

# FIT FOR THE FUTURE: A Journey



Wyong Shire Council's Fit for the Future Proposal to the NSW State Government



Wyong  
Shire  
Council

**VALUE. CREATE. LEAD.**

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# 1. Introduction



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## 1.1 Executive Summary

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This document forms the body of Wyong Shire Council's (WSC) (Council's) Fit for the Future (FFTF) Proposal. Council's theme for its Proposal is 'Fit for the Future: A Journey;' providing a comprehensive story of Council's past, current and future performance, and Council's demonstrated capability of improving its financial position, sustainability and capacity to build the community.

As part of the State's FFTF initiative, NSW councils were requested to undertake a self-assessment of their current state and to assess their future 'fitness' against set criteria and associated benchmarks. Councils are required to submit a proposal to the State by 30 June 2015, as to how each council will sustain or improve its 'fitness' moving into the future. The State requested councils use the Independent Local Government Review Panel's (ILGRP) recommendation(s) as a starting point for their proposals. For Council, the State supported the ILGRP's recommendation of the investigation of a merger between Wyong and Gosford Councils.

WSC sought to explore the ILGRP recommendation of investigating a merger with Gosford City Council (GCC), however; GCC chose not to conduct a joint exploration of a potential merger. As a result WSC had no alternative but to complete and self-fund its proposal utilising the Office of Local Government (OLG) prescribed Improvement Template.

Council approached the FFTF program with neutrality, setting out to investigate various reform options in order to identify which option best met the State's objectives and served the interests of the community. The investigation demonstrated the most meritorious option for Council is to remain as a stand-alone entity whilst implementing planned business improvement initiatives. As part of its Proposal, Council also notes its willingness to discuss potential joint services opportunities with GCC; to further improve the region's fitness. Council's Proposal is informed by the outcome of an independent Cost Benefit Analysis (CBA) of reform options, as well as extensive self-assessment and investigation by Council.

The CBA completed by independent consulting firm: Third Horizon, found Council has undergone a seismic shift in terms of its operational performance and strategic direction over the past five years, closing the gap of a \$30M deficit to achieve a second consecutive positive operating result (before grants

and contributions) of \$5.5m in the 2014 financial year (FY). Third Horizon found that Council remaining as a stand-alone entity presents the least risk, and contains the scale and capacity to deliver the best financial net outcomes for the community. Third Horizon's final recommendation of Council remaining independent highlights a Net Present Value (NPV) of \$43M.

The three options analysed by Third Horizon were:

**Option 1:** Business Improvement Scenario – full retainment of Council independence, incorporating those initiatives included in Council's Long Term Financial Plan (LTFP) and the incorporation of additional business improvement initiatives - Option 1 presented a NPV of \$43M.

**Option 2:** Establishment of a Joint Services Organisation between Council and GCC - Option 2 presented a NPV of \$42.9M.

**Option 3:** Full amalgamation of Council and GCC - Option 3 presented a NPV of \$42.4M.

The merger of Wyong and Gosford Councils was found to be the least beneficial reform option from a financial, social and economic perspective, and it posed the most risk to Councils due to the uncertainty and associated costs of a merger. In addition, the merger of Council and GCC is not supported by the majority of the Shire's community and Council staff.

To inform Council's Proposal, Council undertook two community surveys and a staff survey. The first community survey, accessible from Council's website, was open to all members of the public and publicised via Council's Twitter and Facebook page, and the local newspaper. The purpose of the initial survey was to gauge the community's level of understanding of the FFTF initiative, the community's level of interest in the initiative, and the community's views on the recommendations of the ILGRP; specifically around a merger between Wyong and Gosford Councils. The majority of survey participants that provided an opinion were 'Strongly Opposed' to a merger between Wyong and Gosford.

The second survey was undertaken by a Market Research Consultant: Woolcott Research, and involved an independent telephone survey of 2,300 residents and 200 businesses to measure satisfaction

with a range of Council services. Council utilised the undertaking of a large scale satisfaction survey as an opportunity to gauge the community's views regarding the FFTF initiative and a potential merger. The survey's total sample provided a standard error of +/- 2% at the 95% Confidence Interval. The results of the Woolcott survey showed again that residents who made a decision were opposed to a merger at 61%, while 57% of businesses were also opposed. Respondents believed a merger would impact services, lead to a loss of local identity, and negatively affect Wyong, with a merger primarily benefiting Gosford.

Council undertook a staff survey to ascertain the views of a key affected stakeholder group. Council provided staff the means and opportunity to participate in the survey, with each Service Unit Manager or Section Manager facilitating a paid 15 minute break for staff to complete the survey. The majority of staff were opposed to a merger (71%); with staff doubting a merger would enhance Council's ability to deliver improvements to the region and believing the Central Coast region was too large of an area to be managed by a single council. Staff also believed the merger would provide greater benefit to Gosford and lead to Wyong Shire losing its identity. The majority of staff (78%) were concerned about job loss should a merger proceed.

Contrary to the ILGRP's findings, Council's Proposal proves it has sufficient scale and capacity to engage effectively across the community, industry and government. The State believes such features will ensure that a council has the strategic capacity to govern effectively and partner with industry and government to deliver key priorities. Council's scale and capacity is demonstrated throughout this Proposal and is particularly evident by Council's successful collaborations with various Government, and industry bodies, to create and deliver on numerous formal strategies and plans including State endorsed planning documents e.g. North Wyong Shire Structure Plan, The Regional Economic Development and Employment Strategy, Central Coast Regional Strategy 2006-31, The Coalition's Growth Plan for the Central Coast, and Central Coast Regional Action Plan NSW 2021.

WSC is the second largest spending Council in NSW with a record \$66M spend on local roads and \$105M on capital works planned for next financial year.

In addition, the development of Council's Local Environment Plan 2013 (LEP) and Development Control Plan 2013 (DCP), has allowed greater flexibility for land use within zones and on Iconic Development Sites within the Shire. The results of the new LEP and DCP are now being realised, with the value of approved development applications last year increasing by 27.9%, and with over \$4B worth of infrastructure, residential and commercial proposals in the pipeline.

Council also successfully applied to IPART for a Special Rate Variation in 2013 in order to improve the standard of the core Council assets.

Council's Proposal addresses and demonstrates how Council has met, or exceeded, the State's FFTF criteria, financial benchmarks and other relevant factors for consideration by the expert assessment panel to deem WSC Fit for the Future.

In addition to this document, Council has complied with the State Government's FFTF guidelines and has completed:

- The OLG self-assessment tool for councils, and
- OLG Template 2 – Council Improvement Template.

Under separate cover are the detailed documents that provide the analysis, context and findings that underpin the contents of this submission.

NEWCASTLE



**230,000**  
residents expected by 2031



Origin of top five  
**international visitors**

to the Central Coast  
- United Kingdom,  
New Zealand, USA, Germany and  
Singapore



**8,400**

businesses operating in Wyong  
Shire



**\$1,700m** in exports

Wyong Shire's  
economy ranks  
**111th**  
out of 560 LGA's



**12.1%**  
of population  
born overseas



**73.1%**  
of people who  
work in Wyong  
Shire also live  
in the area



**1,450**  
Hectares of  
industrial land



**\$1,733**  
median mortgage  
monthly  
repayments



**4,200** residents housed in  
the new Warnervale Town  
Centre



**Fastest growing industries**

- health care, retail,  
tourism, administration  
and safety

SYDNEY

## 1.2 Wyong Local Government Area

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Wyong Shire covers 840 square kilometres and is located on the New South Wales Central Coast. It boasts twice the foreshore of Sydney harbour with 35 kilometres of coastline, an ecologically significant estuarine system, rural valleys, unspoilt mountain backdrop and various State Forests and National Parks. The Wyong Local Government Area (LGA) possesses low lying, coastal and flood prone areas, as well as large bushland and bushfire prone areas.

Wyong LGA has a dynamic tourism industry, provides extensive opportunities for commercial investment, and is a growing residential area offering affordable living close to Sydney. Wyong LGA is located 90 kilometres north of Sydney and 75 kilometres south of Newcastle, and has ease of access to both cities; with good transport links on the M1 Motorway, Pacific Highway and Sydney to Brisbane rail line. The proposed High Speed Rail on the east coast of Australia is planned to run through Wyong Shire with one stop at Ourimbah.

When Wyong Shire was established in 1947, its population was 10,000 residents. Today the Shire is home to over 160,000 people. With a high percentage of residents in the 'under 15' or 'over 65' age bracket, the Shire's forward planning is focused around growing the economy, positive ageing and access to educational and health facilities.

The Shire's educational facilities include the Central Coast (Ourimbah) Campus of the University of Newcastle, a Community College and the Ourimbah and Wyong TAFE Campus of the Hunter TAFE NSW Institute. The Shire has over 45 public and private schools as well as the Central Coast Youth Skills and Employment Centre, Central Coast Academy of Sports and the Central Coast Mariners Centre of Excellence in Tuggerah.

Community health is supported by a major public hospital, two smaller private hospitals and a number of health facilities.

The area includes the major service centre of Wyong-Tuggerah, with a large Westfield centre and Business Park, and a number of other retail precincts in numerous smaller townships spread around the Tuggerah Lakes system. In the north of the Shire is the developing new town centre of Warnervale.

Around 8,400 businesses operate within the Shire, with the top four employment sectors being retail, health care and social assistance, accommodation and food services and construction.





## 1.3 Background

### 1.3.1 The Fit for the Future Initiative

#### *The Independent Local Government Review Panel's Final Report*

In 2011 NSW councils gathered for 'Destination 2036,' a conference to plan how local government could meet the challenges of the future. NSW councils agreed that they wanted to be stronger, more sustainable and to make a positive difference in the community. However, there were various views as to how this could be achieved. In April 2012, the State Government appointed the ILGRP to carry out an independent review of the NSW local government sector and provide recommendations for reform. The ILGRP consulted widely in developing its recommendations which were presented in a Final Report to the Government in late 2013.

The ILGRP's review involved three rounds of community consultation to which Council provided written responses during each round. Council also responded to the ILGRP's Final Report, agreeing or agreeing in principle with the majority of the ILGRP's recommendations. The finding of the ILGRP's review was that the current system of local government in NSW is operating inefficiently, with some councils unable to meet the challenges of the future. The ILGRP recommended wide scale structural reform of NSW councils including mergers, reducing the number of Metropolitan Councils from 41 to 18.

#### *Fit for the Future – The State's Response to the ILGRP's Final Report*

The ILGRP noted that for councils to achieve their vision of becoming stronger, more sustainable and efficient, both the NSW Government and the local government sector would have to play a part. In response to the ILGRPs Final Report, the State launched its 'Fit for the Future' initiative to support local government reform.

As part of the initiative, the State has asked all councils to undertake a self-assessment of their current state and to submit a Proposal as to how each council will sustain or improve its 'fitness' moving into the future. The State requires councils to have a sound and credible plan to improve their situation which could include structural change or a strategy for significant performance improvement. The State requested councils use the ILGRP's recommendation as a starting point for their Proposals.

For Wyong Shire Council, the ILGRP:

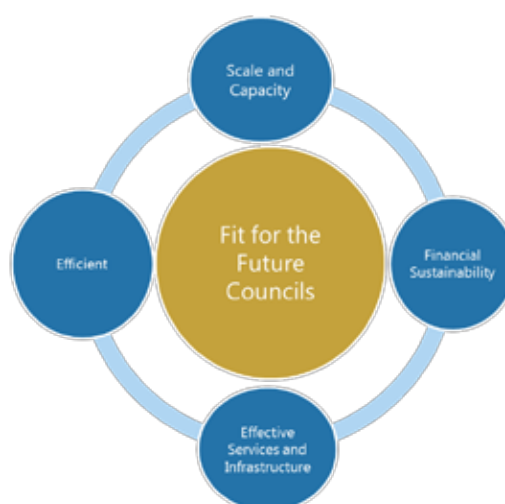
- suggested investigation of a merger or creation of a multi-purpose Joint Organisation with Gosford City Council, with a recommendation to defer negotiations for the establishment of a Central Coast Joint Organisation pending investigation of a possible merger
- highlighted the case for the southern area of Lake Macquarie around Morisset to be added to Wyong or a new Central Coast Council.

The State strongly supported the ILGRP's recommendation of an investigation of a merger between Wyong and Gosford Councils and the deferment of negotiations for the establishment of a Joint Organisation (JO). The State did not support the investigation of the southern area of Lake Macquarie to be added to Wyong or a Central Coast Council.

#### *What is a Fit for the Future Council?*

The State prescribes a 'Fit for the Future' council is one that is sustainable, efficient, effectively manages infrastructure and delivers services for communities and has the scale and capacity to engage effectively across community, industry and government. The State believes these features will ensure that a council has the strategic capacity to govern effectively and partner with industry and government to deliver key priorities.

**Figure 1. Fit for the Future Criteria**





## Benefits of Being 'Fit'

The State has announced that councils assessed as Fit for the Future will have access to a range of benefits, including access to a streamlined rate variation process and a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.

### 1.3.2. Fit for the Future Criteria and Assessment

#### Fit for the Future Criteria

The OLG developed four criteria and seven associated benchmarks to assess a council's fitness. The criteria and benchmarks are based on the work of the NSW Treasury Corporation (TCorp) and the ILGRP, and have been reviewed by the Independent Pricing and Regulatory Tribunal (IPART.) The four Fit for the Future criteria are:

1. Scale and capacity to engage effectively across community, industry and government
2. Sustainability
3. Effective management of infrastructure and delivering services for communities
4. Efficiency

Associated with the criteria, seven benchmarks (financial ratios) were developed through the ILGRP's research and recommendations, as well as the recommendations of TCorp's analysis of councils, the Infrastructure Audit and the requirements the Local Government Code of Accounting Practice. The measures were further refined following review by IPART.

**Figure 2. Fit for the Future Criteria and Associated Benchmark (Financial Ratios)**



## Fit for the Future Assessment

The State appointed IPART and Mr John Comrie as the 'Expert Panel' (the Panel) to assess councils' Fit for the Future proposals. The Panel will review proposals and give each council a rating of either 'fit' or 'not fit', with reasons for the assessment and potentially recommendations.

The Panel propose to assess councils' proposals as:

- Fit – if the proposal satisfies the four Fit for the Future criteria overall, that is, if the proposal:
  1. First, satisfies the scale and capacity criterion. The Panel expect proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion.
  2. Second, satisfies overall the other criteria of sustainability, effective infrastructure and service management, and efficiency. The Panel's proposed assessment methodology for assessing these criteria require councils to demonstrate how they either meet, or seek to improve performance against, the seven benchmarks.
- Not Fit – if a proposal does not satisfy the scale and capacity criterion, or overall the other criteria.
- Not assessed, deemed Not Fit – if a council does not submit a proposal then the council cannot be properly assessed and will therefore be deemed not fit.

The Panels proposes to also consider other factors which may influence the results of the Fit for the Future criteria, namely:

- the social and community context of the council, the nature and quality of the supporting information, including the rigour by which the ILGRP's preferred options for scale and capacity were explored by the council
- the robustness and consistency of the assumptions underlying the council's forecasts, how the council consulted with its community regarding its proposal or alternative options as relevant, and the outcomes from these consultations, and
- the impact of the council's water utility business on its General Fund performance, where the council also serves a water utility function.

The additional factors for consideration by the Panel are detailed in section 4 of this Proposal.

## 2. Council's Fit for the Future Proposal





## 2. Council's Fit for the Future Proposal

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The State has provided guidelines for councils to develop their proposals and for reviewing a council's fitness. Reviewing a council's fitness is a four-step process:

1. Using the Self-Assessment Tool provided by the OLG to measure a council's performance against Fit for the Future benchmarks
2. Determining whether a council has the appropriate scale and capacity to meet the challenges of the future, with the ILGRP's recommendations to be used as a starting point for this assessment
3. Assessing a council's performance against the three other criteria of sustainability, effective infrastructure and service management, and efficiency
4. Consideration of other factors which may influence the results of the FTF criteria, e.g. the social and community context of the council.

Council has spent the last six months comprehensively undertaking this four step review. The results of each of the four steps have strongly supported a single reform option being: for Council to retain full independence as a single entity and to follow its Long Term Financial Plan (LTFP) whilst undertaking additional planned business improvement initiatives. A merger between Council and GCC was identified as the riskiest and least beneficial reform option of those investigated.

In addition to the preferred reform option put forward by Council as its Proposal, Council notes it has discussed potential joint services opportunities with GCC and has a willingness to continue discussions regarding potential joint services opportunities with GCC; to further improve both Council's and the region's fitness.

