked to rank their preferences for structural reform with the following three options:

- No change to Gosford City Council
- No change to Gosford City Council but with potential shared services with neighbouring councils
- Amalgamation with Wyong Shire council

Figure 1 below shows that 85% of the survey respondents ranked the shared services model as their preferred or next preferred option, with 44% of respondents ranking amalgamation as the least preferred.

Figure 1: Results of Community Survey – Preferred Structural Options



Respondents in the intercept and online survey also showed that the shared services option was the most preferred. The respondents in the online survey ranked the amalgamation option as the next preferred option. The respondents in the online survey were also:

- More likely to be aware of local government reform (67%)
- More likely to be interested in local government reform (86% were either interested or very interested)
- Less satisfied with the quality of services Council delivers to local residents (21% rated service delivery as poor or very poor, compared with 12% in the telephone survey)

1.1.4 ADDRESSING THE CRITERIA

The proposed option can meet the other criteria as required. Further analysis is provided in Section 3.5.

Criteria	Benchmark	Requirement	Proposed Option
I. Sustainability			
Operating Performance Ratio	Ratio \geq 0% average over 3 years	Must meet within 5 years	Meets within 3 years
Own Source Revenue	Ratio \geq 60% average over 3 years	Must meet within 5 years	Meets now
Building and Asset Renewal Ratio	Ratio \geq 100% average over 3 years	Meet or improve within 5 years	Improve within 5 years and meets in 7 years
II. Effective Infrastructure & Service Management			
Infrastructure Backlog Ratio	Ratio \leq 2%	Meet or improve / inform within 5 years	Improves within 5 years and meet within 7 years
Asset Maintenance Ratio	Ratio \geq 100% average over 3 years	Meet or improve / inform within 5 years	Meets within 1 year
Debt Service Ratio	0% \leq Ratio \leq 20% average over 3 years	Meet within 5 years	Meets now
III. Efficiency			
Real Operating Expenditure per capita	A decrease over time	Must demonstrate operational savings over 5 years	Real savings over 5 years

1.1.5 IMPLEMENTING THE PLAN

In late 2013 and early 2014, Gosford City Council embarked on a program to transform its business. Some significant progress has already been made to improve financial sustainability, with a surplus in 2013/14 and an improving Operating Performance ratio. There is still significant work to do and Council is currently implementing a number of initiatives to further improve our financial sustainability and efficiency, including a complete review of our IT strategy, a new Chart of Account and a continuous improvement program.

With some surplus in our operations, the focus can also now expand to asset management. Jeff Roorda and Associates (JRA) have already undertaken an audit of Special Schedule 7, which has found that Gosford's definition for satisfactory condition was high and included funded as well as unfunded renewals. This has overstated the current backlog. We will continue this work to improve our asset management practices. Work is underway to review all of our current assets and facilities to ensure that they are optimally managed and utilised. Further detail of all of these initiatives is outlined in Section 3 below and a copy of the Part 1 of the JRA Review is provided in Confidential Appendix F.

1.2 SCALE AND CAPACITY

1.2.1 DOES THE PROPOSAL HAVE SCALE AND CAPACITY BROADLY CONSISTENT WITH THE RECOMMENDATIONS OF THE REVITALISING LOCAL GOVERNMENT REPORT?

Gosford City Council's proposal demonstrates Scale and Capacity as it directly aligns to the ILGRP's recommendations of a multi-purpose Joint Organisation.

The Revitalising Local Government Report stated:

Options for the Central Coast are a full amalgamation or a multi-purpose Joint Organisation. The Panel does not believe a separate water corporation should proceed before these options have been properly evaluated. The potential for an amalgamation warrants further investigation, but if that option is rejected or deferred indefinitely, then a Joint Organisation should be established and should assume responsibility for water along with other strategic functions.⁶

However, there is little indication in the report or in IPART's methodology to indicate how these two options demonstrate scale and capacity superior to all other options for the Central Coast. The following points were identified as considerations supporting the recommendation:

- *The Central Coast has important links with both Hunter and the Sydney metropolitan region, is experiencing significant growth pressures, and would benefit from stronger governance.*
- *Gosford & Wyong exhibit very strong socio-economic and functional linkages.*
- *The two councils already form a regional organisation and have planned a joint water corporation for several years.*
- *The 2031 projected population for the two combined councils is about 390,000 – large but not exceptional.⁷*

⁶ Sansom, Munro & Inglis (2013), *Revitalising Local Government, Final Report of the NSW Local Government Review Panel*, 25 October 2013

⁷ *ibid*

1.2.2 FURTHER INVESTIGATION OF AMALGAMATION

In May 2014, Gosford City Council commissioned SGS Economics & Planning (SGS) to investigate the potential for an amalgamation of Gosford City and Wyong Shire Councils. It found benefit (in net present value terms) in an amalgamation. However, there were some significant assumptions and impacts to consider in amalgamation, including:

- Higher upfront costs
- Historical evidence show that it has been difficult for councils to achieve benefits post amalgamation
- Significant lag time for benefits to be realised
- Increased rates for Gosford residents and businesses without a commensurate boost in the revenue base, due to rates equalisation
- Possible increased labour costs for the amalgamated council, as employees conditions and wages would equalise at the higher of the two councils
- There is no evidence that amalgamation would have positive impact on Financial Sustainability and Efficiency benchmarks
- Amalgamation alone would not bring infrastructure backlog up to satisfactory condition without a further rate increase (on top of rates equalisation impact)

Further information on these impacts has been provided in Section 3.5 below.

From February 2014, Gosford City Council commenced a significant transformation program that has and will continue to achieve demonstrably improved strategy capacity, financial sustainability, service delivery and efficiency.

The strategy behind this transformation has been to get Council fitter by dedicating resources to strategic decision analysis and looking closely at all aspects of our business to find opportunities to deliver better services more efficiently. Council has committed to do better with what it has first, and then, if required, look at a possible Special Rate Variation, to deliver on community expectations.

Councils' long term financial model includes continued efficiency gains from this transformation program. With a Special Rate Variation of 9.5% (or half of the proposed increase from the merger equalisation), GCC would further strengthen its revenue base, operating performance and propensity to maintain and renew its asset base.

Gosford City and Wyong Shire Councils currently operate a number of joint services, which would be continued and expanded, with particular focus on bulk water. Gosford City Council is also investigating the option of inclusion in the Hunter Joint Organisation to further improve strategic capacity and share economies of scale savings.

Our modelling indicates that continuing the transformation at Gosford City Council, enhancing joint service provision with Wyong and entering into the multi-purpose Hunter Joint Organisation will also provide benefit and meet the Fit for the Future criteria, but with significantly lower risk, cost and timeframes to an amalgamation.

Given this analysis, it would not be prudent to burden Gosford residents with a costly, risky and drawn out amalgamation with no evidence of significant benefit beyond what can be done as a stand-alone entity.

1.2.3 STRATEGIC CAPACITY

As the elements of strategic capacity do not have specific measures or benchmarks associated with them, it is difficult to critically assess structural options against them. We have attempted to review strategic capacity against both options (the proposed option and the amalgamation option) outlined in the Central Coast recommendations of the Revitalising Local Government (RLG) report

Gosford's proposed option is superior in achieving scale and capacity than both the current Council structure and the amalgamation option. Appendix B provides further details on the analysis of each component of strategic capacity, and a summary is provided below.