Council is currently partner to a number of collaborative arrangements with GCC e.g. a regional contract for domestic waste services, a component of shared road maintenance, undertaking joint funding applications and ventures, as well as joint event promotion and as key members of numerous associations. Council does not propose a model of shared services resembling that of a JO; rather Council believes the delivery of some services on a regional basis may provide for many of the benefits, minus the risks, of a JO. As part of its Proposal development, Council has investigated and identified a number of

potential shared services opportunities. Council has provided this list of potential shared services to GCC, as well as included the list as an item for discussion at the following CCROC meetings:

CCROC Executive – 28 May 2015

CCROC Joint – 4 June 2015

CCROC Extraordinary Meeting – 4 June 2015.

At the time of drafting this Proposal, GCC did not request any change to this list. A copy of Council's proposed joint services opportunities list forms Appendix A of this Proposal.

### 2.1 Self-Assessment

#### *Consolidated and General Fund Figures*

The OLG's Self-Assessment tool requires councils to input their General Fund figures into the seven Fit for the Future benchmarks to assess its performance for the 2013/14 FY and previous two FYs. Council does not believe retrospective self-assessment is indicative of future fitness, where the emphasis of the State's initiative is on future sustainability and performance. For this reason, Council has completed the Self-Assessment inputting 2013/14 FY figures and projected 2014/15 FY and 2015/16 FY figures.

Secondly, General Fund figures are exclusive of Council's water utilities business which forms a large portion of Council's business. Council is a water supply authority under the Water Management Act 2000, supplying water and sewer to its population. Council's Water Authority is the third largest in NSW after Sydney Water and Hunter Water, with over \$2.3B in assets. This function is a very significant undertaking. Council believes to provide General Fund figures only, as requested by the State, presents an incomplete and inaccurate financial picture of Council's entire business. A view backed by a number of industry bodies including Local Government NSW (LGNSW).

In February 2015, LGNSW presented a paper to the meeting of the Ministerial Advisory Group (MAG) calling for agreement to the inclusion of a water utilities' financial and asset data in calculating the assessment criteria ratios. The recommendation was supported by all local government representatives who are members of the MAG. The OLG has accepted that councils can include water utilities in making their case for scale and capacity, but does not accept that the finances and assets should be included in the determination of the other assessment

criteria. LGNSW did not consider this to be an acceptable position and continued to advocate with the Minister, the OLG and TCorp.

In March 2015, LGNSW sent a letter to General Managers of councils with water utilities regarding LGNSW's ongoing representations advocating the inclusion of water utility figures in the proposal documentation and that the assessment process needs to consider the overall position and performance of a council. Council strongly agrees that consolidated financial data (inclusive of water utility) provides a more accurate picture of a council's financial position and overall business. Council supports LGNSW's statement that it is illogical for the finances and assets of water utilities to be excluded from calculations in the Fit for the Future assessment process.

Council agrees with LGNSW's advice to councils with water utilities to include two sets of assessment criteria ratios in their proposals: one that excludes the water utilities, and another set that consolidates the water utilities into the benchmark ratios.

It is for the aforementioned reasons that Council has undertaken the OLG Self-Assessment twice, inputting both General and Consolidated Fund figures. The results of the two Self-Assessments are as follows:

*Results of the OLG Self-Assessment Tool*

Figure 3 Wyong Shire Council's Self-Assessment: Consolidated Funds

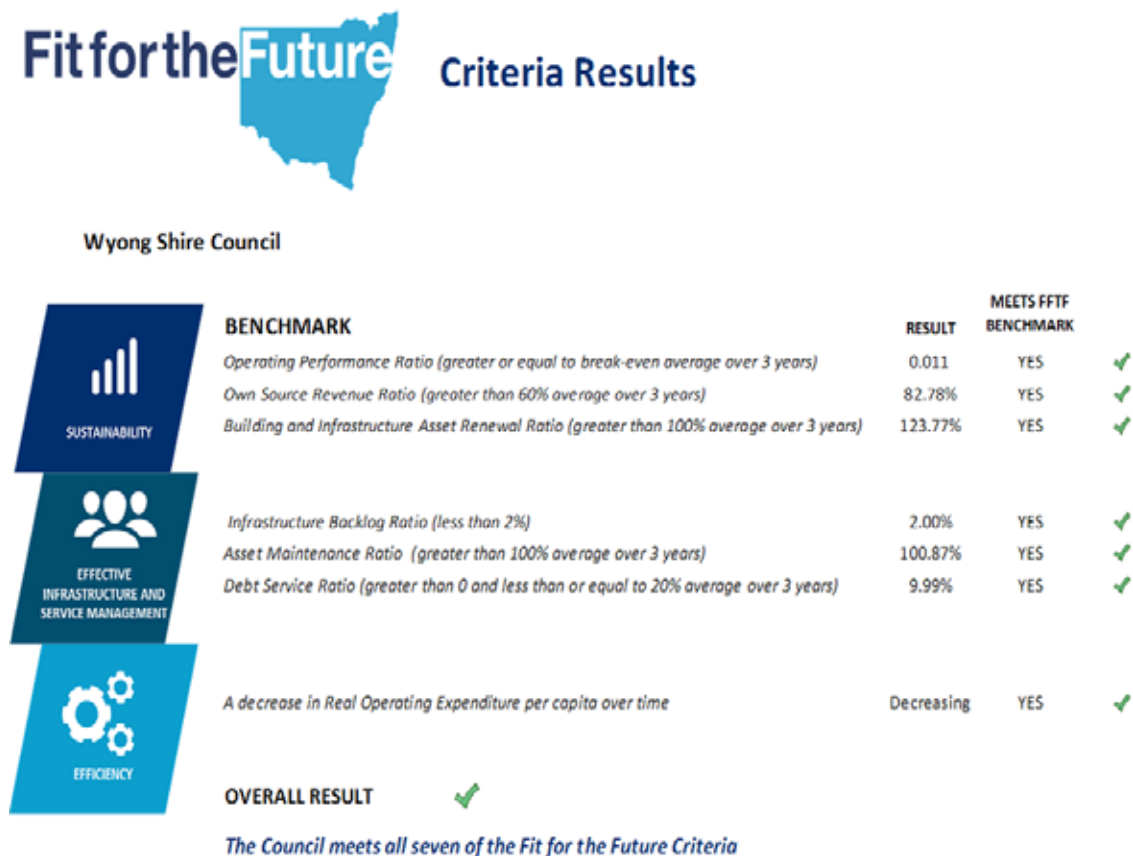





Figure 4 Wyong Shire Council's Self-Assessment: General Fund

# Fit for the Future Criteria Results

## Wyong Shire Council GENERAL FUND

	BENCHMARK	RESULT	MEETS FTF BENCHMARK	
 SUSTAINABILITY	Operating Performance Ratio (greater or equal to break-even average)	0.053	YES	✓
	Own Source Revenue Ratio (greater than 60% average over 3 years)	78.55%	YES	✓
	Building and Infrastructure Asset Renewal Ratio (greater than 100%)	163.81%	YES	✓
 EFFECTIVE INFRASTRUCTURE AND SERVICE MANAGEMENT	Infrastructure Backlog Ratio (less than 2%)	4.64%	NO	✗
	Asset Maintenance Ratio (greater than 100% average over 3 years)	100.23%	YES	✓
	Debt Service Ratio (greater than 0 and less than or equal to 20% average o	0.73%	YES	✓
 EFFICIENCY	A decrease in Real Operating Expenditure per capita over time	Decreasing		✓
	<b>OVERALL RESULT</b>			✗

**However, WSC got a SRV of 6.9% for four years from IPART to address this benchmark by 2026**

WSC acknowledge that the Infrastructure Backlog Ratio for the General Fund is not currently meeting the required benchmark of less than 2%. This is due to a culmination of the following factors:

- Impact of 35 years of rate capping and revenues not keeping pace with price increases
- Diversity of services and aspirations of a growing community
- Cost shifting from other levels of government
- Historical operating losses in past years and underfunding on asset maintenance and replacement.

However, WSC's current management team have a demonstrated capacity to identify, rectify and manage historical issues and a defined action plan is in place to address the general fund backlog.

This action plan centres on the Special Rate Variation (SRV) approved for WSC in 2013/14. In 2013, after a rigorous assessment process, IPART granted an increase in Ordinary Rates of 6.9% each year for four years commencing 1 July 2013. This funding was approved

by IPART specifically based on the need to address the backlog. Funds derived from the SRV are quarantined and used specifically and exclusively to address the general fund backlog. WSC has since 2013/14 (first year of the SRV), dedicated \$10m per annum to reducing the backlog and will continue to do so until the historical general fund backlog is eliminated.

The plan is also supported by the Council endorsed Asset Management Policy (which prioritises spend on renewals and upgrades over new assets and mandates Asset Renewal and Asset Maintenance Ratios of greater than 1). An Asset Management Strategy and Asset Management plans are in place to ensure execution against this policy and to ensure the backlog does not grow further.

Council will also work with the Institute of Engineers to continually review the asset management criteria for key infrastructure which may result in further improvements and refinements.

The detailed Self-Assessments for both Consolidated and General Fund figures form Appendix B.



## 2.2 Scale and Capacity – Threshold Criterion

The State established the 'scale and capacity' criterion as the threshold criterion for council proposals. The Panel's proposed methodology for assessment of scale and capacity requires councils to demonstrate that they:

- currently have, or will have, sufficient scale and capacity with their proposed approach, consistent with the objectives identified by the ILGRP for their region, and
- meet the ILGRP's features of 'strategic capacity' detailed in Box 1 (page 26) of this Proposal.

*Council's Improvement Proposal: OLG Template 2*

In drafting a proposal, councils must first assess their scale and capacity against the ILGRP's recommendations, and submit one of three proposal templates:

- Template 1 – for councils suggested by the ILGRP to undertake structural change by merging with one or more other councils to achieve sufficient scale and capacity
- Template 2 – for councils deemed by the ILGRP to currently have sufficient scale and capacity without any structural change
- Template 3 - for councils with 'Rural Council Characteristics', (eg, small, declining populations spread over a large area) where mergers may not be feasible, but which need to demonstrate plans and strategies for real change in order to increase their capacity and improve performance against the Fit for the Future criteria.

**Note:** Template 3 is not applicable to Council as it is not deemed a Rural Council.

Council has completed and attached Template 2: Council Improvement as part of its Proposal for the two following reasons:

1. The outcome of Council's unilateral assessment of reform options

To comply with the State's requirements and for due diligence, Council unilaterally assessed scale and capacity of various reform options inclusive of a merger with GCC. Scale and capacity was assessed via a comprehensive investigation by Council and as part of a CBA (Appendix C) undertaken by an independent, third party consultant: Third Horizon. Third Horizon was approved by the OLG as members of its Fit for the Future Facilitation panel. The outcome of the CBA found amalgamating Wyong and Gosford Councils provided the least benefit realisation of all reform options considered. Detail of the CBA is found in 2.2.1 of this Proposal document and in Appendix C.

Therefore, whilst *Template 2* is primarily designed for those councils that can demonstrate sufficient scale and capacity as deemed by the ILGRP, or for councils that cannot reach consensus regarding reform options with their nominated partners, the State advises councils may also submit this template if they can demonstrate a strong case for an alternate reform option.

2. Lack of cooperation from GCC to investigate a potential merger

Council was not considered by the ILGRP as having sufficient scale and capacity and was recommended to investigate a merger with GCC. The State recognises there may be instances where councils are unable to reach agreement with neighbouring councils on merger options recommended by the ILGRP. In such cases, the council would submit Template 2: Council Improvement Proposal to demonstrate how it meets the scale and capacity criterion under an alternative option. Where this occurs, the Panel would identify the other merits of the proposal and what efforts were made by the council to pursue the ILGRP's preferred option.

Council made numerous unsuccessful attempts to engage GCC to investigate the recommendation of a merger. In late 2014 and early 2015, Council attempted to facilitate discussion of the investigation of a merger between the Councils at five Central Coast Regional Organisation of Councils (CCROC) and CCROC Executive meetings, as well as making numerous attempts via telephone and email to contact the relevant persons within GCC to commence a dialogue. Three of the five meetings were adjourned due to a lack of quorum owing to inadequate attendance by GCC and no discussion on the matter occurred at the other two meetings. An outcome from a more recent CCROC meeting in February 2015 saw Council and GCC agree to proceed on the basis of preparing separate submissions.

The failed attempts by Council to partner with GCC to investigate a merger resulted in Council self-funding a unilateral investigation of a merger. Agreement from GCC to partner for the investigation of a merger would have made both Councils eligible for financial and technical assistance from the State. Without GCC cooperation WSC had to fund its own investigation.

Therefore, it is due to both the lack of cooperation by GCC in investigating the ILGRP's recommendation of a merger, and the identification of a strong case for reform alternate to a recommended merger, that Council has completed and submits *Template 2* (Appendix D) as part of its Proposal.

Council notes the OLG templates allow for the input of minimal information (due to small word count limits or the option of binary responses). Council has met the State's request to complete and provide a preferred OLG template, yet Council reiterates that this document, in addition to its appendices (of which the template is Appendix D) form Council's Proposal.

### 2.2.1 Independent Fit for the Future Cost Benefit Analysis

Council engaged Third Horizon following a competitive tender selection process, to conduct an independent CBA to inform and support Council's Proposal. A consultative approach between Third Horizon and Council was used to conduct a current state assessment, identify the reform options for the CBA, assess the risk level of each reform option, develop a balanced set of assessment criteria and conduct the CBA and draw conclusions from these analyses.

#### CBA Methodology

The project approach comprised three distinct phases: a current state assessment, development of reform options and assessment criteria, and the CBA.

**Table 1. Third Horizon's CBA Project Approach**

	PROJECT APPROACH
<b>CURRENT STATE ASSESSMENT</b>	A current state assessment was conducted to gain insights into the financial and demographic profile of Wyong Shire and Gosford, for example the strategic direction, financial and asset sustainability, social profile and economic development. This approach involved a deep dive assessment of Wyong Shire Council through reviewing key documents, working with the Special Project Team and directly engaging with key stakeholders to understand complexities and gain more detailed insights. As Gosford chose not to participate in the cost-benefit analysis, Third Horizon was limited to a desktop research solely relying on publically available documentation and contextualisation of key findings with relevant Wyong Shire Council stakeholders.
<b>REFORM OPTIONS AND ASSESSMENT CRITERIA DEVELOPMENT</b>	A consultative approach has been undertaken to develop the reform options, supported by insight provided by the Executive Team and the experience of Third Horizon. The reform options considered for the cost-benefit analysis are (1) full retainment of Council independence, (2) establishment of a Joint Services Organisation and (3) amalgamation of Wyong Shire and Gosford City Councils. A risk profile of each reform option was developed based on the likelihood of key risks to occur and the severity of their potential impact informing the discount factor used to calculate the Net Present Value. In addition a set of financial, social and economic criteria was agreed to assess the attractiveness of each reform option for key stakeholders.
<b>COST BENEFIT ANALYSIS</b>	High level assumptions to calculate the Net Present Value (NPV) were determined based on recommendations of NSW Treasury Guidelines for Economic Appraisal, guidance provided by Wyong Shire's Executive Team and Third Horizon's experience. Further assumptions have been made specifically for each specific reform option. Additionally the NPV's have been calculated based on these assumptions and a high level implementation timeline of initiatives. This calculation informed the financial impact of each reform option. A full cost benefit analysis was then conducted based on a agreed set of assessment criteria. A more quantitative approach was used for the financial assessment, where as a more qualitative approach was used for economic and social criteria.

Leveraging detailed data and stakeholder insight about the current state of Wyong Shire along with the publicly available GCC data, a consultative approach was undertaken by Third Horizon to develop detailed reform options. The reform options developed for the CBA are aligned with the suggested options presented in the State's review and consist of:

**Base Case and Option 1:** full retainment of Council independence with a Base Case scenario incorporating only those initiatives included in Council's Long Term Financial Plan and the Business Improvement scenario incorporating additional business improvement initiatives Council could undertake.

**Option 2:** establishment of a Joint Services Organisation between Council and GCC

**Option 3:** full amalgamation of Council and GCC.

The CBA developed financial, social and economic criteria to assess each reform option for key stakeholders.

As identified by Third Horizon's current state assessment, there are a number of areas in which Wyong and Gosford Councils differ, and these differences were deemed likely to present significant challenges in the future should an attempt be made to integrate the two councils, whether as part of a JO or as a single, amalgamated council. In order to properly account for these and other risks in the CBA analysis, 'Risk Profiles' of each reform option were developed.

In its analysis, Third Horizon accounted for risk in the 'Discount Rate' as this provides an indication to the certainty of the cash flows. The Discount Rates were used to assess the financial impact of each reform option and were dependent on the Risk Profile of each option. The establishment of a Joint Services Organisation (Option 2) and a full amalgamation (Option 3) were found to have

a high risk rating due to the complexities associated with integrating the two Councils, which in turn could result in increased implementation costs and/or delay benefits realisation.

As a result of these risks, the discount rate used to calculate the Net Present Value (NPV) for both of these options was set at 10%, up from the Treasury-directed standard discount rate of 7%. This standard discount rate was used in the calculation of Option 1's NPV as it is viewed to have normal risks associated with it. Finally, a discount rate of 4% (lowest risk prescribed by NSW Treasury) was used in the calculation of the Base Case NPV due to the fact that the initiatives identified to deliver the benefits in the Base Case are already in place and are being delivered.

As previously stated, to provide a comprehensive assessment of the attractiveness of each option for all stakeholder groups, each option was evaluated against three criteria – financial, social and economic impacts. The financial impacts were best identified through the NPV calculation and TCorp ratios. Social impacts were evaluated based on how the community relying on services would be affected and finally, the economic criteria look at how economic growth in the region may be impacted.

An Executive Summary of the CBA's findings against the three CBA criteria is detailed in Table 2:

**Table 2. CBA Criteria Assessment Summary**

	Base Case	Option 1	Option 2	Option 3	Criteria Assessment Summary
FINANCIAL	NPV \$23.4M	NPV \$43M	NPV \$42.9M	NPV \$42.4M	<p>&gt;Under Option 1, Wyong Shire Council meets and/or exceeds TCorp's targets on asset and financial sustainability.</p> <p>&gt;Option 1 has the greatest risk-adjusted Net Present Value over 10 years at \$43.0m followed by Option 2 and 3 at \$42.9m and \$42.4m respectively.</p> <p>&gt;The first year of an accumulated positive NPV for Wyong Shire Council and potential reinvestment is 2016 FY for Option 1, 2020 FY for Option 2 and 2021 FY for Option 3.</p>
SOCIAL	+	++	+	-	<p>&gt;Local advocacy, community representation levels and local identity are fully maintained under the Base Case, Option 1 and Option 2, but will be significantly impacted when amalgamating both Councils.</p> <p>&gt;Given Wyong Shires' current service delivery effectiveness, Option 1 presents the highest assurance that Wyong community members will not see a disruption or decrease in the level or suitability of services delivered.</p> <p>&gt;Harmonisation of rates after amalgamation could cause huge disruption and heavily impact the community's perception of the new Central Coast Council, especially with a potential negative impact to the residents of Gosford due to increased rates.</p>
ECONOMIC	+	+	+	+	<p>&gt;The current property model in Wyong Shire Council, considered to be a strategic advantage over other Councils due to its sophistication and commercial focus, might be at risk when amalgamating.</p> <p>&gt;The existing collaboration between Central Coast councils (CCROC) already provides a platform to develop a centralised economic strategy. Therefore, the incremental value of establishing a new Central Coast council for the purpose of presenting a unified economic strategy for the region, developing more strategic capability, and attracting investments to the region in the longer term is expected to be limited.</p>

Key: + Largest Positive Implications  
 – Largest Negative Implications

The result of the CBA found Council has undergone a seismic shift in terms of its operational performance and strategic direction over the past five years as indicated by a second consecutive positive operating result (before grants and contributions) of \$5.5M achieved in 2014 FY. Council's latest Long Term Financial Plan forecasts a continuation of positive operating results growing to more than \$30M by 2020 FY. While GCC has seen improvements in net operating results (before grants and contributions provided for capital purposes), there is still a significant gap to be closed with an operating deficit of \$6.5M in the 2014 FY. Additional effort is required by GCC to achieve the level of asset and financial sustainability as set by NSW government. An amalgamated council would perform worse against the benchmarks compared to Council as it stands today. It is also likely that focus would be on bringing GCC up to adequate levels at the expense of Wyong and its residents.

#### *Financial Perspective*

The CBA indicates that when looking at the costs and benefits of the identified reforms options, Option 1 – business improvement is the most attractive option from a financial perspective. Option 1 has the greatest risk-adjusted NPV over 10 years at \$43.0M followed by Option 2 and 3 at \$42.9M and \$42.4M respectively. Under Option 1, not Option 3, Council meets and/or exceeds benchmarks for asset and financial sustainability as defined by NSW Government, underlining the result of recent transformation efforts.

#### *Social Perspective*

From a social perspective, again Option 1 is expected to deliver the greatest benefit to the Shire. Local advocacy, community representation levels and identity are all fully maintained under the Base Case, Option 1 and Option 2, yet will be significantly negatively impacted when amalgamating both Councils.

Harmonisations of rates after amalgamation would likely cause community angst and heavily impact the perception of the community on the new Central Coast Council, especially with a potential negative impact to the residents of Gosford.

With the highest financial return under Option 1, the community is expected to benefit the most from this reform option. Usage of funds resulting from additional cash flows will make a positive contribution to the community immediately under Option 1 but in a delayed fashion under Options 2 and 3.

#### *Economic Perspective*

The benefit from an economic perspective from a full amalgamation in the long run, represents a very small incremental value compared to Option 1 and Option 2, yet this small incremental value is more than offset by the significant risks and challenges of amalgamating the Councils.

The existing collaboration between both Councils as sole members of the CCROC already provides a platform to develop a centralised economic strategy. Therefore, the added value of establishing a new Central Coast Council for the purpose of presenting a unified economic strategy for the region, developing more strategic capability, and attracting investments to the region is expected to be limited.

The CBA noted the change Council has undergone in terms of its operational performance and strategic direction over the past five years should not be underestimated. Managing large scale transformation in a historically change resistant environment puts significant pressure on leadership. On top of 'business as usual', managing change often demands significant attention from leaders on a daily basis. Despite the decreased number of roles in Council, the leadership team have successfully managed significant challenges around these issues. Amalgamating both councils with their current levels of performance could set back Council's recent achievements and erode momentum. There is also a risk of change fatigue occurring at the middle and senior management levels as the strategic focus would change significantly.

In addition, historical differences between the Councils and the unfruitful attempt to establish a Central Coast Water Authority indicate that the risk level of reform around integration of activities is very high. A unified strategy would have to be developed, while any resistance from the community and heavily unionised workforce would need to be managed accordingly. A focus from the very beginning on building a unified leadership team and managing stakeholders would be essential to implement any reform that involves integration.

Based on the outcome of the CBA and Council's own comprehensive investigation of reform options, Council respectfully rebuts the ILGRP's recommendation. Council believes it can best demonstrate current and future scale and capacity and overall fitness by remaining independent with its Base Case scenario included in its Long Term Financial Plan, and the implementation of additional business improvement initiatives planned, yet not part of, the current Long Term Financial Plan.

Whilst evidence shows Option 1 (Business Improvement) provides the greatest benefit realisation for Council and the community and forms the basis of Council's FFTF Proposal, Council is also open to future investigation and collaboration with GCC regarding the delivery of some joint services. The provision of nominated key joint services would pose a greatly reduced risk to that of a JO or amalgamation, whilst potentially improving the region's fitness. Mutual agreement to investigate key joint services may help to address current inconsistent standards and programs across the two LGAs. The region may benefit from a more regional approach to planning and planning rules, fees and charges, access to services and provision of assets and infrastructure. Such collaboration may also reduce duplication of planning and services across the region.

As previously stated, Council has investigated and identified a number of potential shared services opportunities. In addition to current shared services, Council has provided a list of potential shared services to GCC. The list of potential shared services is attached to this Proposal as Appendix A.

### 2.2.2 Strategic Capacity

The ILGRP's Final Report summarised its views regarding the essential elements of a more effective system of local government. The first 'essential element' of an effective local government system listed by the ILGRP is:

Councils with the scale, resources and 'strategic capacity' to govern effectively and to provide a strong voice for their communities.

#### *What is Strategic Capacity?*

To prepare its Final Report, the ILGRP released three consultation papers including the *Better, Stronger Local Government: The Case for Sustainable Change Paper November 2012*. The Paper provided insight into 'strategic capacity.' The Paper explained recent research by the Australian Centre of Excellence for Local Government (ACELG) explored the need to create more 'strategic capacity' in local government, both within individual councils and collectively. Building a sustainable system requires councils that are 'fit for purpose' to play their part in the broader system of government. In Queensland, this issue was addressed by the 2007 report of the Local Government Reform Commission. It argued that:

*The challenges confronting Queensland in the coming decades require governments of all levels to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change....This requires a local government structure which responds to the particular characteristics of the regional economies emerging over the coming decades, recognising communities of interest are developing rapidly and differently across the regions due to improved transportation, telecommunications and economic interdependencies. This structure needs to give rise to local governments capable of responding to the sometimes quite diverse demands by these communities and of a sufficient size and scale to generate cost efficient and effective services<sup>1</sup>*

The ILGRP's concept of strategic capacity highlights this aspect of reform:

- the need for councils to shift their focus to a more strategic view of their operations
- to have the ability to respond to the diverse and changing needs of different communities
- to take on new functions or deliver improved services in order to meet those needs.

This implies a move to larger, more robust organisations that can generate increased resources through economies of scale and scope, and then put back efficiency gains into infrastructure, services and other benefits for their communities. However, Council argues larger, more robust organisations do not always generate increased resources through economies of scale and scope, and agrees with the State's previous statement that there is no 'one size fits all' approach to reform.

#### *Larger Units of Local Government*

##### Criticism of Larger Units of Local Government

Professor Brian Dollery (Dollery), of the University of New England's Centre for Local Government is an economist and local government expert. Dollery warns those that believe sweeping mergers will lead to financial sustainability in local government, more efficient councils, lower costs and substantial scale economies, are not aware of the vast empirical literature on local government amalgamation. Dollery warns that large scale mergers could lead to diseconomies of scale, where councils get so large that new, supercharged CEOs need more directors, administrators and extra resources to support them, resulting in a more complex bureaucracy.

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1 2007 report of the Local Government Reform Commission (p.5)

Dollery, who has written numerous books on local government amalgamations, believes the ILGRP, which recommended reducing Sydney's councils from 41 to 18, has alienated local councils and communities, partly because it provided no evidence that council mergers have any benefit, economic or otherwise. This lack of evidence has been criticised by a number of NSW councils and sector bodies. Dollery queries the evidence the State has relied on to pursue large scale council mergers in NSW and criticises the ILGRP's for not attempting to determine whether there is a statistically significant association between larger population size and improved financial sustainability ratios, or whether the proposed merged local authorities will be more financially viable.

Dollery currently forms part of a team that has been researching the relationship between the size of various Sydney councils and their financial viability. Researchers simulated mergers and examined how they affected each council's financial position. For example, the team simulated a merger between small, financially sustainable Pittwater Council and two other councils and then recalculated each council's financial sustainability. Dollery claimed that none of the councils' financial strength improved. The team concluded the empirical analysis indicates that the proposed amalgamations will not secure enhanced financial sustainability in Greater Sydney local government.

Anticipating the State will impose compulsory council consolidation as part of its Fit for the Future program; Dollery refers to his research and the research by the University of New England proving council amalgamations rarely make local governments more financially sustainable, stating that empirical evidence shows forced amalgamations typically fail to generate financial sustainability for local councils. The Professor refers to the 2004 Carr Labor Government forcibly merging a large number of NSW councils and findings in 2014 that these councils performed worse than un-amalgamated councils of the same kind. Dollery criticises the NSW Government of shying away from doing any in depth research, or looking at the effects of past council mergers under Premier Carr in 2004.

Dollery has repeatedly stated that extensive Australian and international experience with forced amalgamation, has shown repeated failure to generate

financial sustainability, and has shown that process change rather than structural change represents the best approach to successful local government reform. Dollery believes the State Government should be less concerned with large scale structural reform, instead focusing on providing sensible regulatory frameworks which encourage councils to consult with their communities, engage in careful planning and reporting processes, and develop strategic plans and then monitor progress.

#### Council's Proposal – Least Benefit Attained by a Larger Unit of Government for the Central Coast

Following on from the above, the ACELG's report Consolidation in Local Government: A Fresh Look suggested that strategic capacity may be increased both by creating larger units of local government (the approach favoured in Queensland), and through regional collaboration and resource sharing. Yet there have been demonstrable difficulties with Queensland's approach, with a number of Council's de-merging at considerable cost and disruption to council business and the community.

The ACELG's report examined the extent to which different forms of consolidation can achieve the benefits sought from reform. Table 3 created by the ILGRP was drawn from the ACELG report, and suggests that amalgamations do have an important role to play in strengthening the system of local government, and offer the surest way to achieve efficiency and economies of scale, service improvements and strategic capacity. Yet stronger regional collaboration and robust shared services may also achieve those objectives, though the outcomes across the board are less certain.

**Table 3. Summary Attributes of Different Forms of Consolidation**

	Amalgamation	Boundary Change <sup>^</sup>	Shared Services <sup>#</sup>	Regional Collaboration <sup>*</sup>
Efficiency and Economies of Scale	Strong link	Potentially strong link subject to size/disposition of re-shaped councils	Strong link	Weak link
Strategic Capacity	Strong link	As above – benefits will flow to larger ‘new’ council/s	Potential medium-strong link subject to organisation structure and governance	Weak link
Service Improvement and Innovation	Strong link	As above	Strong link (but limited to services that are effectively shared)	Potential link subject to nature and scope of collaboration
Potential Diminution of Local Democracy	Distinct risk, but can be managed	Some risk depending on nature of ‘new’ councils – can be managed	Risk where extensive decision-making is ceded to joint authority – may be difficult to manage	Little or no risk

<sup>^</sup>To create a larger, higher capacity council

<sup>#</sup> Assumes more robust, statutory regional organisations

<sup>\*</sup>Along the lines of a regional organisation of councils

Council believes the uncertainty of outcomes may be due to the degree which councils can choose to participate in stronger regional collaboration and shared services with other councils. Council argues that amalgamation also creates the same uncertainty, where the structure and level of service are equally unknown and variable. Council also believes the greatest risk is associated with the merging of councils, particularly unwilling councils.

In contrast to Table 3, Third Horizon’s CBA Final Report demonstrates that a full amalgamation of Wyong and Gosford Councils does not achieve the greatest efficiency and economies of scale, service improvements and strategic capacity for local government on the Central Coast.

### *Population Size and Scale and Capacity*

The State has hinted that scale and capacity can be met by a Local Government Area (LGA) attaining a significant population size. The significant population size has not formally been quantified by the State.

Council is a large council on the Central Coast, covering an area of 820 km<sup>2</sup>, with a population of over 160,000, making it the 16th largest LGA in NSW, with an annual growth rate of 1.1%. It is a Group 7 council for the purpose of OLG comparative data analysis. The Shire’s population projections are expected to reach over 230,000 by 2031, requiring approximately 22,000 extra households.



Council believes population size is not a significant factor of scale and capacity. However, if population is considered by the State as a significant factor, Council believes it meets scale and capacity due to its large land area, its already large population, and its projected population growth which will be greater than the State average.

If population size is a significant consideration, Council also notes the inconsistency between the ILGRP's recommendations of 'no change' for other Metropolitan Councils and the ILGRP's recommendation of a merger for Wyong and Gosford Councils. The ILGRP recommended 'no change' for Blue Mountains, Hawkesbury, Wollondilly and Camden Councils, all of which have a projected population smaller than Wyong's current population. Only Bankstown has a slightly larger projected population than Wyong's projected population, yet the area of the Bankstown LGA (76.82km<sup>2</sup>) is ten times smaller than that of the Wyong LGA.

#### Geographical Challenges and Low Population Density

The Shire is a very large LGA with geographical challenges including: major bodies of water that have a significant impact on infrastructure planning and costs per capita. In particular, there are large areas of flood-constrained low lying areas around the lakes which impact many Council assets via the need for expensive construction and renewal programs to mitigate flood inundation, the need for urgent rehabilitation of a major lake system, a vast stretch of coastline impacted by erosion and storm surges, and significant tracts of bushland requiring fire hazard protection.

The Wyong LGA has the third largest land area of the OLG Group 7 councils. Providing infrastructure across such a large area presents a significant challenge, particularly when developing new residential areas which require completely new infrastructure.

In simplistic terms, the larger the area the more infrastructure required to connect the vast distances. This is particularly relevant for roads, footpaths and drainage. Costs to maintain infrastructure also grow exponentially with distance. Compared with an established metropolitan council, or even other councils within Group 7, the physical distance to build and maintain infrastructure is substantially higher in Wyong Shire.

The Shire's population density ranges from 0.05 persons per hectare in the rural western part of Wyong LGA, to 24.55 persons per hectare in the suburb of Gorokan.