Strategic Capacity	Proposed Option	Amalgamation Option
1. More robust revenue base and increase discretionary spending	✓✓ Meets – Better	✓ Meets
2. Scope to undertake new functions and major projects	✓ Meets	✓ Meets
3. Ability to employ a wider range of skilled staff	✓ Meets	✓ Meets
4. Knowledge, creativity and innovation	✓ Meets	✓ Meets
5. Advanced skills in strategic planning and policy development	✓✓ Meets – Better	✓ Meets
6. Effective regional collaboration	✓ Meets	✓ Meets
7. Credible and more effective advocacy	✓ Meets	✗ Does not meet
8. Capable partner for State and Federal agencies	✓ Meets	✓ Meets
9. Resources to cope with complex and unexpected change	✓ Meets	✓ Meets
10. High quality political and managerial leadership	✓ Meets	? Unclear, but potentially does not meet

1.2.4 SCALE

Gosford's proposed option directly aligns with the ILGRP's recommended option and therefore meets the scale requirements.

Population as an indicator of the preferred scale in our region is difficult to ascertain, as Figure 2 below indicates. The preferred options for the Hunter and the Central Coast provide no consistent expectation of a target population size.

Figure 2: Population outcomes under the ILGRP's preferred options for the Hunter and Central Coast

Councils	Preferred Option	Population 2011 ⁸	Population 2031 ⁹
Dungog / Maitland	Amalgamate	78,450	109,300
Newcastle / Lake Macquarie	Amalgamate	352,350	407,900
Cessnock	Stand-alone (in JO)	52,500	66,400
Muswellbrook	Stand-alone (in JO)	16,350	19,350
Port Stephens	Stand-alone (in JO)	67,200	88,900
Singleton	Stand-alone (in JO)	23,500	27,350
Upper Hunter	Stand-alone (in JO)	14,509	16,500
Gosford	Amalgamate or Stand-alone in JO	168,300	189,050
Wyong	Amalgamate or Stand-alone in JO	154,350	197,850

⁸ NSW Department of Planning & Environment (2014) "NSW State and Local Government Area Population Projections – 2014 Final", <http://www.planning.nsw.gov.au/en-us/deliveringhomes/populationandhouseholdprojections/data.aspx>

⁹ ibid

2 CURRENT POSITION

2.1 ABOUT GOSFORD CITY LOCAL GOVERNMENT AREA

2.1.1 KEY CHARACTERISTICS

In 2013, the estimated population for the Gosford Local Government Area (LGA) was 170,752 people. This number is expected to grow to around 184,862 by 2031, which is an 8.1% increase. The median age of our residents is 42 years. With a land area of 94,027 hectares (940km²), the population density is 1.82 persons per hectare.

There are currently 75,638 dwellings. This is expected to rise to 84,004 by 2031, with the average household size expected to fall from 2.5 to 2.4.

In Gosford City, 29% of households were couples with children in 2011, compared with 35% in Greater Sydney. There were higher proportion of lone person and couples without children households.

In 2011, 20,668 people in Gosford City had tertiary qualifications. With 45.2% of the population over 15 years holding educational qualifications and 42.5% had no qualifications, compared with 48.3% and 40.5% respectively in Greater Sydney.

By the most recent estimates, 82,370 Gosford residents are employed, 55% are full time and 43.7% part time. One third of this workforce commutes to the Sydney metropolitan region each day – a large share of these are professionals and managers.

There are 12,772 local businesses employing 64,410 people, with the largest sectors being:

- Health care and social assistance (19.7%)
- Retail trade (14.4%)
- Construction (9.5%)

2.1.2 COMMUNITY VALUES

In our Community Strategic Plan, the community considered what they most valued about where they live and what they want Gosford to be like in the year 2025. The following community values are a summary of what people said:

- **CARING COMMUNITY** – we are community minded and embrace diversity.
- **RELAXED LIFESTYLE** – we cherish living in our relaxed coastal bushland setting with its safe, village-like atmosphere.
- **NATURAL ASSETS** – we love our beaches and waterways, the natural environment, clean air and the open space that surrounds us. We have a great desire to retain these qualities.
- **TRANSPORT AND GOOD INFRASTRUCTURE** – we appreciate and understand the importance of the good network of public transport, communications and community facilities that we have.
- **GOOD LOCATION** – we, whilst cherishing our coastal bushland paradise, are appreciative of the easy access to Sydney, the Hunter Valley and Newcastle.
- **PARTICIPATING IN COMMUNITY LIFE** – we feel well serviced by our shopping, accommodation and entertainment options. We also appreciate the abundance of outdoor sporting facilities, parks, and walking and bike tracks.
- **IDENTITY** – we treasure and celebrate our unique social, cultural, indigenous, built and natural heritage elements which bind us together into the fabric of who we are today.

2.1.3 COMMUNITY CHALLENGES

In the Community Strategic Plan, four key themes arose as our challenges for the future. For each theme, a number of objectives were set.

SOCIETY & CULTURE

This theme looks at:

- How do people balance work, family and other commitments?
- How will we adapt to changes in population and the way people live?
- How do we ensure access to and participation in community life as our community changes and develops?
- How do we ensure fair access and equity across our diverse community?
- How do we ensure everyone is valued?
- How do we ensure our community is resilient to the challenges we face?
- How will we protect, manage, enhance and conserve our indigenous and non-indigenous cultural heritage?
- How do we ensure people feel safe and included in our community?

Objectives:

1. Our community is a safe place
2. Our local history, culture and diversity is valued and celebrated
3. Everyone has fair access and opportunity to participate in community life
4. Our built environment is a desirable place to be
5. Our health and wellbeing provide for a satisfying and productive life

ENVIRONMENT

This theme looks at:

- How can we reduce the impacts of human activity on the environment to protect it for future generations?
- How do we ensure the protection of local threatened species and ecologically endangered communities?
- How do we reduce local energy consumption and increase the use of renewable resources?
- How do we protect our local flora and fauna?
- How do we ensure people can continue to access and experience our natural areas?
- How do we better manage demand of limited water resources?
- How do we reduce waste regeneration and increase its reuse and recycling?
- How do we further increase our understanding of and response to environmental issues?

Objectives:

1. Diversity of the natural environment is protected and supported
2. Opportunities exist to access and experience natural areas
3. We use resources responsibly
4. We live in an environment where pollution is minimised
5. Benefits of the natural environment are understood and valued
6. Land use and development protects the value and benefits provided by the natural environment

ECONOMY

This theme looks at:

- How do we create a larger, diverse, sustainable local economy?
- How do we ensure people can access the education, services, jobs and activities they require?
- How can we capitalise on our location and assets to encourage business investment?
- How do we reduce the number of people leaving the region for work or study opportunities?
- How do we increase investment in infrastructure from all levels of government?

Objectives:

1. Gosford is a place that attracts people to work, live and visit
2. Gosford attracts and supports new and existing businesses and investment
3. Gosford City Centre thrives as the regional hub
4. We have appropriate skills and knowledge
5. There are good links between our homes, places of work, services and facilities

GOVERNANCE & LEADERSHIP

This theme looks at:

- How do we ensure leaders are empowered to deliver the services and infrastructure the community requires?
- How are community expectations managed whilst getting the balance right between the environment, economy and society?
- How do we address the dilemma of wanting to retain the small villages with our desire to grow?
- How do we ensure that leaders and decision makers have the information they need?
- How do we ensure accountability and transparency in decision making?
- How do we improve communication processes and ensure open dialogue in the community?
- How do we address the impacts of Climate Change?