Wyong Shire has the third lowest population density of the Group 7 councils. The low number of people per square kilometre comparative to other councils means the burden of infrastructure falls onto comparatively fewer people. Wyong LGA's considerably variable and lower population density than other Metropolitan Councils poses a significant challenge to Council. Council is responsible for the delivery of services across an already large geographical area and is required to cater for its residents, some of which live in rural and/or relatively isolated enclaves.

Merging Wyong and Gosford LGAs would result in an incredibly large geographical area of approximately 1,760 km<sup>2</sup>. A new Central Coast Council would need to cater to a projected population of more than 400,000 across an incredibly expansive LGA. This poses new and greater challenges, and risks to service and infrastructure management; whereby other Metropolitan Councils can reach similar populations within considerably smaller areas, making management of these areas easier and more cost effective.

#### Geography and Planning Considerations

Wyong LGA's geography also poses challenges, encompassing a large estuary/lake system which adds an additional 79.6km<sup>2</sup> to the LGA and impacts infrastructure planning. This saltwater estuary is situated right in the middle of the Shire's land mass, making direct transport links difficult and increasing the overall length of roads and other infrastructure required and consequently increasing upgrade and maintenance costs.

The settlement pattern around the lakes makes public transport less profitable and creates congestion on the arterial roads that circumnavigate the lakes.

Due to its unique geography and population sprawl, Council has a settlement strategy that focuses on town centres and precincts, which is in direct conflict with GCC's city centric planning model.

The Shire's specific environmental challenges which are currently being addressed by Council as a standalone entity may be compromised by the merger of Wyong and Gosford Councils. Wyong faces unique environmental challenges. The Tuggerah Lakes Estuary is in need of ongoing rehabilitation as a result of population growth and

misuse in previous decades. While the estuary is owned by the NSW Government, Council has the responsibility of maintaining it, a significant and ongoing cost impost.

In 2013/14 alone, Council spent at least \$7M in works to maintain and rehabilitate the Lakes. Expenditure in this area includes harvesting of 2,000 tonnes of dried wrack, channel dredging to ensure channels remain open for recreation and navigational purposes, upstream rehabilitation activities to rehabilitate the expansive catchment area, and wetland maintenance.

As previously highlighted large areas of Wyong LGA are flood constrained with low lying areas around the lakes. Many of Council's assets in those areas are impacted by floods and require special, expensive construction and renewal programs to deal with the flood inundation issues.

#### *The ILGRP's Key Element of Strategic Capacity:*

The ILGRP's Final Report sets out the key elements of Strategic Capacity. For the purpose of the Panel's assessment, Council has addressed the key elements of Strategic Capacity as set out by the ILGRP and detailed in Box 1:

#### **Box 1: Key Elements of Strategic Capacity**

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

#### More robust revenue base and increased discretionary spending

Council delivers a diverse range of services to the community and manages an asset portfolio with a replacement value of over \$3.7B. Up until 2012/13 FY, Council experienced ten years of deficits peaking at \$30M in the 2009 FY. Council has spent the last five years focusing on getting its finances back on track by reducing costs, improving productivity and exploring new revenue opportunities. Council is now in a strong financial position to deliver enhanced services to the community both now and in the future.

Reflecting Council's financial turnaround, Council's 2015-16 FY Net Operating Result (before capital grants and contributions) will be a surplus of \$1M. During 2015-16 FY Council will spend \$256M on essential services and a further \$105M on assets. Council's Four Year Delivery Plan detailed in section 4 of Council's Strategic Plan 2015-19 (Appendix E), shows a considerably larger surplus for the 2016-17 FY (\$16M), 2017-18 FY (\$21M) and 2018-19 FY (\$26M). Council's LTFP also detailed within Council's Strategic Plan 2015-19, demonstrates Council's continued strong financial position and operating surplus over the next ten years.

Council will also continue to address its asset infrastructure backlog, and in 2015-16, it will invest \$77M in asset renewals and upgrades including water, sewer, roads, drainage, community buildings, sporting fields and footpaths. Council's Asset Management Strategy identifies areas of focus which align to the community's priorities of:

- roads and drainage
- open space
- sporting, leisure and recreation facilities
- community buildings
- town centres
- natural environment.

In addition to Council's strong financial position and its proven ability to turn its financial position around, in record time and without disruption to its provision of services or a decrease in community satisfaction, Council has identified a number of opportunities which will further improve its already robust revenue base.

A comprehensive list of opportunities is detailed in Council's LTFP, with three examples of those opportunities detailed as follows:

#### *Example 1) Optimising Council's Property Portfolio Performance*

Observation of the local government sector indicates that the majority of councils who are performing well financially, and have built a sustainable future, have commonly done so by maximising the potential of their property portfolio. While historically Council has not focused on optimising the potential of its significant property portfolio, over the past 2-3 years Council has developed a specific Property and Economic Development (PED) Directorate. Specific Council Service Units are now focused on Property Development and Property Management and have identified significant untapped potential in activating Council's property portfolio.

Council has given careful consideration to a property management and development strategy and are intentionally focussing on non-strategic land sales to reinvest into strategic land acquisitions which will provide returns, fund increased services and employment, and/or reduce the burden on ratepayers.

Council has the opportunity to divest in non-strategic and negative value holdings. Council owns over 2,000 properties, classified as either community or operational land. Over 640 parcels are community land and are not for sale. The operational land comprises of 934 properties that are not for sale, 66 which could be sold and around 400 properties that are under review.

Aside from the sale of non-strategic land holdings, the other element to the property strategy is retaining the ownership and maximising returns from existing operational land and building holdings. Council has significant potential to improve returns from the majority of its land and building holdings. Through finding suitable best use and commercial tenants, or more innovative initiatives such as the recent deal with Metro Cinemas, where Council retained ownership of the land and performed a buy and leaseback arrangement on a cinema complex.

#### *Example 2) Strategic Sourcing*

Currently, the process and measurement around the procurement of goods is largely manual, and intelligence on Council's purchasing patterns is not fully developed. Over the course of Council's Four Year Delivery Program, it will automate the end to end "procure to pay" process and develop tools to better analyse opportunities to improve strategic purchasing, to realise further savings and improve service delivery.

Opportunities also exist to improve category buying and volume discounts by combining contracts for some materials. In addition, there is opportunity to review Business to Business online purchasing to improve delivery and minimise stock holdings.

#### *Example 3) Development applications*

Development activity is closely aligned to the broader economic climate. While the current trend is positive, recovering from the decline in 2010-11 (in the wake of the Global Financial Crisis), it remains difficult to project future trends. However, historical trends from the past 2-3 years, particularly in the 2014-15 FY indicate that development is on the rebound, particularly in terms of high dollar development applications. The value of development applications approved for Wyong Shire increased by 27.9% and there is \$4B worth of proposals in the pipeline. The trend is positive and there is optimism for further growth in coming years and with a number of development applications it is expected that there will be an increase in developer contribution income over the next few years. Wyong remains among the top ten council areas in the state with the fourth highest number of development applications determined in 2012-13 and 2013-14.

#### **Scope to undertake new functions and major projects**

Wyong Shire is one of the fastest growing areas in NSW. By 2031, an estimated 230,000 people will call the Shire home. Growth on the Central Coast to the year 2030 is predicted to be higher than the NSW average, with the Shire gaining the most new residents out of the Hunter, Newcastle and Central Coast regions. Council has a strong vision for the Shire: for Wyong Shire to be recognised as a key growth centre and sought-after destination in New South Wales. Through this vision Council has limitless



**Art House**

opportunities, both personally and in business, to grow and prosper. Council has proactively begun to plan for projected growth and to ensure its vision is realised. Council believes Wyong Shire and the NSW Central Coast are alive with the potential to be the next big economic success story in NSW. Council has planned for the delivery of major projects to further develop not only the Shire, but the region’s limitless potential.

*Transforming the NSW Central Coast: Wyong – A Key NSW Growth Area*

Council possesses the strategic capacity to undertake new functions and major projects moving into the future. To address future needs, Council has developed 39 projects and initiatives to transform Wyong Shire, create jobs, attract private sector investment and build vital infrastructure.

The 39 projects fall under seven broader headings of:

- roads, and transport
- education
- health
- economic development and growth
- recreation and culture
- environment, communications and community, and
- water and waste water security.

The 39 projects form the body of Council’s *Transforming the NSW Central Coast: Wyong – A Key NSW Growth Area* Paper (Appendix F). The Paper was utilised in the recent State Government elections, where Council invited the community to join its campaign to actively lobby for investment in these important projects.



**Wyong Education and Business Precinct**

In the lead up to the Election, Council lobbied all local State candidates and relevant stakeholders for funding. All local state candidates, the Minister for the Central Coast and Deputy Opposition Leader attended Council’s election forum on Wednesday 4 March 2015 and announced funding commitments and hinted at more to come. Council continues to highlight the need to deliver significant investment requires funding and support from the Commonwealth and State Government.

Of the 39 transformative projects, a number of those projects not only create benefit for the Shire, but also for the larger Central Coast region. Examples of regionally significant projects include the following:



**Metro Cinema**

### Central Coast Regional Airport

The Central Coast is the ninth largest region in Australia, and the only one of those without its own regional airport. A regional airport will boost the economy and create local jobs. Located in the north of Wyong Shire (an investigation site has been identified west of the M1 and north of Sparks Road), the airport would service the growing population of the Central Coast. Based on studies of other regional airports, it is estimated that a modest regional airport servicing interstate flights will attract \$250M per annum to the local economy once fully operational.

A regional airport for the Central Coast will also:

- open business and leisure opportunities for residents
- provide manufacturing and tourism operators with improved access to national and international markets
- create many vital employment generating opportunities in industry and tourism
- provide a freight hub close to a national motorway and rail links
- attract business investment in technology based industries.

### A Central Coast Convention Centre

A new state-of-the-art Central Coast Convention Centre catering for 1000 delegates is proposed in the Tuggerah Business and Sporting precinct. The Convention Centre will:

- provide significant economic benefit to the Central Coast region
- be a catalyst to the region hosting conferences of significant size, and is necessary for any conference based business growth and will underpin our strength as a regional business centre
- boost visitation numbers to the existing and future tourist facilities on the Central Coast
- generate local hospitality and service businesses
- create new employment opportunities within the centre and supporting businesses
- provide direct exposure for a range of Sydney and interstate businesses to the benefits and advantages of a future location of their businesses on the Central Coast
- create synergies within the Central Coast Mariners' development and surrounding developments

- utilise the generous open public space with supporting activities within a pristine new landscaped sports/parkland setting.

The proposed Centre's location is close to services: Wyong Town Centre, Tuggerah Business Park, The Tuggerah Supa Centre (bulky goods retail), the Westfield Tuggerah centre, and is within a 1 hour drive to Sydney or Newcastle on the M1 motorway. Public transport will provide a 90 minute train connection to Sydney or one hour to Newcastle. Tuggerah train station is less than 500 metres from the site.

The Convention Centre would be housed in a precinct where works have commenced on the Central Coast Mariners Centre of Sporting Excellence – stage one Administration and Sports medicine facilities, and will be supported in the Mariners Centre precinct by a new hotel. Delegates will also have the options of a range of coastal accommodation in the surrounding coastal resorts.

### Mardi to Warnervale Water Transfer Pipeline

Council propose to construct a new pipeline to allow improved inter-regional water provision by enabling direct transfer of water from Mardi Dam to the Warnervale growth areas and Morisset and the Lower Hunter. The increasing demand in the northern areas of Wyong Shire, together with regional water demands identified in the Lower Hunter Water Plan, has necessitated the construction of this main.

This project will be a design and construct contract that progresses as part of Council's Link Road project. The project will:

- improve the reliability of water supply to the new Warnervale Growth areas and Warnervale Employment Zone
- provide an improved regional approach to the management of water to provide improved drought security to the residents of the Hunter and Central Coast
- maintain reliability of the water supply for a growing demand and in light of the ageing trunk water mains servicing the area.

### **Council's Proven Ability of Scope to Undertake New Functions and Major Projects**

In addition to the aforementioned proposed major projects, Council has a strong and proven history of delivering a wide variety of complex, large scale and innovative projects. Most recently, Council has completed the delivery of, or in the process of delivering, the following projects and initiatives, in addition to routinely maintaining its \$3.7B of assets:

#### The Art House Performing Arts Centre

The Shire has a thriving cultural sector which is short changed by a lack of professional cultural and arts facilities. To address this, Council committed to build a brand new \$12.7M performing arts centre in Wyong by December 2015. Widely supported and welcomed by the community, the new facility will feature a 500 seat theatre, a 130 seat studio space, music and practice rooms, an exhibition hall and a foyer.

The construction of The Art House is fully funded by Council and the arts community has also contributed support and resources and is eagerly awaiting the facility.

The Art House will:

- attract quality touring productions for local audiences
- develop arts partnerships linking the region to State and National performing arts markets
- attract cultural visitation to the region
- retain local productions in Wyong instead of exporting to Newcastle or Sydney
- offer vocational pathways and professional development for emerging and established local performers, arts companies, technicians and musicians
- enrich the experiences available to Central Coast residents
- provide an artistic and cultural space for productions, multi-media, sculpture and visual art displays, business and cultural events, as well as festivals, eisteddfods, shows and functions
- form part of a regional strategic approach to arts infrastructure as outlined in the Central Coast Regional Cultural Framework developed with GCC and Arts NSW.

#### Warnervale Town Centre

The Central Coast Regional Strategy predicts that by 2031 the Central Coast will have an additional 100,000 residents, and require 45,000 more jobs. The Warnervale Town Centre (WTC) forms part of the Regional Strategy, being a future major centre within the Wyong LGA. The gazettal of State *Environmental Planning Policy (Major Projects) 2005 (Amendment No 24)* on 7 November 2008 had the effect of declaring the WTC to be a State Significant Site.

WTC is comprised of approximately 119 hectares of land that extends both sides of the Great Northern Railway Line, and includes approximately 15 hectares for retail and commercial uses, and 64 hectares for residential uses. It is focused on a vibrant main street that provides access to all the principal activities within the town centre, and is designed with people in mind.

The WTC will include:

- a library/knowledge centre that incorporates a range of community functions
- a mix of retail commercial and residential areas including cafes, restaurants and entertainment facilities on the main street
- transport upgrades including a new major railway station including bus interchange and commuter car park, new roads, cycleways, footpaths and more public transport
- employment opportunities for approximately 1,200 people in retail, commercial and bulky goods sectors
- open space and conservations areas
- an indoor recreation centre.

The WTC will also include housing for approximately 3,600 residents; creating a diversity of housing choice to accommodate people in all stages of their lives, including mixed used development, medium to high density residential flat buildings (located close to the railway station and commercial core) and smaller dwellings.

Council has, and will continue, to play a key role in attracting commercial offices and corporations to the area. Council has already attracted a \$100M Woolworths Ltd. Distribution centre, which is now built and in full operation. Works that are critical to the WTC development are currently being designed and/or constructed by, or under the management of Council.

### Wyong Education and Business Precinct

Council has approved a Masterplan to establish an integrated education and business precinct on a 455 hectare greenfield site in Warnervale. The Precinct will be the first integrated educational hub in a regional area which suffers from significant social disadvantage, bringing jobs and investment into the Shire and support increasing the education levels in the community. It will provide a much needed extra tertiary education facility to service 800,000 current residents of the greater Central Coast and Hunter regions, and cater for residents projected to move to the area over the next 18 years.

Attracting a university to the north of the Shire will provide broader tertiary education courses and provide the Central Coast with its own university.

### Wyong Employment Zone

Council's Warnervale Employment Zone (WEZ) initiative aims to attract and accommodate the needs of big firms and new forms of industry to help boost jobs. Council believes the WEZ will centre approximately 6,000 jobs, generate \$1.5B in investment into the Central Coast, and promote economic development within the Shire.

The Sydney-Newcastle Freeway and Sparks Road interchange dissect the WEZ. The WEZ includes the existing Warnervale Business Park, and has a total area of 750 hectares, with around 340 hectares proposed for development and the remainder for conservation and water management.

### Waste Management Facility

Council operates Buttonderry Waste Management Facility, which receives approximately 250,000 tonnes of waste per annum of which approximately 110,000 tonnes per annum is recycled. The Facility includes a composting facility and drop off locations for various recyclable materials. Council has recently completed a new cell at the cost of \$7.6M, which when constructed will hold 1.1M cubic metres of waste, and is planning for subsequent new cells.

### Chinese Cultural Theme Park

In November 2012, Council resolved to sell 15.7 hectares of land at Warnervale to the Australian Chinese Theme Park Pty Ltd (ACTP) for \$11M. ACTP proposes to construct a \$500M Chinese theme park on that site. Contracts for the sale of that land have exchanged, and ACTP has undertaken preliminary site analysis and prepared a detailed Project Plan for the proposed theme park.