Objectives:

1. Decision making processes are open and transparent
2. We collaborate to achieve outcomes
3. We are engaged and well informed
4. Our infrastructure is well managed and maintained
5. Our leaders make decisions

2.1.4 STRATEGIC PRIORITIES FOR 2015/16

Gosford City Council's vision is "Building community, enabling futures".

Council identified and resolved the following top 5 strategic priorities for 2015/16:

1. Plan for the Future - ensuring that all planning aligns with the community's vision for the future and Council focuses resources on responding to the Regional Growth Plan
2. Closing the Gap - focusing on the asset renewal gap to ensure assets are effectively managed into the future
3. People and Culture - continuing to implement the transformational change process, and implementing business and cultural improvements to increase community satisfaction
4. Job Creation / Economic Development - supporting the development of a robust economy; and
5. Securing the Future - ensuring Council is sustainable so that it can continue to provide for the community into the future.

2.2 KEY CHALLENGES AND OPPORTUNITIES

In November 2014, Councillors and the Executive Leadership team held the annual strategic planning workshop. Figure 3 below provides a summary of the key strengths, weaknesses, opportunities and threats for Gosford City Council and the community identified in the workshop.

Figure 3: Gosford City Council and Community SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> • New, experienced and diverse leadership and management • New organisational structure • Changed focus on growth - “Open for Business” • Growing support from community and business • Strong foundation of financial management (surplus) • Diverse experience across a range of issues (from having a mix of regional, rural and metropolitan communities) • Natural environment and lifestyle • Have scale without being too large • Strong gender balance – in both Councillors + staff • Now moving in the right direction 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Cash flow to deliver services the community wants • Lack of understood direction • Loss of corporate knowledge in the restructure • Still dealing with silos and old organisational culture • Asset management – infrastructure gap • Local job diversity • Housing diversity
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Alignment to State and Federal government • Commitment to innovation • Location and lifestyle • Changing perception of Council (in progress) • Rebuilding relationship with community (listening & involving people) • Improving financial position • Growing investor confidence • Development • Fit for the Future: LG reform and expansion • Identifying and saving / efficiencies – reinvest in infrastructure • Council is committed to the outcome during the tough process • Tourism and Economic Development 	<p>THREATS</p> <ul style="list-style-type: none"> • Potential amalgamation could derail current transformation • Future legislation – Federation debate / Local Government recognition in constitution • Tightening of government funding (e.g. grants) • Another / continuation of the economic downturn • Climate change • Disintegration of relationship with Wyong Shire Council • Demographic changes and rapid population growth– sandwiched between Newcastle & Sydney • Local MPs in opposition • Aging population

2.3 PERFORMANCE AGAINST THE FIT FOR THE FUTURE BENCHMARKS

The ratios and analysis provided here are based on Gosford City Council's General Fund financial statements and long term financial plan. These do not include the Water or Sewer fund as directed by the Office of Local Government in the "Guide to Completing Template 2: Council Improvement Proposal".

Gosford City Council is an integrated local government organisation; it does not strategically manage its Water and Sewerage businesses separately. As directed, Gosford has provided its benchmarks against the General Fund (including Drainage, Somersby Industrial Estate and Gosford Car Park funds). In some cases, we have referred to the consolidated results for completeness. All financial references in the body of this proposal will be for the General Fund unless otherwise stated.

2.3.1 SUSTAINABILITY

Measure / Benchmark	2013/14 Performance	Achieved Benchmark?	Forecast 2016/17 Performance	Achieved Benchmark?
Operating Performance Ratio	-3.5%	No	-0.1%	No
Own Source Revenue Ratio	78.2%	Yes	78.8%	Yes
Building & Infrastructure Asset Renewal Ratio	50.3%	No	82.1%	No

2.3.2 INFRASTRUCTURE AND SERVICE MANAGEMENT

Measure / Benchmark	2013/14 Performance	Achieved Benchmark?	Forecast 2016/17 Performance	Achieved Benchmark?
Infrastructure Backlog Ratio	9.0%	No	4.1%	No
Asset Maintenance Ratio	54.6%	No	100.0%	Yes
Debt Service Ratio	1.8%	Yes	1.4%	Yes

2.3.3 EFFICIENCY

Measure / Benchmark	2013/14 Performance	Achieved Benchmark?	Forecast 2016/17 Performance	Achieved Benchmark?
Real Operating Expenditure per capita	\$1,012	N/A	\$965	N/A

2.3.4 OTHER INDICATORS OF CURRENT PERFORMANCE

Gosford City Council sees value in tracking its performance over time and in relation to its peers, other councils and also other organisations.

Gosford City Council continues to track its operational and management performance against its peers and has participated in the 2012/13 and 2013/14 Operational Effectiveness Survey run by Local Government Professional and, the professional services firm, PWC. A copy of the 2013/14 Report is provided in Confidential Appendix G. We have found these surveys helpful to check how we are progressing and to inform the refinement of our strategic initiatives. The results showed:

- Solid performance in terms of efficiency of transactional finance, technology, workplace injury management and corporate services
- Consistent performance in a number of workforce management benchmarks, even through a period of increasing uncertainty and organisational change (although our 2014/15 result will further inform this)
- Opportunity to improve in financial management, particularly in budgeting and finance business partnering
- Below average capital spend per capita.

Gosford has shown strong improvement in the Office of Local Government reporting on the number of complaints it received about Council Services, as outlined below.

Figure 4: Office of Local Government Complaints for Gosford Council

Year	Number of Complaints	As a Percentage of Total Complaints Received
2013/14	16	1.5%
2012/13	13	1.2%
2011/12	33	2.8%
2010/11	33	2.9%

The recent community survey conducted in June 2015 gave us an early opportunity to track how the transformation is being perceived in the community. While the January 2014 community survey was much more detailed than the survey conducted in June 2015 (the focus of the latter was on the community's preference for structural reform), it was possible to compare at a high level.

Comparison from January 2014 to June 2015 showed some small improvements or little change in community satisfaction with service delivery, community consultation and regulatory functions. There was particular improvement in:

- Satisfaction with infrastructure (27% rated as good or very good in 2015, 16.1% overall satisfaction in 2014)
- Satisfaction with financial management (17% rated good or very good in 2015, 5.1% overall satisfaction in 2014)

As part of the transformation journey outlined in Section 3, Gosford City Council is looking to expand its performance management capabilities, the objectives are to:

- Continue to benchmark itself against other NSW councils
- Look beyond NSW, Australia and Local Government generally for better practice and performance benchmarking. Some examples of where Gosford is already doing this include:
 - Gosford Council is a member of CEB for Finance and HR which is a global member-based best practice and benchmark firm for medium sized public and private organisations.
 - We have commenced integrating the NSW Public Sector Capability Framework into our Workforce Management Practices, including Position Descriptions and Expectation Setting. Next we aim to utilise the framework in our new Employee Performance Management System.

2.4 WATER UTILITY PERFORMANCE

2.4.1 INTRODUCTION

Gosford City Council operates the largest local government Water Utility in NSW, supplying over 16,500 megalitres to over 71,000 homes in the 2013/14 financial year. This Water and Sewerage operation fully complies with the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework¹⁰.

The most recent report to Council for Water & Sewerage performance results and Action Plan was for the 2012/13 results at a Council Meeting. Gosford City Council achieved 100% compliance with Best Practise Guidelines for this period.

The 2013-14 performance results have recently been released but a report has not yet been provided to Council. For the 2013-14 performance year Council achieved 100% compliance with the NSW Best Practice Management Guidelines.

In 2014 Council completed a *Water Supply and Sewerage Strategic Business Plan* for the period 2014-17. Following the release of the new guidelines for the *NSW Best Practice Management of Water Supply and Sewerage*, Council will need to prepare a new *Integrated Water Cycle Management Strategy* to comply with Best Practice Management requirements.

Our Water and Sewerage rates and charges are set on a full cost recovery basis until 30 June 2017, through a four year IPART determination process.

2.4.2 WATER AND SEWERAGE BACKLOG

In 2013/14, Gosford City Council reported the following costs to 'bring to satisfactory condition' for its water and sewerage assets.

Figure 5: 2013/14 Special Schedule 7 – Cost to Bring to Satisfactory

	(\$000)
Water	\$8,607
Sewerage	\$33,557
TOTAL	\$42,164

These numbers correspond to Gosford's 2014/15 Capital Works program and do not necessarily reflect a 'backlog'. Ongoing work with Jeff Roorda and Associates (JRA) will look at what is the appropriate backlog for Water and Sewerage, which will form a component of Part 2 of their report.

Part 1 of the JRA report notes that:

"The annual Action Plan to Council, which is the key water and sewerage working document provided to the Council each year, enables the council to effectively and efficiently manage its risks and highlights any corrective actions need to address emerging issues, area of underperformance, or to implement Best Practice Management (BPM) requirements"¹¹

Theoretically, compliance with Best Practice Management should indicate very little or no backlog. It is expected that this will be close to the mark for Gosford once the Water and Sewerage 'bring to satisfactory' is independently reviewed.

¹⁰ NSW Office of Water (2015), "2013-14 NSW Water Supply and Sewerage Performance Monitoring Report"

¹¹ Jeff Roorda and Associates (2015) "Infrastructure Assessment Report, Gosford City Council, Part 1 – Infrastructure Depreciation and Risk Review" June 2015

2.4.3 WATER AND SEWERAGE CAPITAL WORKS

Our current major projects in Water and Sewerage are set out in Figure 6 below.

Figure 6: Water and Sewer Major Projects (over \$1M) in current IPART determination

Project	Total Cost (\$000)	Funded Sources
Water Pump Stations Major Electrical Upgrade (JWS) ¹²	\$4,269	50/50 between Gosford and Wyong Councils
Water Mains Renewals	\$3,408	Council
Erina Pressure Reduction Valve Renewal	\$1,012	Council
Woy Woy Pressure Reduction Valve Upgrade	\$1,100	Council
Waste Treatment Plant Renewal (JWS)	\$1,229	50/50 between Gosford and Wyong Councils
Gosford CBD Water Developer Servicing Plan	\$1,563	Developer Contributions
Gosford CBD Sewer Developer Servicing Plan	\$3,123	Developer Contributions
Major Information & Communication Technology Equipment Renewal	\$1,521	Council
Sewage Pump Station Retention Tanks Renewal	\$1,300	LIRS/Council
Septicity Control Optimisation	\$3,087	Council
Woy Woy Major Sewage Pump Station Upgrade	\$1,800	LIRS/Council
Wyoming Major Sewage Pump Station Upgrade	\$1,000	LIRS/Council
Sewage Pump Stations - Priority Electrical Renewal	\$1,175	Council
Kincumber Sewage Treatment Plant High Voltage Switchboard Renewal	\$1,249	LIRS/Council
Kincumber Sewage Treatment Plant Digester Co-Generation Unit Upgrade	\$1,884	Council
Kincumber Sewage Treatment Plant Dissolved Air Floatation Duplication	\$1,179	Council
Woy Woy Sewage Treatment Plant High Voltage Asset Renewal	\$1,913	LIRS/Council
Cockle Bay Towns Priority Sewerage Program	\$12,361	Contributions to Works/Council
Gravity Sewer Mains Network Renewal	\$1,600	Council
Sewer Developer Servicing Plans	\$1,256	Developer Contributions
Somersby Industrial Estate Sewage Pump Station Upgrade	\$1,341	Contributions to Works - Somersby Industrial Park
Total	\$48,370	

The projects and programs under consideration for the next IPART determination period are listed in Figure 7 below.

Figure 7: Water and Sewer Major Projects (over \$1M) for the Future Determination

Project Description	TOTAL (\$000) (2018 – 2021)
Upper Mooney Dam Crest Replacement (JWS) ¹³	\$1,200
Lower Mooney Dam Remedial (JWS)	\$2,000
Transfer Mains Renewal (JWS)	\$1,000
Mangrove Creek Dam Upgrade (JWS - subject to Geotechnical investigation)	\$1,000
Mangrove Creek Dam spillway upgrade (JWS - Part 1 of \$7M)	\$1,500

¹² JWS refers to Joint Water Services with Wyong Shire Council

¹³ JWS refers to Joint Water Services with Wyong Shire Council

Project Description	TOTAL (\$000) (2018 – 2021)
Water Pump Station Upgrade (JWS)	\$10,000
Somersby Water Treatment Plant Transfer Pump Station Construction (JWS)	\$1,358
Somersby Water Treatment Plant Lime Clarifier & Coated Media Upgrade (JWS)	\$1,102
Water Main Renewal	\$7,000
Trunk Main Renewal	\$3,000
System Flow Upgrade - Rider and/or Link Mains	\$1,000
Trunk Main Upgrade Program	\$1,000
Somersby Industrial Park upgrade	\$1,000
Reservoir Painting (approximately 3 sites)	\$1,100
Reservoir Lining Upgrade (approximately 3 sites)	\$1,500
Reservoir Roof Replacement	\$1,000
Chlorination Unit Installation	\$1,200
Macmasters Sewage Pump Station Upgrade	\$1,015
Sewage Pump Station Condition Assessment	\$2,000
Kincumber Sewage Treatment Plant Odour Control System Upgrade	\$2,500
Kincumber Sewage Treatment Plant Grit Tanks Upgrade (incl. grit removal)	\$2,500
Kincumber Sewage Treatment Plant Primary Sedimentation Tanks Upgrade (Travelling bridges, bell mouths & scours)	\$1,200
Water Pump Station Renewal	\$1,000
Water Meter Replacement	\$1,500
Terrigal/Wamberal Sewer Capacity Upgrade	\$1,000
Sewer Overflow Program – Dry Weather Flow Analysis	\$1,000
Sewer Overflow Program – Wet Weather Flow Analysis (SPS storage)	\$1,000
Sewer Rising Mains Renewal / Duplication	\$1,000
Sewer Rising Mains Condition Assessment	\$1,000
Sewer Gravity Mains Renewals and Rehabilitation	\$5,000
Total	\$58,675

2.4.4 IMPROVEMENT STRATEGIES

The Water Supply and Sewerage Strategic Business Plan 2014-17 highlights Continual Improvements Strategies and Strategic actions that were identified in the Water and Sewer Master Plan 2051. The key strategies include:

1. Asset Management Strategy – includes an advanced asset management plan for each asset class, a master plan for each major system component and a capital works delivery and reporting strategy.
2. Operational Strategy – includes water quality management, water and sewerage system operating strategy, emergency response contingency plans and managing sewerage system inputs.
3. Water Resource Strategy – includes Water Plan 2050, long term resource protection plans and customer education strategy

3 HOW WILL GOSFORD CITY COUNCIL REMAIN FIT FOR THE FUTURE

Gosford City Council recognised the need to improve its performance and, by the end of 2013, had commenced a significant transformative program that has and will continue to achieve demonstrably improved strategy capacity, financial sustainability, service delivery and efficiency.