### Metro Cinema

A very recent example of Council possessing scope to undertake new functions and major projects has been the recently completed Metro Cinema at Lake Haven. This project has expanded Council's portfolio to include an eight cinema complex built by Metro Cinemas on a Council-owned site, with Metro leasing the site from Council at market rental.

### **Ability to employ a wider range of skilled staff**

Due to the vast and diverse array of services the Council delivers, and its status as an industry leader in many facets of business, Council already employs a wide range of skilled staff within the Wyong LGA. The Shire's unemployment rate of 7.9% is above the Australian average of 6.2%, with the largest single employer in the region being Council itself. Approximately 90% of Council employees live within the Central Coast Region and have a vested interest in ensuring Council continues to deliver quality and sustainable services to the community, in line with Council's strategic vision.

Council budgets for 963 full-time equivalent positions, occupied by more than 1,100 employees. Current figures are 925.6 full-time equivalent positions, occupied by 1,047 employees. These positions cover a number of roles, and a vast array of skills and disciplines. They are categorised into the following occupational classifications to align with the Australian and New Zealand Standard Classification of Occupations (ANZSCO) system which provides for the standardised collection, analysis and dissemination of occupation data:

- Clerical / Administration 23.7%
- Professional roles 22.0%
- Labourer 14.8%
- Technicians and trades workers 15.3%
- Machinery operators and drivers 9.7%
- Community and personal service workers 12.1%
- Managers 2.4%.

Council has a strong focus on ensuring efficient and sustainable delivery for its community; focusing heavily on the importance of its staff, as well as the support and development of its staff to maintain this focus. Council's commitment to its workforce is evidenced by its strong staff retention rates, positive industry recognition and commitment to workforce management, operation efficiency and strong performance. Council is committed to lead and support the organisation in building capability and competitive advantage through its people to ensure achievement of Council objectives and make a positive impact on the community. Council's commitment is achieved via the development of strategies and tools under eight focus areas which are designed to provide a climate and culture which is positive, constructive and productive, leading to improved organisational performance. The eight key areas are:

- governance
- organisation structure
- equity and diversity
- organisational development
- work health and safety
- attraction and retention
- Human Resource data
- measurement and technology.

Strategies and tools implemented by Council under some of the aforementioned key areas are as follows:

#### *Organisational Development*

In September 2014, Council was announced as the Winner of the NSW Training Large Employer of the Year Award. The annual NSW Training Awards are held by the NSW Department of Education and Communities to recognise outstanding achievement in the vocational education and training sector. The Awards honour and reward the achievements of students, trainers/teachers, training organisations, large and small employers.

In February 2014, Local Government Professionals Australia (previously known as Local Government Managers Association) announced Council as a Finalist in Excellence for Workforce Management. The NSW Local Government Excellence Awards are among the most prestigious in the local government sector. These awards recognise the excellent contributions and outstanding achievements and innovations being implemented to advance and improve the local government sector in NSW.

The aforementioned achievements are testament to Council's commitment to investing in its people to create a more flexible, adaptable and safe workforce that meets the needs of the community, by actively seeking and securing external funding for accredited learning, developing partnerships with training providers, and improving targeted in-house leadership programs that respond to the learning needs identified through employee career planning discussions and training needs analysis. Council strives to continually build capability through people development to become a thriving organisation which delivers quality services to its community.

This is evidenced through the following programs strategies and service offerings:

- Leadership Development Programs providing nationally recognised qualifications in Certificate IV Frontline Management and Diploma in Management
- Succession Planning Program and strategies
- Accredited training solutions in areas of workforce development needs
- Ageing Workforce strategies
- Professional Development suite
- Study Assistance Program
- Internship Program
- New Zealand Southland Employee Exchange Program
- Compliance Training
- Induction and On Boarding Program
- On the job coaching
- On-line learning strategies
- Career advice
- Registered Training Organisation (RTO) partnerships
- Career Expos partnerships (Community Program)
- Scholarship Program
- Internship Program
- Apprenticeship Program
- Work for the Dole Program (Community Program)
- Work Experience Program (Community Program).



### Work Health and Safety

In the area of Work Health and Safety (WHS), Injury Management and Wellbeing, Council won the both the August 2009 and 2010, Heart Foundation Local Government Awards "Employee Health and Wellbeing."

Council also employs a full-time Occupational Health Co-ordinator and Part-Time Occupational Physician and through employee consultation and engagement, its Wellbeing Program is supporting employees to feel more motivated and assisting the organisation to reduce work health and safety impacts and benefit community outcomes. This is evidenced through the following programs, strategies and service offerings:

- Corporate Weight Watchers: "At Work"
- Lunchtime Wyong Walkers Club
- Wyong Workfit: (Gym Based) Program
- Skin Cancer Checks and Awareness Programme
- In-house Health Screening, cholesterol and diabetes (at risk employees 40 years+)
- Employee Wellbeing Weeks and Health promotions
- Annual Flu Vaccinations
- Quit Smoking Program
- Employee Assistance Program (EAP, Counselling)
- Breast Screening and Mammogram testing
- Education Sessions and Health Site on Intranet
- Partnerships with health professionals
- Participation in national wellbeing promotions such as Diabetes Week, Stroke Awareness Week, Mental Health Week, Heart Week, National Walk to Work Day
- Blood Donation Policy enable staff to donate blood during business hours.

In addition to Council's employee engagement Wellbeing programs, Council provides a comprehensive WHS Management System including its Injury Management and Return Work Programs that enables Council to successfully meet WHS legislative compliance requirements. This has enabled Council to successfully achieve Self Insurers Licence requirements and reduce its lost time injury frequency rate by more than 10%.

### Reward and Recognition Programs:

Council acknowledges that employee recognition is a communication tool that helps drive a positive and productive workplace culture. Council has implemented the following corporate programs:

- High Performance Employee Awards (HiPE) Rewards Program providing both peer and management recognition nominations enabling employees to receive points and monetary rewards for Red Balloon gifts and rewards
- Service Recognition Certificates and presentations for 10, 15 and 20 years' service
- Service Dinner for 25 years' service
- Annual Performance Review Plan Program.

### Internal Employee Communication Forums

Council recognizes the importance of strengthening employee engagement and internal communication with employees to build a positive and productive workplace culture. Therefore, the following initiatives have been implemented:

- Employee Engagement Survey "Voice project" delivered bi-annually enabling employees to confidentially have their say
- Quarterly Big Picture event for all employees held at main work locations where employees hear from the General Manager and key note speakers about what's happening within Council
- Joint Consultative Committee between management and unions
- Intranet Noticeboard Human Resources (HR) Communication Hubs located at each main work location
- HR and WHS Bulletins communicating key activities and programs distributed monthly to all staff
- Bi-Monthly Corporate employee newsletter "Connexions"
- HR and WHS Business Partner model implemented in the business where employees and management can access a HR representative in on their own work location as well as centres of excellence in specialist areas.



### *Workforce Management Strategy*

Council regularly completes a Workplace Management Strategy as part of its Integrated Planning and Reporting (IP&R) requirements. The Workforce Management Strategy (WMS) is a four year plan which complies with the *Local Government Act 1993* (the Act) and is developed in alignment with:

- Councils Strategic Plan
- Councils Four Year Delivery Program
- Wyong Shires Community Strategic Plan.

The latest WMS can be found within Council's Strategic Plan 2015-19. The WMS aids in the prioritisation of budget allocations that focus on ensuring the 'right people in the right place with the right skills doing the right job at the right time'. This includes effectively and efficiently delivering quality and sustainable services to the community. The WMS provides valuable information on staff occupancy trends, including:

- full time equivalent staff numbers
- average tenure
- length of service
- turnover
- skills shortages.

Council's WMS provides a comprehensive and holistic framework, which integrates with the other components of its Resourcing Strategy, and translates the organisation's strategic direction into actions.

### **Knowledge, creativity and innovation**

Council has a demonstrated history of knowledge, creativity and innovation in a number of its business initiatives and service delivery. Council's knowledge, creativity and innovation have been widely applied to a number of initiatives, receiving recognition by a number of external bodies. Examples of recognition are as follows:

#### *Council's Community Enterprise Project*

In April 2015, Council received the Highly Commended Award for its innovative Community Enterprise Project at the Local Government Awards. Local Government Awards recognise the excellent contributions, outstanding achievements and innovations being implemented to advance and improve the local government sector in NSW. Council was a finalist with three entries in the Special Project Initiative category.



Council's Community Enterprise Program has been running for three years, with valuable partnerships established and nurtured delivering tangible social and economic outcomes. The success of this project can be seen in many unique businesses across the Shire. One of the flagship partnerships forged under the banner of community enterprise is Sam's Café at The Entrance Community Centre, which is managed by The Samaritans and provides training and employment opportunities for local young people.

Council has also provided space at Westfield Tuggerah, 'Activate Westfield', for a variety of small organisations or collectives who are emerging into a retail environment and needing a space to trial their business model.

One of the key challenges in the modern government environment is building community capacity, strengthening local employment and stimulating local economic growth. Council's community enterprise approach is delivering on these challenges, building new innovative businesses, creating employment and ensuring the profits of these ventures are reinvested back into the community for the benefit of everyone.

#### *Council's innovative Property Model*

Council's current property model is considered to be a strategic advantage over other councils due to its sophistication and commercial focus. As stated previously in this Proposal, Council is now focusing on optimising the potential of its significant property portfolio. Over the past two to three years Council has developed a specific Property Directorate, with specific service units focused on Property Development and Property Management. These service units have identified significant untapped potential in activating the property portfolio.

Council has given careful consideration to a property management and development strategy and are intentionally focussing on non-strategic land sales to reinvest into strategic land acquisitions which will provide returns, fund increased services and employment, or reduce the burden on ratepayers.

#### *Catering to all Abilities - Best All Abilities Playground in Australia*

In August 2014, Council's playground at Canton Beach was named as one of the best in Australia at the Parks and Leisure National Awards. Canton Beach's All Access Playground won the Australian Play Space of the Year in

the category: 'Play Space Award between \$250,000 to \$1,000,000.' Earlier this year, the playground also won the regional award along with Council's Bamayi Reserve at Blue Haven.

Canton Beach playground is an inclusive play space that has particular design consideration for children of all abilities; with 80% of the play equipment is suitable for wheelchair users and the space incorporates sensory elements like sound, scent, orientation, tactile experiences, balance, education and interpretation.

A large portion of the playground was made from recycled and reclaimed materials.

The development of the playground was a community effort, with local school children and community artists contributing to the playground's features. During the design phase, Council held BBQs, community workshops and created a steering group. It engaged with Guide Dogs Australia as well as local artists, residents and the local wood turners and potters groups to create the playground's art features.

#### *Waste Management Innovation*

In 2013, Council was named as a finalist in a major landfill excellence award. Council's Buttoderry Waste Management Facility (BWMF) was named and shortlisted as one of two finalists in the Waste Management Association of Australia's (WMAA) 2013 Landfill and Transfer Station Innovation and Excellence Awards. The BWMF is the only operational landfill site in the Shire and one of the largest in NSW.

The national awards were established in 2007 to showcase the best that landfills and transfer stations have to offer, to inform others in the industry and the general public. They aim to recognise those sites that are exceptional and encourage best practice in their operations.

Council has worked hard over the last few years to improve the environmental management of the waste site, particularly in relation to the resource recovery, landfill operations, environmental controls, and security access.



Nominees for these awards were required to give in-depth responses relating to:

- leadership in environmental management and control
- demonstrated minimisation of waste
- improved operations
- training and management procedures
- public and community acceptance
- innovative utilisation of equipment/system facilities and new technologies.

One innovation highlighted in Council's submission was the doubling of Council's capacity under the methane gas program by installing an additional 1MW generator. Powered by methane gas extracted from landfill, BWMF generators prevent this powerful greenhouse gas from leaking into the atmosphere. Council believes its short listing is a win for the environment and for residents, as the generators create enough energy to power around 4000 households in the Shire.

### *Council's Engineering Excellence*

In 2013, Council was recognised for its excellence in engineering, taking out three awards out of a possible ten at the Institute of Public Works Engineering Australia NSW conference. Council won the Innovation in Water Supply and Wastewater award for the Mardi-Mangrove Link project and in an added boost, the project's director won the prestigious Public Works Leader of the Year award.

Council also took out the Excellence in Road Safety Engineering for its proactive work in making its local roads safer. The awards highlighted the high quality of essential services Council provides to the community on an everyday basis. These awards recognise Council's outstanding performance while carrying out its core services: water supply, planning and local road development.

The Mardi-Mangrove major project required almost three years of innovative planning and close to 20 months of construction, that included a number of Australian engineering firsts.

### *Council Lifeguards are Australia's Best*

In 2011, Council's Acting Lifeguard Supervisor was awarded the highest honour for his profession by his peers in the Australian Professional Ocean Lifeguard Association. At the National Lifeguard's Conference, Council's Lifeguard Supervisor was judged as the Lifeguard of the Year. A fellow Council Lifeguard also walked away with an award, winning the Outstanding Service Award.

Council's lifeguards are recognised as some of the best in the Country, and are very dedicated to serving the community and keeping our beaches safe. Council also has a proud record of never having lost a life on a beach patrolled by Council Lifeguards.

Council also boasts an innovative and industry leading water and beach education program.

### *Other Recent Recognition for Council's Knowledge, Creativity and Innovation*

2015- In April this year, three Council staff were recognised in the Minister's Awards for Women in Local Government. The three women were nominated for their outstanding contributions to local government and demonstrate the success of women in leadership roles. The women were recognised for producing beneficial outcomes, providing inspiration, innovation and leadership and challenging gender stereotypes and conventions. One of the three nominees won the "Women in a Non-Traditional Role – Metropolitan" category.

2014 – A Council staff member was awarded the prestigious NSW Operator of the Year award at the NSW Water Industry Operators Association of Australia's annual conference. The annual award is given to reward excellent performance, initiative and all round attention to detail by an operator of a water or wastewater treatment facility.

2014 - Council was recognised for excellent work in its estuary conservation communications campaign, listed as one of three national finalists in the 2013 Government Communications Australia Awards. Started in 2009, Council's Tuggerah Lakes Estuary Management Plan aimed to do more than just works to improve the lake quality, it aimed to change behaviours in the community.

Crucial to the plan was a "Love Our Living Lakes" campaign 2011-2013, that sought to raise awareness of what local residents can do to protect water quality in the lakes. The award acknowledges this effective engagement with community. The Government Communications Awards recognise innovation and effectiveness in government communications.

2013 – In 2013, Council's parks topped a user satisfaction survey. Council received its highest satisfaction rating in the history of a survey benchmarking open space and recreation facilities against seven other Councils. The annual Integrated Open Space Services survey rated Council's sports fields, parks and other recreational facilities against Gosford, Parramatta, Rockdale, Sydney City, Warringah and Tweed Shire Council's, as well as the Sydney Olympic Park Authority.

Random interviews were conducted with park users, who were undertaking a range of activities within the Shire's parks. The survey showed a marked increase in satisfaction with maintenance of Council's facilities over the survey period, which was the 2012-13 FY. Council's sport and recreation facilities scored exceptionally high, with an 86% satisfaction rating, only one per cent lower than the Sydney Olympic Park Authority and comparatively well compared to the average rating of 82% for all other LGAs surveyed.

2011 – Council's Northlakes Care and Education centre was selected as a finalist in two categories at the Australian Child Care Week Awards. Highlighting the quality of Council's childcare services, the San Remo based facility was named as a finalist in the Best Activity during Child Care Week and Best Community involvement.

### **Advanced skills in strategic planning and policy development**

Council possesses proven advanced skills in strategic planning and policy development, strongly driven by its superior governance, which includes Council's regulatory framework. Strategic planning focuses on a council's IP&R arrangements including how well it engages its community in planning, how well it delivers against its Community Strategic Plan (CSP) and Delivery Program, and how it reports to the community. Land use planning matters are also a consideration. Service delivery effectiveness and efficiency is measured through a consideration of customer satisfaction, service standards, and the council's performance in achieving community outcomes through the implementation of its Delivery Program.

### ***IP&R Reporting***

NSW councils are required to undertake their IP&R activities in accordance with the Act and the Local Government (General) Regulation 2005. The Act provides that the Deputy Director General (Local Government), Department of Premier and Cabinet can issue Guidelines that must be followed by councils when undertaking their planning and reporting activities. These Guidelines

list all the mandatory requirements from the Act, the Regulation and the Essential Elements that the Guidelines require councils follow.

The IP&R framework introduced in 2009 was, as its name implies, a deliberate attempt to encourage councils to adopt a more holistic approach in their strategic and corporate planning. IP&R has been well received in NSW and has already brought about improvements.

Council has proactively embraced the IP&R system and as a result has seen significant improvement in its short and long term financial management, as well as asset, workforce and information management planning and management.

Council has received numerous awards and recognition for its annual IP&R reporting. For its 2013-14 FY Annual Report, Council received a silver award at the Australasian Reporting Awards. For its 2012-13 FY Annual Report, Council received a bronze award. The Annual Report is the key document in which Council advises the community of its progress in delivering against its Operational Plan and the CSP.

### ***Promoting Better Practice***

Council will further improve its strategic planning and policy development as it continues to assess its business for additional improvement opportunities as part of its proactive approach to the State's Promoting Better Practice Program (the Program). The Program aims to assist in strengthening the local government sector by assessing council performance, promoting continuous improvement, facilitating self-assessment, and sharing better practice. The Program includes working with councils to identify, share and promote better practice with an emphasis on:

- working cooperatively with councils to promote strong relationships within the sector
- providing councils with feedback on areas requiring improvement or further development and assisting them in developing solutions
- identifying trends and issues arising from council reviews to support policy and legislative changes for the local government sector
- encouraging and facilitating innovation by responding creatively to identified trends and issues.

As part of the Program, the State undertakes Promoting Better Practice Reviews of individual councils. The reviews are designed to act as a 'health check' which examines the extent to which there are appropriate strategies, policies, systems and procedures in place addressing:

- strategic community planning,
- efficient and effective service delivery,
- quality governance and ethical conduct, and
- financial sustainability.

Council has been proactive in the participation of this Program. In 2011, a project team was set up within Council to manage a project which would maximise Council's preparedness for a formal Promoting Better Practice Review (PBP). The project objectives were:

1. To ensure Council meets all the State's requirements for a PBP review.
2. To improve Council's operations in line with the issues identified during the preparation for the review.

The project aim was to deliver responses and documentation to address all the relevant requirements in the State's Promoting Better Practice Self-Assessment Check-List, as well as identify actions to address issues which arise out of the self-assessment process. While not a specific objective or strategy under the CSP, improving the governance and operational aspects of Council is in keeping with the basic CSP principle that "government is conducted with openness and transparency involving the community in the decisions that affect it." The project also supports Council's commitment to continuous improvement in service delivery.

Since June 2012, the project team, in partnership with Council's Executive Team, have completed an audit of Council in terms of it meeting the requirements of the Program's checklist with results of the audit classified under one of three categories:

1. The item appears to meet the State's requirements, has available and suitable supporting documentation and does not require further action.
2. The item does not fully meet the State's requirements and there is either an existing process or action underway to address the gap.
3. The item does not meet the State's requirements and requires direction and action before the formal review.

The project team and Executive Team ensured outstanding compliance items continued to be addressed via on-going monitoring and reporting on progress. From the completion of the initial compliance checklist in 2011, the number of outstanding items was reduced from 59 to two at the time of drafting this Proposal. The two outstanding items are currently being addressed by Council and are on track to meet the State's requirements this calendar year.

#### *Amendments to Land Use Planning Instruments*

Wyang Shire is currently riding the wave of an investment wave with over \$4B worth of proposals by local, national and international businesses either underway or in the pipeline. Investors are now actively targeting Wyong Shire as a place to be. This investment is a combination of renewed action on long dormant sites, expansion of existing developments and new residential, commercial and industrial proposals. Such investment will create more jobs for local residents and a much brighter future for the region.

Council's new *Local Environment Plan 2013 (LEP)* and *Development Control Plan 2013 (DCP)* allow more flexibility in uses within zones and on Iconic Development Sites. The results of the new LEP and DCP are now being realised. The value of development applications approved for Wyong Shire last year jumped by 27.9% and there is over \$4B worth of infrastructure, residential and commercial proposals in the pipeline. The gains can be attributed to the hard work of Council and its proactive approach to job generating developments which have harnessed general market improvements.

Over the past few years, Council has focused on innovation, flexibility and a partnership approach working with landowners and investors to find viable solutions in line with community expectations and providing community and economic benefit. Council has been working with the local, national and international investment community and other levels of Government to establish interest and commitments for local projects.

In addition to the new LEP and DCP, Council's ramped-up pre-lodgement meetings for landowners and businesses and this is saving a lot of time on both sides by ensuring lodgements better meet planning requirements at the outset. Development Applications approvals times have reduced by 32% since 2012.



Some of the incentives for landowners in Council's new planning legislation include new height allowances for quality development proposals on strategic sites that meet design excellence criteria, deliver significant public benefit and commence by 2018.

Other incentives include reduced car parking requirements and staged developer contributions.

Some of the privately funded proposals which form part of the \$4B investment boom include:

- \$48M over the next three years on the development of an additional 44 Independent Living Villas and 88 Independent Living Apartments for Glengara retirement village at Tumbi Umbi
- \$25M new Central Coast Mariners Centre of Excellence at Tuggerah (Stage 1 opened last week)
- \$45M 20 storey tower on prime waterfront land at the Key Site, The Entrance
- \$100M residential expansion for Kooindah Waters Spa and Golf Resort in Wyong and sale of the resort to an international investor
- Sale of the El Lago Iconic Site at The Entrance to an international investor for a potential \$500M tourist/residential project
- \$50M residential tower on the Short Street Iconic Development Site at The Entrance
- \$200M residential development of 423 lots at Gwandalan
- \$30M development of the Rustrum Iconic Development Site on Main Road in Toukley
- \$3.2M expansion of the Sanitarium operation in Berkeley Vale creating 20 construction jobs and 64 full time jobs
- \$7M new call centre building for ING at Tuggerah Business Park
- \$2M warehouse and distribution centre for food products in North Wyong Industrial Estate
- A new concrete batching plant at Berkeley Vale Business Park
- \$5.3M expansion approved for Lakes Anglican Grammar School
- \$4M 97 lot residential subdivision at Hamlyn Terrace



- \$14.2M development of 60 townhouses at Woongarra
- \$1.5M smart hub in North Wyong
- \$120M Woolworths shopping centre development in the new Warnervale Town Centre and substantial residential subdivision in surrounding lands under multiple owners
- \$900M of multi-site rezonings for residential development by Darkinjung Local Aboriginal Land Council.

Residential development is also on the rise, with developers taking advantage of rezonings on greenfield sites, such as Precinct 7a at Wadalaba and Warnervale, and the Darkinjung Local Aboriginal Land Council recently publicly discussed their plans for almost \$1B of development in the Shire.

#### *Customer Satisfaction*

In April this year, Council undertook a large scale Customer Satisfaction Survey to obtain business and resident feedback on a range of services, and other topical issues to feed into Council's strategic planning. Council engaged Woolcott Research to aid in the joint development of two questionnaires (one for residents and one for businesses) to cover the following topic areas:

- Service usage
- Satisfaction with service areas
- Importance of service areas
- Perceived value for money
- Communication usage and preferences
- The changing community (including concerns, and support for various initiatives)
- Awareness and support for potential Fit for the Future changes

The survey was primarily quantitative in nature, involving Computer Assisted Telephone Interviewing (CATI) amongst both business and residential customers. The study was quantitative in nature, involving (CATI) amongst both business and residential customers between 10 April and 28 April 2015. Woolcott surveyed a total 2,300 residents and 200 business customers via telephone.

Resident respondents were residents of the Wyong Shire LGA (both owners and renters) aged 18 years and over. The majority of respondents had lived in the Shire for 20+ years. Potential respondents were drawn randomly from electronic White Pages listings. The survey total sample provides for a standard error of +/- 2% at the 95% Confidence Interval. Potential business respondents were also from within the Wyong LGA; drawn randomly from business listings in the electronic White Pages. The total businesses sample provides for a standard error of +/- 7% at the 95% Confidence Interval.

The Resident and Business Satisfaction survey showed both residents and business operators within the Shire were highly satisfied with Council's performance.

Resident and business satisfaction with the individual service areas was also high for the essential services. 93% + for Beaches, Libraries, Kerbside Pick-ups, and Domestic Waste Collection and Sewerage.

In terms of importance, and not surprisingly, all Council services were viewed as being important. Importance ranged from 71% (for the Promotion of Tourism) to 96% (for the Water Supply and Local Roads).

All major Council projects were supported by the majority of respondents. Key Council initiatives were also supported with 97% of respondents showing support for job creation.

Figure 5. Overall Satisfaction was high with Council: 74% of Residents and 77% of Businesses

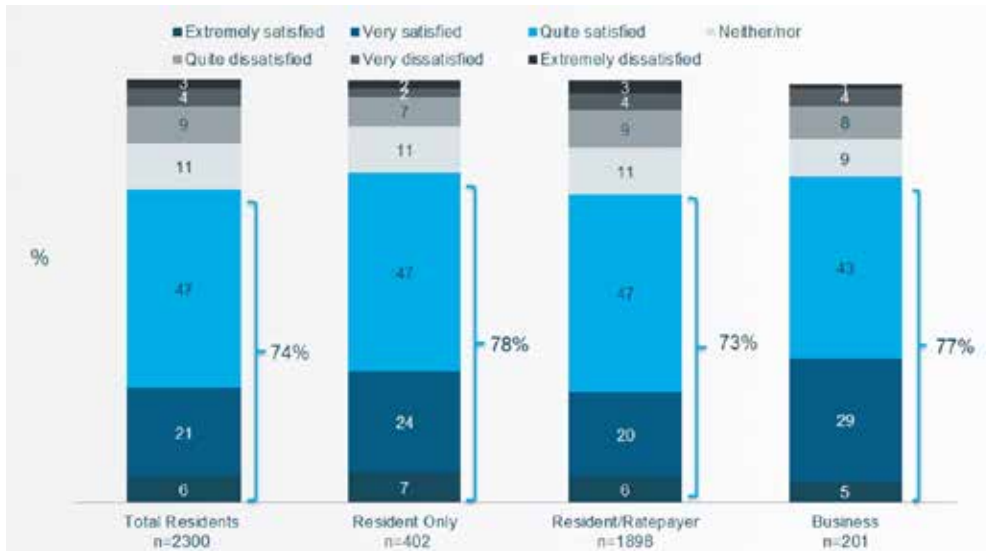


Figure 6. Overall Satisfaction with Council well exceeded the State benchmark for Nett Satisfaction: Wyong 74% and State Benchmark 59%

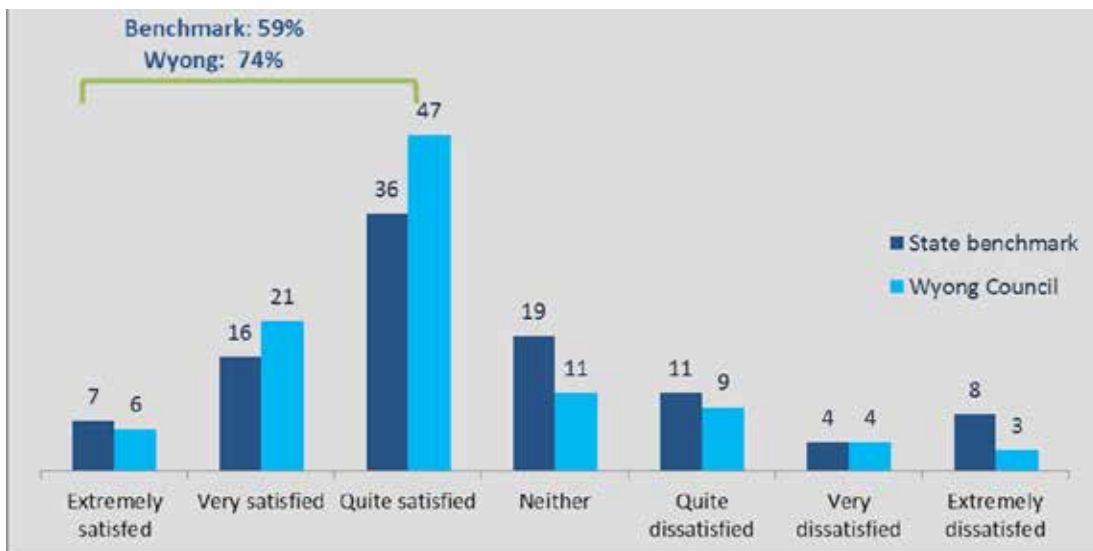
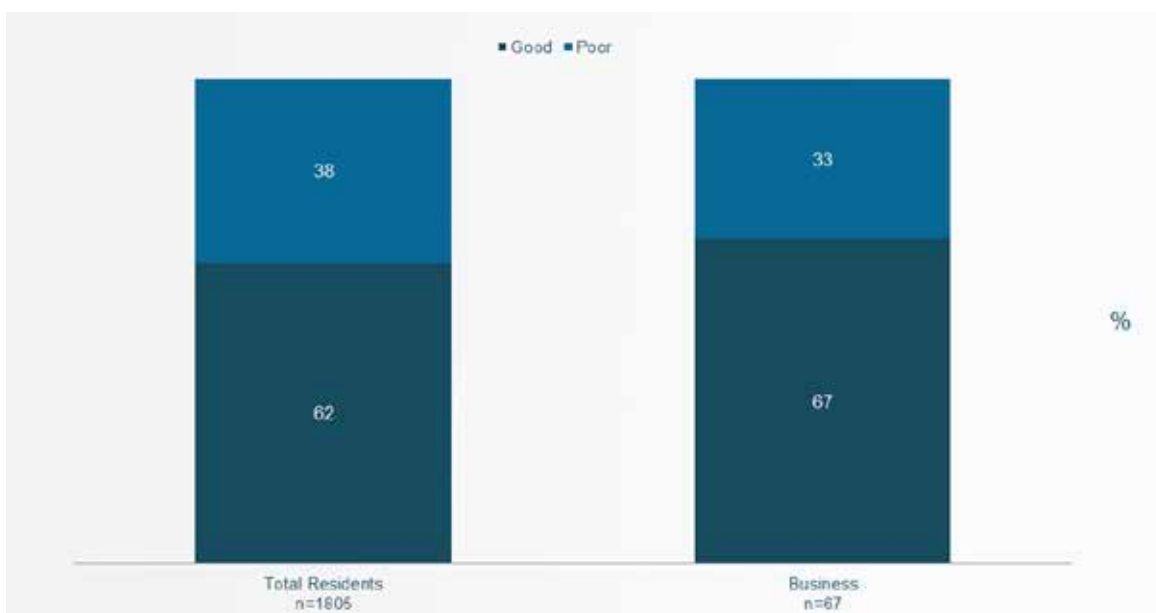


Figure 7. The vast majority of respondents, who made a decision, believed that Council delivered 'Good' overall value for money: 62% of Residents and 67% of Businesses



### **Effective Regional Collaboration**

Council proactively engages in regional planning in partnership with the State and other relevant government bodies and industry organisations to achieve strategic capacity for the Wyong LGA and the Central Coast. The outcome of such collaboration includes the successful development of the following formal regional planning documents:

North Wyong Shire Structure Plan (Appendix G) - The Department of Planning and Environment released the North Wyong Shire Structure Plan on 18 October 2012. The North Wyong Shire Structure Plan is a high level land use strategy that will guide greenfield development in some 11,500 hectares across the northern and north eastern areas of the Wyong local government area to 2031 and beyond.

The Regional Economic Development and Employment Strategy (REDES) (Appendix H) – The REDES looks at supporting the population growth and employment needs of the Central Coast of NSW. Led by Regional Development Australia Central Coast, and in partnership with Department of Industry and Investment, Premiers Department, Council and GCC.

Central Coast Regional Strategy 2006-31 (Appendix H) - The 2008 Central Coast Regional Strategy is the current NSW Government's long term land use plan for the Region, which covers Gosford and Wyong LGAs. The Regional Strategy contains policies and actions designed to cater for the Region's projected housing and employment growth to 2031.

2031 Your Future Central Coast A Discussion Paper (Appendix H) - The State is planning for a growing Central Coast by developing a Regional Growth and Infrastructure Plan. The Plan is critical to planning for population growth and change on the Central Coast. It will outline the location and timing of new homes, jobs and infrastructure, and how to preserve the lifestyle and environment of the Central Coast. The first step in developing the Plan was the exhibition of the discussion paper.

The Coalition's Growth Plan for the Central Coast (Appendix I) - This document outlines the Coalition Government's strategic plan for Employment, Economic and Infrastructure growth in the Central Coast region.

Central Coast Regional Action Plan NSW 2021 (Appendix J) - The Regional Action Plan for the Central Coast capitalises on the region's strong identity, supporting improved local employment opportunities, education facilities and investment opportunities.