This new phase of Gosford's journey commenced in 2013 with a new General Manager (now CEO), a Community Satisfaction Survey and a Service Review Project that brought expertise from all over our organisation to review our whole service delivery model.

The Community Survey in January 2014 showed that 89% of our community were somewhat satisfied or better with Council's performance. However, 42% were only somewhat satisfied, which indicated to us that there was potentially a large proportion of our community that were on the fence.

The work of the Service Review Project team unearthed more questions than answers, and from this we designed a transformation program that centres around a clear set of corporate values and aligns a new business operating model for Gosford City Council to these value of:

- Leadership
- Courage
- Innovation
- Service
- Ethic
- Teamwork

More information on our Corporate Values and Business Operating Model is provided in Appendix D.

The first part of this transformation journey was focused on People and Organisation with a major organisational redesign which was finalised at the end of 2014. The key objectives of the new design were to:

- Align strategic and operations functions
- Increase our efficiency and stay competitive
- Reduce our external and internal operating costs

The new organisational structure was a substantial change from the old one, particularly at senior levels, and implementation had two phases:

- In the first phase (March 2014 – September 2014), all Director and Manager positions were externally advertised given the significant change in structure
- The second phase (September 2014 to February 2015) was reshuffle of coordinator and below positions with the intention of minimising redundancies, reinforcing pathways to leadership and improving spans of control.

A summary of the new Gosford City Council organisation and the management team is included in Appendix D.

We recognise that we are still at the beginning of this transformation and that there is significant work ahead of us. The sections below outline the key objectives and initiatives that will help us get to our goal. These initiatives are in addition to, and aimed to improve the effectiveness and efficiency of, the services and operations we deliver at Council.

3.1 SUSTAINABILITY

Gosford Council has put significant focus on improving its sustainability, which is evidenced by an improving operating performance to date. We have projected that this result will continue and enable Council to invest future surpluses into addressing the infrastructure gap.

Gosford City Council has commenced a number of key initiatives in the past 12 months and plans to build on these in the coming years. Some of the current initiatives are directly targeted at improving our ability to manage performance, these include:

- We have refined our service definitions so that we have a stable platform to orient our Financial Accounting, Corporate Planning and Business Performance Management structures and processes.
- We are building a new Chart of Account that aligns closely to our services which is set to go live in October 2015. This will drive consistency in our accounting structure, link finances to service delivery performance and drive efficiency in budgeting, management accounting and financial decision-making.
- Corporate planning, business performance, enterprise risk management, strategic asset and workforce planning processes and systems are planned to follow in preparation for the next Delivery Program.

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve corporate planning and corporate performance management	Implement Levels of Service project	<ul style="list-style-type: none"> • Improved definition of current and community expectation of service levels to inform next Delivery Program 	June 2016	Improved understanding of community expectations of service delivery
	Implement a new business performance management framework	<ul style="list-style-type: none"> • A cohesive KPI framework for services and organisation units to be measured against 	Dec 2016	Improved transparency of performance measures critical to council's performance
	Implement Enterprise Risk Management framework	<ul style="list-style-type: none"> • Integration of risk identification and mitigation into management at all levels of the organisation 	June 2016	Greater confidence that the sensitivities of all measures are understood and managed
	Improve corporate planning technology	<ul style="list-style-type: none"> • Integrated and efficient tool to manage corporate planning & reporting, resource planning and risk management 	July 2017	Improved efficiency in managing corporate performance & reporting
Improve financial planning and financial performance management	Implement a new Accounting Structure	<ul style="list-style-type: none"> • Streamlined and organisationally consistent chart of account aligned to service delivery 	Oct 2015	Improved ability to track cost of service and financial performance Improved efficiency (budgeting, accounting & reporting processes)
	Enhance Financial Business Partnering model	<ul style="list-style-type: none"> • Dedicated finance business partners providing analysis and insight to improve performance 	Dec 2015	Impact on all financial measures
	Debt recovery reduction project	<ul style="list-style-type: none"> • Reduced outstanding debt, more efficient debt recovery practices (including processes to encourage full up-front payments) 	Dec 2016	Improved efficiency Improved debt collection ratio

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve workforce planning and performance management	Review and improve Workforce management and performance	• A leading practice strategy for workforce planning informing resource plan	Dec 2016	Improved transparency in workforce performance
		• Embedded workforce performance and remuneration systems that align to a business performance management framework	June 2017	

3.2 INFRASTRUCTURE AND SERVICE MANAGEMENT

Infrastructure has been identified as the area that requires the most significant work to improve. The initial focus of the transformation program has been on the foundational elements of the Business Operating Model and ensuring a degree of financial sustainability. While, as the above section indicates, there remains opportunities to further improve financial sustainability, surpluses generated can be directed to improving infrastructure.

Council's progress on improving infrastructure includes:

- We have made some initial progress in reviewing our asset base. We have engaged Jeff Roorda and Associates (JRA) to review our current Special Schedule 7 and gain a firm foundation on what are our current asset backlog and infrastructure ratios. This has highlighted some significant overstatement of our asset backlog, as most of our asset base does not need to be at Condition 2 to be satisfactory. A copy of the JRA report outlining the approach and outcomes is provided in Confidential Appendix F.
- We are also systematically reviewing our current assets and asking hard questions about whether they are performing to the optimal benefit of the community. Council has recently endorsed a new Community Leasing strategy, which is aimed at encouraging equitable access and optimal utilisation of our community facilities. In the coming months, Council will also consider a new library strategy (with a new city library and the possible branch consolidation), a land and property review, and a recreational space and facilities strategy.
- There is significant work to be done in strategic asset management. Assumptions on the effort and costs associated in this work are incorporated into long term financial plan assumptions in this proposal.