Central Coast Destination Management Plan (Appendix K).

### **CCROC**

In addition to regional planning, Council undertakes greater regional collaboration via its role in the CCROC. The existing collaboration between Wyong and Gosford Councils via the CCROC, provides a platform to develop numerous centralised strategies including a unified regional economic strategy. The CCROC allows Council and GCC to develop more strategic capability and attract investment to the region in the longer term.

### **Joint Regional Planning Panel**

Joint Regional Planning Panels have been established to give independent, merit-based decision-making and advice to the NSW Planning Minister on regionally significant development proposals.

Council is part of the Hunter Central Coast Regional Planning Panel.

Decisions on regionally significant development applications in Wyong Shire include:

- Development with a capital investment value (CIV) over \$20M
- The following development with a CIV over \$5M:
  - Development where council is the proponent or
  - has a conflict of interest
  - Crown development
  - Private infrastructure and community facilities
  - Ecotourism
- Certain designated development for extractive industries; marinas or other related land and water shoreline facilities; and waste management facilities or works
- Certain coastal subdivisions
- Certain development that has a CIV of more than \$10M but less than \$20M, where there has been lengthy delays in the assessment process.

The panel consists of 5 members, 3 selected by State Government and 2 selected by Council.

### **Credibility for more effective advocacy**

Council believes a close and productive partnership between all three spheres of government is essential for the Shire to continue to achieve prosperity and become even more regionally competitive. Council's proven record of strong leadership and performance as demonstrated by its financial turn around and projected future sustainability, record of service delivery and resident satisfaction, provides credibility for more effective advocacy for not only Wyong LGA, but the Central Coast region.

Council has demonstrated commitment to planning for the future, putting significant resources into future growth and regional projects on the basis that a strong region is in its long-term interest. Council continues to promote the region and its opportunities for growth, including regional advocacy and negotiation with other governments, negotiating partnerships with neighbouring regions and councils; and to gain acceptance as a trusted regional leader. The CCROC will also continue to play a valuable role in regional advocacy, strategic planning and potential shared service delivery, joint procurement and jointly-owned commercial enterprises.

### ***Our Forgotten Coast Campaign***

While Council possesses strong inter-government relations with numerous bodies and elected members, and continues to focus on regional advocacy, the Central Coast region has been largely neglected by Federal and State funding. The region has received just \$3.39M in federal regional development grants since 2011, compared to almost \$20.2M for Newcastle. The Central Coast was also recently without adequate state political representation, with ICAC evidence forcing four of the five Liberal Central Coast MPs to the crossbench.

In November 2014, the Daily Telegraph launched its Our Forgotten Coast campaign, to push for positive change in the region. It follows the Telegraph's Fair Go for the West campaign, which galvanised support to improve Western Sydney services and deliver new infrastructure, including the Western Sydney Airport. The Our Forgotten Coast Action Plan listed key priorities that must be delivered for Coast residents. The Daily Telegraph and its partner, the Central Coast Express Advocate, ensured candidates at the March State Election were properly scrutinised.

This campaign was strongly supported by the Central Coast Taskforce, set up by John Singleton two years ago and including as members the Mayors of both Wyong and Gosford.

The Our Forgotten Coast campaign called on both the Labour and Liberal heads to commit to delivering real outcomes, including building a new \$300M hospital for Gosford and establishing a Central Coast university.

Council's Transforming the NSW Central Coast: Wyong – A Key NSW Growth Area paper was an important component of the Our Forgotten Coast campaign and demonstrated Council's credibility for regional advocacy.

### ***Potential Shared Services***

As part of the State's Fit for the Future initiative, it stated that JOs are a key component of achieving stronger modern local government. The State believe JOs will provide a forum for local councils and the State to work together to deliver things that matter most to regional communities, and cut across traditional council boundaries for things like jobs, education, housing, roads and transport. As part of the Fit for the Future initiative, the State launched a pilot process for JOs, which at the time of drafting this Proposal was underway and a JO pilot interim report released.

The State has described JOs as:

- A forum for local councils and the State to work together to deliver the things that matter most to regional communities
- Making it easier to initiate and manage important projects across traditional council boundaries
- A fresh start that will require new relationships, new ways of working together and real commitment to change from both the State and Local Government sectors
- A commitment to work together for the long term and support a shared vision for each region.

For the JO pilot, the State drew five groups of NSW councils to develop a JO model and build better working relationships between councils and State agencies. The pilot included a diverse mix of councils, all with a strong history of working together and a commitment to partnering with the State to address regional priorities such as economic development, transport and infrastructure. Each pilot JO is trialling a slightly different model, to reflect the different working relationships and priorities of their region. The JOs will share their learning with other councils along the way and help to develop the preferred JO model, which will be finalised in early 2016. The final legislative model for JOs will aim to be as flexible and enabling as possible.

While at present the pilot model has not been devised and numerous models are being tested, the JO core functions are well understood:

- Regional strategic planning
- Working with State Government
- Regional leadership and advocacy.

Council's Fit for the Future Proposal is to continue as a standalone entity whilst implementing planned business improvement initiatives. However, Council has highlighted its interest and openness to exploring potential shared services with GCC, in order to obtain similar benefits to that proposed of a JO. As such, the State's pilot program will provide valuable insight and direction as to how the regional provision of shared services by Wyong and Gosford may look, as well as the potential benefits.

Council is currently partner to a number of collaborative arrangements with GCC, yet believes greater sharing of services between Wyong and Gosford will improve current relationships and collaboration on a regional level, feeding into improved, sustainable and more efficient governance, resourcing and administration of a number of council functions, as well as creating more credibility for greater advocacy.

The sharing of joint services and improved collaboration between Wyong and Gosford on a regional basis will go far to achieve the State's objectives for JOs which include to:

- provide a forum for local councils and the State to work together to deliver regional priorities, such as jobs, education, housing, roads and transport,
- connect local priorities from local councils' Community Strategic Plans with regional planning for growth, infrastructure and economic development and provide a means of delivering projects across council boundaries,
- Regional service delivery, and
- Sharing skills and best practice.

#### **Capable partner for State and federal agencies**

Council has the proven ability to partner with State and federal agencies to develop Regional Plans, Publications and Strategies. Examples of this successful collaboration include the North Wyong Shire Structure Plan, The Regional Economic Development and Employment Strategy, Central Coast Regional Strategy 2006-31, The Coalition's Growth Plan for the Central Coast, and Central Coast Regional Action Plan NSW 2021.

Council has also solely drafted a number of strategies/plans which demonstrate its ability to plan and deliver for the future, with the capability and intent to partner with various tiers of government and government bodies.

#### *Wyong Shire Economic Development Strategy*

The Wyong Shire Economic Development Strategy (Appendix L) was adopted by Council in July 2014. The Strategy provides a positive framework that guides and encourages diverse and sustainable economic development in Wyong Shire through to 2039. The Strategy recognises the significant contribution that State Government agencies and the private sector will make toward the creation of local prosperity. Council will actively seek to collaborate and partner with the State Government and the private sector to deliver this plan.

The Strategy will be supported by an implementation plan that will outline the priority actions and activities that will be undertaken each year over the life of the plan.

The action plans will be progressively updated and reviewed to allow the Strategy to remain a dynamic future oriented plan. Delivery partners will be essential in achieving the Strategy's vision and will include Wyong Shire business, industry, government and the broader community.

The Strategy complements the Wyong Community Strategic Plan 2030's (Appendix L) long term vision to create a sustainable community. In order to create this Wyong Shire Council has identified the need to develop a robust business sector which maximises employment opportunities for local residents.

#### *Wyong Shire Settlement Strategy*

The Wyong Shire Settlement Strategy (Appendix L) lays out the strategic direction and framework for land use and development activities in the Wyong LGA, taking into account State, regional and local planning objectives. It complements the Central Coast Regional Strategy and the North Wyong Shire Structure Plan both of which cover the period to 2031.

The Settlement Strategy is part of a hierarchy of State Government and Local Government documents. State Government documents including the Central Coast Regional Strategy, the North Wyong Shire Structure Plan, Regional Economic Development and Employment Strategy (REDES) sit above the Settlement Strategy. Eventually the draft Central Coast Regional Conservation Plan (once adopted) will also be incorporated into this hierarchy. The Settlement Strategy informs the Wyong LEP 2013 and Wyong DCP 2013.

The Settlement Strategy supports the objectives of the numerous state plans and strategies as well as:

- provide overall strategic direction for the LGA
- direct future growth to the most appropriate locations based on an understanding of constraints and opportunities
- provide sensible timeframes for urban growth to guide planning and infrastructure investment
- promote the efficient and equitable provision of services, infrastructure and amenities and ensure that new urban land release contributes to infrastructure costs
- foster economic, environmental and social well-being so that the Wyong LGA becomes a sustainable and prosperous place to live, work and visit
- encourage economic development within the LGA to reduce reliance on other regions for employment and support a self-sustaining economy
- encourage a range of housing, employment, recreation and human services to meet the needs of residents
- provide liveable communities with equitable access to a range of community services and facilities for recreation, culture, health and education
- encourage ecologically sustainable development
- minimise community risk in areas subject to natural hazards, and
- promote a high standard of urban design that enhances the existing and desired future character of areas.

#### *Example of Council as a capable partner for State and federal agencies – Estuary Management Plan Project Delivery*

Council has both the proven ability to partner with government agencies to deliver regional and local plans and strategies, as well as collaborate with tiers of government to advocate for, and deliver, large scale and complex projects. An example of this includes Council working with the Federal Government to secure ongoing funding and deliver its Estuary Management Plan (EMP).

Since the development of the EMP, up until its recent completion, it was supported by a \$20M Australian Government Caring for our Country grant (2008-2013) and a \$3.25M Australian Government National Landcare Programme grant (2014-2017). Those grants greatly assisted in implementing actions from the EMP.

The EMP centred around management and rehabilitation of the The Tuggerah Lakes estuary, which is a unique environment rich in biodiversity. Over the years the natural function and condition of the estuary has been influenced by many different human activities taking place around the foreshores and throughout the catchment.

Land clearing and land use change, loss of important natural filters (streambank, wetland and saltmarsh vegetation), changed water flows, more pollutants, nutrients and sediment reaching the lakes and extensive foreshore modifications all contributed to the changes in the lake system.

In response to community concerns, Council developed the Tuggerah Lakes EMP, following years of scientific study.

The EMP program has ensured future management of the estuary is assured, with a platform for maintaining the lakes sustainability and diverse ecological systems.

#### **Resources to cope with complex and unexpected change**

Council's future sustainability is demonstrated in Council's IP&R documents inclusive of Council's LTFP: a ten year plan to ensure Council maintain financial sustainability while delivering a best value level and mix of services, maintain assets and meet costs of unexpected events. To accommodate any complex and unexpected changes to Council's strong financial future, Council has undertaken a SWOT analysis to identify future Strengths, Weaknesses, Opportunities and Threats that may impact Council's long term financial strategy. The SWOT forms part of Council's Long Term Financial Plan as detailed in Council's Strategic Plan 2015-19. The SWOT analysis has identified a number of opportunities and strengths which may adequately combat any potential negative impacts which may arise in the future. The threats and weaknesses identified by Council have also been analysed in order to develop mitigation strategies and to apply an appropriate risk framework.

In addition to measures identified in the SWOT analysis, Council's ongoing innovative and forward thinking will lead to other mitigation measures to tackle potential complex and unexpected change, e.g. Council's investigation of innovative approaches to major infrastructure initiatives, including vendor financing and (subject to the Act and relevant approvals) Private Public Partnerships (PPPs). These initiatives will focus on supporting local businesses, building synergies with partners and leveraging savings through bulk acquisitions. When realised, these prospects will strengthen Council's financial sustainability and allow more flexibility to respond to unexpected events such as raw material shortages.

#### **High quality political and managerial leadership**

Throughout Council's Proposal document, Council's high quality managerial leadership is demonstrated in a variety of ways. Therefore, to address this element of Strategic Capacity, Council has focused its response on demonstrating Council's high quality political leadership.

### *Political leadership*

As stated previously in this Proposal, Wyong LGA and the Central Coast region have been negatively impacted by recent ICAC investigations into the activities of elected members. However, the Shire's elected Council continues to successfully advocate on behalf, and represent the views of, the local community.

The Wyong LGA is serviced by 10 democratically elected councillors who comprise the governing body of the council (11 Councillors will be elected to represent Wyong Shire for the 2016 - 2020 term of Council). The role of the governing body is to direct and control the affairs of Council in accordance with the Act. Effective Councillor representation has enabled the Shire to keep the 'local' in local government so that community identity and local democracy are maintained.

The Wyong LGA is of regional significance and that significance continues to grow. It is a hub for industry, tourism, sport, education, and housing and commercial development. The area is recognised by the NSW Government as an area for significant future growth and plays an important role in the planning and development for NSW. Council is undertaking a number of key initiatives to facilitate this growth and development, with a regional focus, not just for the benefit of Wyong LGA, but also for the remainder of the Central Coast. Its ten Councillors all have to meet the very heavy workload that results from the size of the Wyong LGA, the planning and implementation of Council's key initiatives, the need to promote innovative projects to promote economic and social growth for the area, the operation and maintenance of extensive infrastructure that includes water and sewer infrastructure, and meet the needs of a growing and diverse population.

### *Ward Forums*

Wyong Shire has two wards. A ward covers the northern part of the Shire and B Ward covers the southern part. Each ward is represented by five Councillors who serve a four year term. Each September, those Councillors elect a Mayor and Deputy Mayor. However, in 2016 electors will popularly elect an additional Councillor as Mayor.

Council regularly host Community Ward Forums which are open to all community members and include presentations on Council initiatives. Councillors and senior staff attend these forums to present the topics and take part in question and answer sessions.

The Forums have allowed for greater access to Council senior management and Councillors, with community participation providing Council with a diverse range of views and opinions that help elected representatives in their decision making.

### *Councillors' Community Improvement Grants*

Council's elected Councillors work tirelessly to promote the efforts of driven community members and groups to better the Shire and the region. Councillors' Community Improvement Grants (CCIG) are designed for not-for-profit community projects, which one or more Councillors support and recommend to Council for funding.

Applicants must be incorporated not-for-profit organisations. Non incorporated groups may apply but must be auspiced by an incorporated organisation which will manage and account for the grant on their behalf.

Only one application per financial year, per project (across all of Council's grant programs) will be considered. A maximum of \$4,000 per CCIG application can be granted.

### *Committees of Council*

Council has a series of formal committees that cover a range of matters. As a testament to the Councillors' commitment and involvement with Council and community business, each Councillor occupies a seat on one or more of the Committees. The Committees are comprised of various government, industry and community stakeholders. Examples of current Council Committees include the:

- Audit and Risk Committee
- Economic and Employment Development Committee
- Expenditure Review Committee
- Tuggerah Lakes Estuary, Coastal and Floodplain Management Committee
- Traffic Committee.