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve strategic asset planning and performance management	Develop a Strategic Asset Management Strategy	<ul style="list-style-type: none"> • Sustainability on asset management • Improvement programs for best practice Asset management • Integrated Strategic Asset Management Planning with Community Planning • Integrated Strategic Asset Management Planning with Financial Planning 	Dec 2016	Improved accuracy and management of infrastructure ratios
Ensure optimal utilisation of current asset base	Implement an equitable and transparent Community Leasing strategy	<ul style="list-style-type: none"> • Develop Community Leasing strategy • Implement Community Leasing Strategy 	May 2015 (completed)	Improved utilisation of Council facilities

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve the sustainability of Gosford City Centre (the Regional Capital of the Central Coast)	Review all Council-owned property	<ul style="list-style-type: none"> • Phased review of Council-owned land (expected to realise \$20M over 3 years) • Prepare any land approved for sale or development • Review of recreational and cultural facilities • Fleet Review 	Stage 1 by Sept 2015 July 2016 Dec 2015	Contribute to maintaining a reasonable asset base
	Revitalise Gosford CBD	<ul style="list-style-type: none"> • Cross-functional Community / Council partnership program to revitalise the CBD • Regional Performing Arts & Conference Centre (\$30M shared federal, state and local funding confirmed) • Gosford City Smart Work Hub • City Centre Car Parking Strategy 	Commenced March 2014 (ongoing) Design by Dec 2015 May 2015 (completed) Oct 2015	Improved service delivery Increase cost to maintain and renew assets
	Review Library Strategy	<ul style="list-style-type: none"> • Gosford City (regional) Library 	Aug 2015	
	Central Coast Stadium review	<ul style="list-style-type: none"> • Decision on future business model for Central Coast Stadium 	Feb 2016	
Plan and manage for the future service delivery requirement of the LGA	Plan based on realistic population growth	<ul style="list-style-type: none"> • Develop comprehensive growth strategy, including multiple scenarios • Review and implement a new Economic Development strategy 	Draft Scenarios – Sept 2015 Strategy & Spatial Plan – Sept 2016 Aug 2015	
	Develop a Community Engagement Framework	<ul style="list-style-type: none"> • A Community Engagement framework and methodology that is clear for our staff and community, and consistently applied across the organisation 	Dec 2017	
Renew, upgrade and build infrastructure for our future needs	Ongoing asset management, including renewal and upgrade work ¹⁴	<ul style="list-style-type: none"> • Roads and transport, and community lifestyle infrastructure that addresses future needs • Determine future of Kibbleplex • Upgrade Terrigal Carpark • Upgrade Niagara Park Stadium 	Ongoing Aug 2015 Sept 2015 Sept 2015	Management of these needs to be tempered with strong financial management to ensure that Council doesn't spend beyond its means or community expectations

¹⁴ A sample of key upcoming projects are provided, work on infrastructure renewal, upgrade and new is ongoing. Refer for Gosford City Council's Delivery Program 2013/14 – 2017/18 for a full list of projects.

3.3 EFFICIENCY

In the 2014/15 financial year, a 10% efficiency dividend was integrated into senior staff performance objectives. Council is broadly on track to deliver this. However, it is expected that the unfunded cost to clean up after the April 2015 storm event in the region will impact the overall efficiency result for this financial year.

In order to drive efficiency in the business a number of initiatives and programs have kicked off this year:

- We have completely overhauled our Technology Strategy to consolidate our core systems and release efficiency savings.
- We have implemented a new Council website and e-Planning tool in July 2014, with sub-site, intranet and further e-Planning developments following in 2015 and 2016.
- We have implemented an Excellence and Innovation model based on the Australian Business Excellence Framework (ABEF). The initial focus of this work is to build an improvement-oriented culture and finding quick-win efficiency gains. This has had an immediate impact on financial sustainability and efficiency. The framework will continue to grow in sophistication as our organisational culture adapts.
- We have undertaken a number of service reviews to identify efficiency gains, including improving a customer service model (afterhours customer call trial, closing Kincumber customer service centre, improved electronic service delivery, more flexible arrangement for seasonal lifeguards, improving our commercial certification business model, etc.)

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve efficiency and effectiveness of technology	Review and implement a cohesive information technology strategy	<ul style="list-style-type: none"> • Develop Corporate IT Strategy • Phased consolidation of core systems • Enhancement of strategic planning systems • SharePoint implementation • Cloud based solutions 	July 2015 Dec 2017 June 2017 Dec 2015 July 2017	Improved medium to long term Operating Performance but potential short term reduction
	Develop electronic self-service and connectivity	<ul style="list-style-type: none"> • Implement new main website • Implement new sub-sites for Libraries and Arts & Culture • Implement a new intranet • Implement e-Planning • Digitisation and mobility of workforce 	July 2014 (complete) July 2015 Sept 2016 Phase 1: July 2014 (complete) Phase 2: Dec 2015 July 2016 – some aspects already completed	Improved transparency access to information for community and staff Improved communications Improved efficiency of processes

Objectives	Initiatives	Outcomes	Milestone	Impact on other measures
Improve the overall efficiency of Council's business operations	Implement an Excellence and Innovation framework	<ul style="list-style-type: none"> • Embedded continuous improvement methodology (ABEF) and practices throughout Council • Business processes documented and accessible to all staff 	Phase 1: Feb 2015 (complete) Phase 2: June 2016	Continuous impact of efficiency

3.4 IMPROVEMENT ACTION PLAN

The figure below shows a high level Gantt view of the initiatives currently started or planned for the 2015/16 Financial Year, including status and responsible service unit for each.

Figure 8: Gosford City Council Transformation Initiatives (1 Jan 2015 – 30 June 2016)

Task Name	Responsible Service Unit	Status	Q3 FY 2015			Q4 FY 2015			Q1 FY 2016			Q2 FY 2016			Q3 FY 2016			Q4 FY 2016		
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
☑ Improve corporate planning & performance management																				
Levels of Service Project	Corporate & City Planning	In Progress																		Corporate & City Planni
Business Performance Management Framework	Performance & Strategy	Not Started																		
Enterprise Risk Management Framework	Performance & Strategy	In Progress																		
☑ Improve financial planning and performance management																				
Accounting Structure Project (Chart of Account, GL restructure)	Performance & Strategy	In Progress																		Performance & Strategy
Financial Business Partnering Model	Performance & Strategy	On Track																		Performance & Strategy
Debt Recovery Reduction Project	Governance & Business Services	Not Started																		Govern
☑ Improve workforce planning and performance management																				
Workforce Planning Review	Performance & Strategy	Not Started																		
Employee Performance Management System Review	Performance & Strategy	In Progress																		
Remuneration / Salary System Review	Performance & Strategy	Not Started																		
☑ Improve strategic asset planning and performance management																				
Strategic Asset Management Strategy	Corporate & City Planning; Constructor	On Track																		
☑ Ensure optimal utilisation of current asset base																				
Community Leasing Strategy (& Implementation)	Property & Economic Development	On Track																		
Council-Owned Land Review	Property & Economic Development	On Track																		Property & Economic De
Recreational & Cultural Facilities Review	Culture	On Track																		Culture
Fleet Review	Corporate Business Operations	On Track																		Corporate Business Operations
☑ Improve the sustainability of Gosford City Centre																				
Revitalise Gosford CBD Program	Community Growth (Department)	On Track																		
Library Strategy Review	Libraries and Community	On Track																		Libraries and Community
Central Coast Stadium Review	Libraries and Community	Not Started																		Central Coast Stadium
☑ Plan & manage for the future service delivery requirements of the LGA																				
Growth Strategy	Corporate & City Planning	On Track																		
Economic Development Strategy	Property & Economic Development	On Track																		Property & Economic Development
☑ Improve efficiency & effectiveness of technology																				
Corporate IT Strategy	Corporate Business Operations	On Track																		Corporate Business Operations
Core Systems Consolidation	Corporate Business Operations	On Track																		
Corporate Planning Technology	Corporate Business Operations	Not Started																		
Cloud-Based Solutions	Corporate Business Operations	On Track																		
Gosford Council Web-Site	Performance & Strategy	Complete																		
Gosford Council Sub-Sites	Performance & Strategy	On Track																		Performance & Strategy
e-Planning	Development and Compliance	On Track																		Development and Compliance
Intranet	Performance & Strategy	Not Started																		
Workforce Digitalisation & Mobilisation	Corporate Business Operations	On Track																		
☑ Improve overall efficiency of Council's business operations																				
Continuous Sustainable Improvement Program	Performance & Strategy	In Progress																		
Business Processes	Performance & Strategy	In Progress																		

3.5 OTHER ACTIONS CONSIDERED

In May 2014, Gosford City Council commissioned SGS Economics & Planning (SGS) to investigate the potential for an amalgamation of Gosford City and Wyong Shire Councils. It found benefit (in net present value terms) in an amalgamation in comparison to the continuation of the status quo of the two councils. However, there were some significant assumptions and impacts to consider in amalgamation, including:

- **Upfront costs:** A review of amalgamations in Australia and overseas shows that transition costs are significant and often under estimated. Without a due diligence process, it is difficult to provide a estimate of what these costs would be for Wyong and Gosford to merge. Both councils have substantially different technology infrastructure and industrial arrangements, two key drivers of upfront cost. The assumption made for modelling purposes was 1.4% of total expenditure, which would equate to \$37m for Gosford and \$31m for Wyong (\$68m in total).
- **Ability to achieve benefits:** There is little evidence in the literature that 'structural reform will automatically yield economies of scale'.¹⁵ Factors such as community consultation and engagement, and political and managerial leadership will have a significant impact on the ability to sustain or erode benefits of amalgamations.
- **Lag time for benefits:** Given the high risk nature of amalgamation, it was assumed that any possible merger would not occur until 2016/17, and the resultant entity would not start to realise benefits for 3-4 years; until 2019/20 at the earliest.
- **Rates equalisation:** The equalising of rates between the two councils is likely to lead to an increase in the average annual rates of up to \$160 for Gosford residents and \$683 for Gosford businesses, with no overall increase in combined revenue.
- **Wage equalisation:** If an amalgamation was implemented the new entity would need to create a single new salary system. Without a due diligence process, it is impossible to determine the cost and upheaval associated with this both to the new entity's ability to become 'fit for the future' and to the workforce.
- **Financial Sustainability and efficiency:** It is noted that there was a quantifiable financial benefit from an amalgamation. However, this did not measure the new entity's ability to meet the Fit for the Future criteria.
- **Infrastructure:** The analysis showed that there were insufficient savings from amalgamation to completely bring assets up to a satisfactory condition without a further Special Rate Variation of 3.5%.

Our modelling indicates that continuing the transformational improvements at GCC, enhancing joint service provision with Wyong and entering into the multi-purpose Hunter Joint Organisation will also provide benefit and meet the Fit for the Future criteria, but with significantly lower risk, cost and timeframes to an amalgamation.

Given this analysis, it would not be prudent to burden Gosford residents with a costly, risky and drawn out amalgamation with no evidence of significant benefit beyond what can be done as a stand-alone entity.

¹⁵ Aulich, Gibbs, Gooding, McKinlay, Pillora & Sansom (2011) *Consolidation in Local Government: a fresh look*, Volume 1 : report.

4 HOW WILL GOSFORD CITY COUNCIL'S PLAN IMPROVE PERFORMANCE

Gosford Council has worked over the last 3 years to put the foundations in place to become and remain fit for the future. The Improvement plan in Section 3 outlines the initiatives already underway and planned to accomplish the transformation. The outcomes of this program are outlined in the expected performance to benchmarks below.

4.1.1 SUSTAINABILITY

Measure / Benchmark	2016/17	2017/18	2018/19	2019/20	Achieved Benchmark?
Operating Performance Ratio	-0.1%	2.3%	3.2%	3.8%	Yes
Own Source Revenue Ratio	78.8%	79.1%	83.4%	83.6%	Yes
Building & Infrastructure Asset Renewal Ratio	82.1%	84.0%	88.1%	92.4%	No – improving. Meet by 2021/22

4.1.2 INFRASTRUCTURE AND SERVICE MANAGEMENT

Measure / Benchmark	2016/17	2017/18	2018/19	2019/20	Achieved Benchmark?
Infrastructure Backlog Ratio	4.1%	3.9%	3.5%	3.1%	No – improving. Meet by 2022/23
Asset Maintenance Ratio	100%	100%	100%	100%	Yes
Debt Service Ratio	1.4%	1.3%	1.1%	1.0%	Yes

4.1.3 EFFICIENCY

Measure / Benchmark	2016/17	2017/18	2018/19	2019/20	Achieved Benchmark?
Real Operating Expenditure per capita	\$965	\$957	\$945	\$933	No benchmark - improving

Key assumption of the Long Term Financial Model underpinning these results include:

- **Revenue:** In addition to normal rate pegging, this model includes a rate increase of 9.5% in 2017/18. This Special Rate Variation would be subject to review and Council endorsement (closer to the start date), community consultation and IPART approval.
- **Expenses:** the model assumes that expenses rise in line with inflation and wage costs in line with Award increase, assumptions for both are based on historical data. A conservative operational efficiency dividend of 0.5% per annum has also been assumed. 2014/15, Gosford Council has targeted a 10% operational efficiency dividend which we were on target to meet, however, the recent storm clean-up

cost will impact the overall reported result for 2014/15. We are still anticipating a real saving and improved operating performance ratio.

- **Assets:** the model budgets for actual asset maintenance to meet required asset maintenance. The 2014/15 backlog has been taken from the JRA Infrastructure Assessment Report, along with the assumptions of ongoing depreciation, required renewal and upgrade spend.
- **Liabilities:** the model assumes a small increase in debt for drainage fund. However the debt service ratio will continue to improve as loan principal is repaid. One option to Council is to borrow to fund infrastructure renewals, this has not been modelled, but it is noted that there is sufficient room in the debt service and operating performance ratios for this option.

The Long Term Financial model, including assumptions, Income Statement, Balance Sheet and Cash Flow that support these performance outcomes are provided in Confidential Appendix E.

5 PUTTING THE PLAN INTO ACTION

All initiatives and programs are managed through the Integrated Planning and Reporting Framework for Local Government.

Figure 9: Integrated Planning & Reporting Framework



Gosford Council has an established project management framework which will support a structured approach to implementation, as outlined in Figure 10 below.

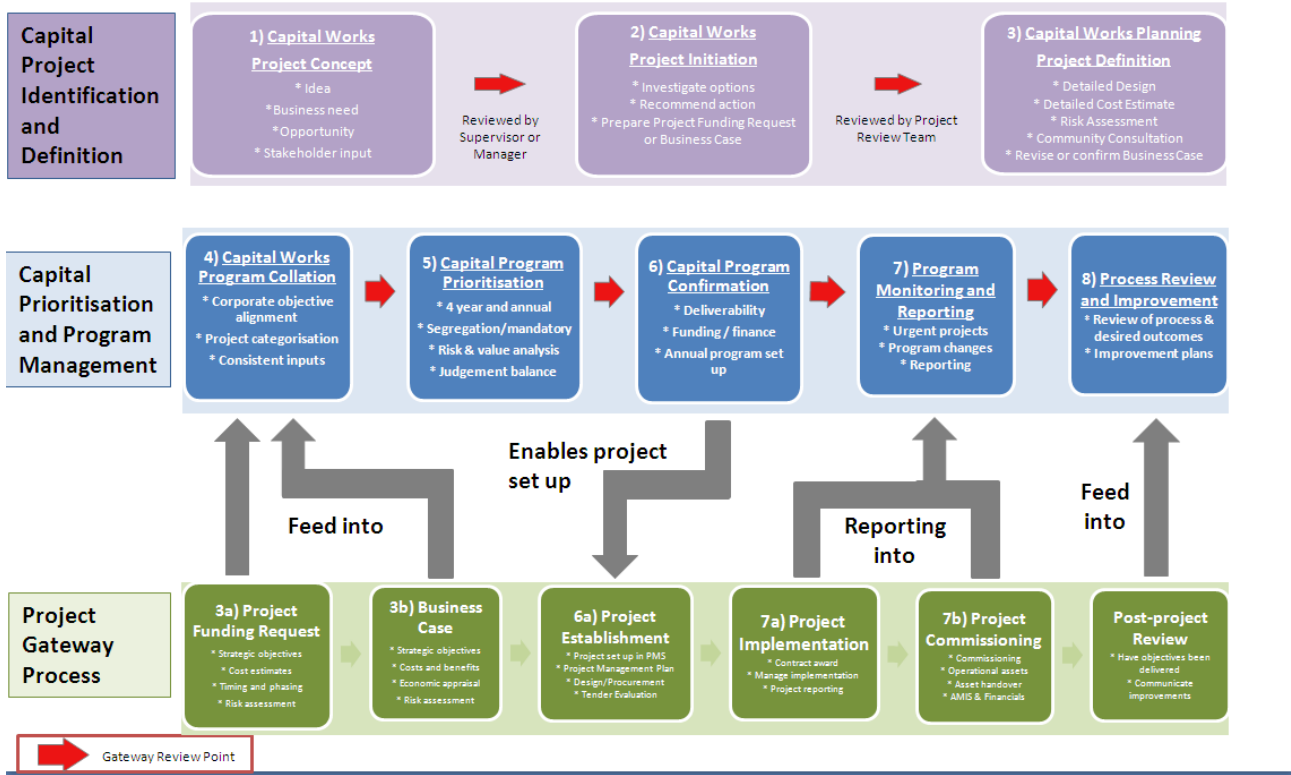
Figure 10: Gosford City Council’s Project Management Framework

Steps	Initiate	Plan	Implement	Close
	<ol style="list-style-type: none"> 1. Concept 2. Secure a sponsor 3. Project proposal 	<ol style="list-style-type: none"> 1. Governance structure 2. Risk management 3. Communications & stakeholder engagement 4. Project schedule 5. Resource plan 6. Project budget 7. Project plan 	<ol style="list-style-type: none"> 1. Project management 2. Project status reporting 3. Issue management 4. Project scope change 5. Change management 6. Procurement 7. Contract management 	<ol style="list-style-type: none"> 1. Project completion 2. Handover 3. Project closure report
Approval Point	Project proposal	Project plan	Project scope change form	Project closure report

Our capital projects are governed through a gateway framework, as outlined in Figure 11 below.

Figure 11: Capital Project Gateway Process

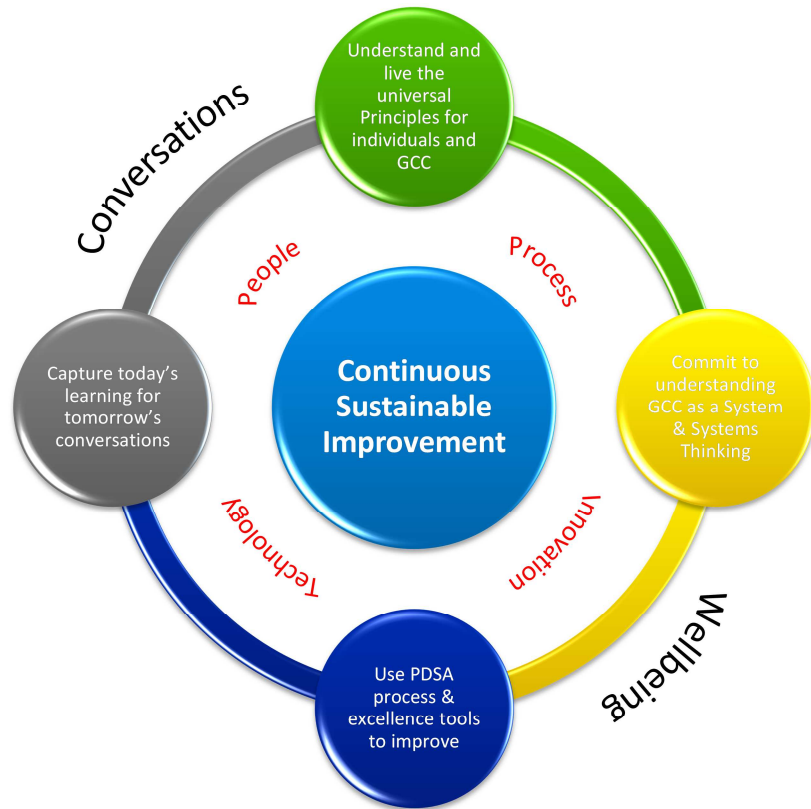
Project Gateway – Process Linkages



Additionally, Council has implemented a Continuous Sustainable Improvement framework modelled on the Australian Business Excellence Framework, with Plan, Do, Study, Act (PDSA) steps for continuous process improvement, outlined in Figure 12 below.

Council is utilising the Promapp process mapping tool to document and share improved processes and ensure that improvement is embedded.

Figure 12: Continuous Sustainable Improvement Framework & Plan, Do, Study, Act (PDSA)



Act

9. Reflect and establish future plans

9.1 What did we learn?

9.2 What other actions are required?

8. Standardise the improvement

8.1 Should the theory be adopted as the new way or do we need to start again?

8.2 What is required to document, train and enable people to adopt the new way?

Study

7. Study the results

7.1 To what extent did our actions lead to improvement?

Do

6. Implement the theory for improvement

6.1 Are we collecting data as we go?

Plan

1. Select the team

1.1 What is the team brief?

1.2 Who are the stakeholders?

1.3 Who will participate in this improvement team?

2. Clarify the opportunity for improvement

2.1 Precisely what is the opportunity for improvement?

2.2 Who are the clients and what do they need?

2.3 What is the current process flow, policy and/or state of relationships?

3. Study the current situation

3.1 What data are needed to measure performance now and in the future?

3.2 How will the data be collected and displayed?

3.3 What are the data saying about current performance?

4. Analyse the causes

4.1 What are the possible causes of variation and poor performance?

4.2 What are the root causes?

5. Develop a theory for improvement

5.1 What are the possible solutions?

5.2 Which solutions will have the greatest impact?

5.3 What are the key actions, who will lead them, what are the timelines and resources?

5.4 Obtain approval from the system or process owner.