### *Advisory Groups*

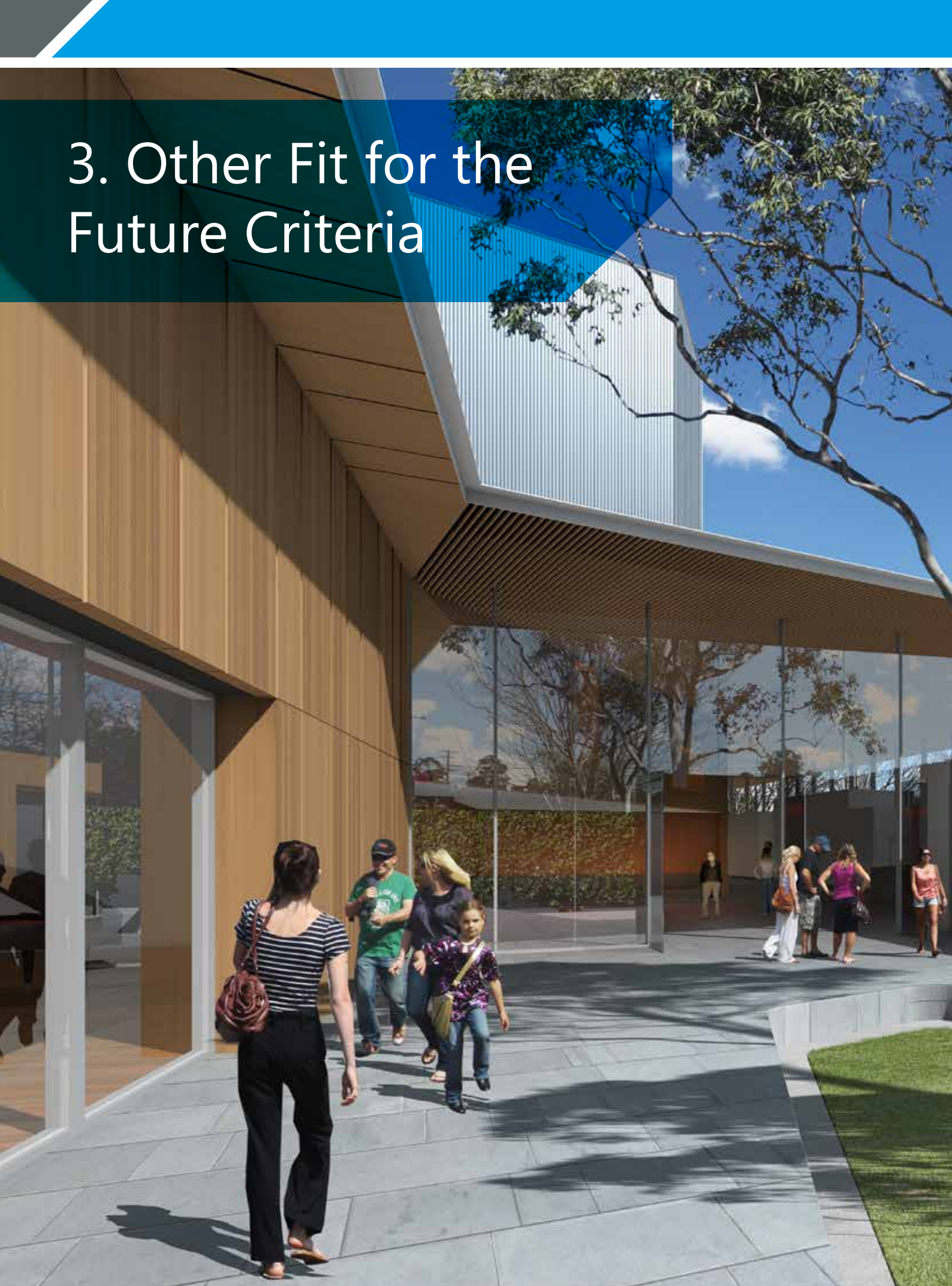
Council also facilitate groups which, although not formal committees of Council, perform a valuable advisory role. The elected Councillors also occupy seats across a number of these groups. Advisory Groups include:

- Grants Advisory Group
- Status of Women Advisory Group
- Beach Liaison Advisory Group
- Sports Advisory Group.

### *Statutory Obligations of Councillors*

In addition to their additional functions, Wyong Shire's elected Councillors also competently undertake their roles and responsibilities as prescribed by the Act.

# 3. Other Fit for the Future Criteria







### 3. Other Fit for the Future Criteria: Sustainability, Infrastructure and Service Management and Efficiency

The Panel has advised it will assess the seven benchmarks associated with the three other Fit for the Future criteria in the order of importance as: 'must meet' or 'must demonstrate improvement in'. The scaling applied to each benchmark indicates the importance of councils achieving that particular ratio for meeting the State's Fit for the Future objectives. A council's performance against each of the individual benchmarks will inform the Panel's overall assessment of whether a council meets the criteria.

Figure 8 shows the criteria definitions, guidance for each measure and the benchmarks against which the measure will be considered.

#### Consolidated and General Fund Figures

As previously discussed in section 2.1 of this Proposal, The State requires councils to input council General Fund figures into the seven Fit for the Future financial benchmarks to assess its performance. General Fund figures are exclusive of Council's water utilities business which forms a large portion of Council's business. Council is a water supply authority under the Water Management Act 2000, and supplies water and sewer to its population. The Council's Water Authority is the third largest Water Authority in NSW after Sydney Water and Hunter Water, with over \$2.3B in assets. Council believes to provide General Fund figures only, as requested by the State, presents an incomplete and inaccurate financial picture of Council's entire business.

**Figure 8 Fit for the Future Criteria and Measures and Benchmarks**

Criteria/measure	Definition	Benchmark	OLG Guidelines
<b>1. Sustainability</b>			
Operating performance	<u>Net continuing operating results</u> (excl capital grants and contributions) Total continuing operating revenue <sup>a</sup> (excl capital grants and contributions)	$\geq$ to break-even average over 3 years	All measures, where applicable, should be consistent with the Accounting Code/TCorp measures should also be based on General Fund data and exclude Water and Sewer Funds.  (a) Where applicable, excludes fair value adjustments, reversal of revaluation decrements, net result on sale of assets and net share/loss of interests in joint
Own source revenue	<u>Total continuing operating revenue</u> (excl all grants and contributions) Total continuing operating revenue <sup>a</sup> (incl capital grants and contributions)	$>60\%$ average over 3 years	
Building and asset renewal	<u>Asset renewals (building and infrastructure)</u> Depreciation, amortisation and impairment (building and infrastructure)	$>100\%$ average over 3 years	
<b>2. Infrastructure and Service Management</b>			
Infrastructure backlog	<u>Estimated cost to bring assets to satisfactory condition</u> Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets	$< 2\%$	(b) Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART.
Asset maintenance	<u>Actual asset maintenance</u> <u>Required asset maintenance</u>	$> 100\%$ average over 3 years	
Debt service	<u>Cost of debt service (interest expense and principal repayments)</u> Total continuing operating revenue <sup>a</sup> (excl capital grants and contributions)	0 to 20% average over 3 years	
<b>3. Efficiency</b>			
Real operating expenditure (ROE) <sup>b</sup>	<u>Operating expenditure</u> <sup>a</sup> Population <sup>c</sup>	decrease in ROE per capita over time	(c) ABS, Regional Population Growth, Australia. The data should be averaged over 2 calendar years, except for 2013-14, where the data for the 2013 calendar year should be used.

Council agrees with LGNSW's advice to councils with water utilities to include two sets of assessment criteria ratios in their Proposals: one that excludes the water utilities, and another set that consolidates the water utilities into the benchmarks ratios. For the purpose of its Proposal, Council presents the Consolidated Fund figures in this section. However, Council has attached the results of its General Fund Self- Assessment as Appendix B to this Proposal document.

#### *Criticism of the Fit for the Future Benchmarks*

Local government expert Professor Dollery, believes that councils are being "duped" in the Fit for the Future process; stating the financial ratios and benchmark values included in the Fit for the Future criteria have been deliberately modified from the original TCorp version to make it more difficult for councils to demonstrate their financial viability. Dollery claims that although the State had claimed it would use the 10 financial sustainability ratios calculated by TCorp in its 2013 analysis of the financial status of individual councils, the reality is that it added a financial ratio not used by TCorp in the form of "real operational expenditure per capita." Dollery also claims the state has 'deceptively' selected only six of the ten TCorp ratios. Of the six TCorp ratios selected, the State has changed the benchmark values used by TCorp. Dollery criticises the fact that these unremarked changes have gone unchallenged by Local Government NSW and the NSW local government community, and that this is regrettable since the financial ratios and benchmark values have been 'cherry-picked' and deliberately modified to make it more difficult for councils to demonstrate their financial viability.

Dollery states the "real operational expenditure per capita" reflects numerous external factors which fall outside the control of councils e.g. as the age profile of councils, population growth and the like. Moreover, it does not address service quality and service sufficiency.

### 3.1 Sustainability Criterion

Sustainability means that councils will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the IP&R process. The Panel consider that ensuring councils are financially sustainable, and being able to show this will occur into the future is fundamental to demonstrating a council's fitness.

The Panel consider that a council's operating performance ratio provides a key measure of financial sustainability and is a benchmark that fit councils should meet. Further, a council's ability to raise its own revenue insulates it from a fall in revenue from sources that are outside its control. External funding that does not eventuate may impact a council's ability to provide services or invest in required infrastructure.

Table 4 shows the three performance measures the Panel will consider in assessing the sustainability of councils.

**Table 4. Sustainability Criterion – Measures and Definitions**

Measure	Definitions
<b>Operating Performance Ratio</b>	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.
<b>Own Source Revenue</b>	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.
<b>Building &amp; Infrastructure Asset Renewal Ratio</b>	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.

Table 5 shows the benchmarks and targets the Panel propose to use to consider how the council proposals satisfy each measure for the sustainability criteria. The Panel propose that metropolitan and regional councils must be able to meet the proposed benchmarks within five years for operating performance and own source revenue, and at minimum, show improvement for the building and infrastructure renewal measure.

**Table 5. Proposed Approach to Assess the Sustainability Criterion**

<b>Performance Measure</b>	<b>Benchmark</b>	<b>All councils (except rural councils)</b>	<b>Rural council (option)</b>	<b>Merger Case*</b>
<b>Operating Performance Ratio</b>	Greater than or equal to breakeven average over 3 years	Must meet within 5 years	Plan to meet within 10 years	Must meet within 5 years for non-rural councils Plan to meet within 10 years for rural councils
<b>Own Source Revenue</b>	Greater than 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years & consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years & consideration of FAGs for rural councils
<b>Building &amp; Infrastructure Asset Renewal Ratio</b>	Greater than 100% average over 3 years	Meet or improve within 5 years	Meet or improve within 5 years	Meet or improve within 5 years

\* For mergers, the Panel will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

### Council's Sustainability Journey

Council has undergone a seismic shift in terms of its operational performance and strategic direction over the past five years. Up until the 2012-13 FY, Council had experienced ten years of deficits peaking at \$30.4M in the 2009 FY. Council is now in a strong financial position to deliver enhanced services to the community. Council has spent the last few years focusing on getting its finances back on track by reducing costs, improving productivity and exploring new revenue opportunities. Council's total budget of \$361M for the 2015-16 FY delivers over 125 services, including roads, drainage, parks, waste management, libraries, water and sewerage, cemeteries.

In 2010, a plan was put in place to move Council from a precarious financial position to a path of surplus and ongoing sustainability. This commenced with a complete Service Delivery Review which resulted in significant structural change and identification of cost reduction initiatives. A four year plan was put in place to reduce losses and achieve surplus. Through careful cost containment and management rigour, Council achieved a surplus in 2012-13 FY, one year ahead of plan, and recorded a second successive surplus in 2013-14.

Despite this turnaround and moving into a sustainable position, Council will continue to focus on best value service delivery within financial realities. This will involve business improvement initiatives, benchmarking, automation, improved processes and examining alternative operating models. A recent example of this ongoing improvement includes the Water and Sewer review (which was required to address inadequate IPART pricing and lower water usage which has resulted in losses over the past years). The Water and Sewer review is detailed in section 4.4 of this Proposal.

Financial Performance is monitored very closely and detailed monthly variance analysis is prepared and distributed to Council's leadership team. This analysis acts as a catalyst for corrective action to be undertaken, and/or for resources to be reprioritised.

To ensure and measure sustainability, Council has also developed a comprehensive Resourcing Strategy which includes the following components.

- Long Term Financial Plan
- Workforce Management Strategy
- Asset Management Strategy
- Information Management Strategy

In addition to the above Resourcing Strategy, Council successfully applied for a Special Rate Variation (SRV) to address its infrastructure backlog.

### Special Rate Variation

In March 2013, Council applied to IPART for a SRV of 6.9% for 7 years to address the funding shortfall in Council's General Fund asset base. Council had undertaken significant cost reductions by changing its service delivery in many of its 125 services, thus minimising the amount of the SRV applied for. On 1 July 2013 Council implemented a 6.9% SRV, on ordinary and special rates (including the standard rate peg). SRV income is only used for infrastructure asset backlog works and improvements in financial sustainability.

Council's current asset portfolio has a replacement value of over \$3.7B. It will invest \$105M on capital works in 2015-16 FY. Of this, \$10M raised from the SRV will be dedicated to addressing Council's asset infrastructure backlog. Council's 2015-16 Annual Plan included in council's Strategic Plan - details the projects that will be undertaken using SRV funding for the 2015-16 FY.

Council made the decision to apply for the SRV based on sound asset management information and extensive community consultation to ensure the additional rate revenue raised goes to improving the assets that the community have requested Council focus on. The community had indicated strong support for improving the standard of core Council assets such as roads, drains and parks. The SRV will help ensure Council's financial and asset sustainability by:

- providing Council with a substantial proportion of the incremental revenue required to address a significant proportion of its asset renewal backlog in a timely and therefore cost-effective manner, conscious that costs increase as conditions deteriorate
- enable Council, as an asset owner, to manage our infrastructure portfolio in a way which addresses potential health, safety and public liability risks in line with its asset management systems, policies and long term plans as highlighted in our last three strategic plans
- address the critical challenge of the asset shortfall in the medium term, while continuing to pursue a range of opportunities to improve financial sustainability in the medium to long term - including cost savings and efficiency improvements via shared services, as well as new sources of recurrent income such as the establishment of an investment property portfolio.

### Long Term Financial Plan

Council's LTFP is a ten year plan that identifies the financial resources required to deliver Council's activities against the CSP. It considers the requirements for effective management of assets, staff and technology, while driving financial sustainability and informed decision making. The LTFP ensures Council's financial sustainability and informs decision making, in collaboration with other resourcing strategies.

The LTFP seeks to answer the following key questions:

- Can Council survive the financial pressures of the future?
- What are the opportunities for future income and economic growth?
- Can Council afford what the community wants?
- How can Council go about achieving these outcomes?

Council's LTFP also detailed within Council's Strategic Plan 2015-19, demonstrates Council's continued strong financial position and operating surplus over the next ten years.

### Council's Strong Financial Strategy and Management Rigour

Careful planning, management and focus on Council's Strategic Financial Objectives will ensure its current strong position continues and improves in the future. Council's Strategic Financial Objectives and the resulting LTFP are all driven by the overriding principle of financial sustainability. Council's Strategic Financial Objectives, the sub-objectives and Key Performance Indicators (KPIs) are as follows:

Figure 9. Council's Strategic Financial Objectives



Council will continue to monitor its financial performance and sustainability by tracking the KPIs aligned to each of the Strategic Objectives.

#### *Advanced IP&R Focus and Processes*

Council has a completely integrated strategic planning process. Online tools are in place to formulate and monitor Council's Service Unit Business Plans. The business plans are integrated with the LTFP and other resourcing strategies. All services and specific service objectives are mapped to the CSP in order to plan and measure service delivery and cost against each of the CSP objectives.

#### *Debt Restructure*

Council will hold approximately \$178M of external borrowings at 30 June 2015. The majority of these loans were established when interest rates were far higher than they are now, pre-dating the Global Financial Crisis, and the average rate on these loans are higher than present market rates.

Furthermore, the majority of current debt (96.6%) was established to finance long term water and sewerage network assets and is held as a liability within the Water Supply Authority.

The average duration of the loan portfolio is reducing at a faster rate than the depreciation of the corresponding infrastructure assets and will require refinancing in the medium term.

Council undertake regular debt reviews to determine the costs and benefits associated with extinguishing existing debt and investigating favourable refinancing options. To date break costs have been judged to be prohibitively high so debt is being paid down steadily at current rates. New borrowing requirements in the past two years (specifically in the Water Fund) have been satisfied by borrowing internally from the other funds (General and Sewer) that have sufficient unrestricted cash. Council has also obtained subsidised borrowings under the NSW government Local Infrastructure Renewal Scheme (LIRS). Both avenues have allowed Council to access funds below standard market rates.

Significant "balloon payments" are due in the years between 2019 and 2022. At that time, Council will review the need to refinance, which gives Council an opportunity to secure lower rates through both market forces and the structure of borrowing. Opportunities being explored include one or a combination of:

- taking advantage of continued lower market borrowing rates
- a pooled bond issues with other NSW Councils (similar to the recent issue in Victoria with saving to market of 50-100 basis points (0.5% -1%)
- having the Federal Government sponsor a pooled bond issue with similar savings to market
- leveraging off Fit for the Future incentives which have indicated lower borrowing rates managed by NSW Treasury Corporation.

#### *Council is Sustainable*

Council meets all of the Sustainable benchmarks set by the State, proving its present and future sustainability. Figure 10 represents Council's results against the State's Fit for the Future Sustainability criteria as per section 2.3 of *Template 2* (Appendix D).

Figure 10. Council's Results: Sustainability Benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FTFF benchmark?	Forecast 2016 / 2017 performance	Achieves FTFF benchmark?
<b>Operating Performance Ratio</b>  (Greater than or equal to break-even average over 3 years)	0.011%	Yes	0.075%	Yes
<b>Own Source Revenue</b>  Ratio (Greater than 60% average over 3 years)	82.78%	Yes	80.76%	Yes
<b>Building and Infrastructure Asset Renewal</b>  Ratio (Greater than 100% average over 3 years)	123.77%	Yes	101.67%	Yes

Council currently meets the State's Sustainability criteria by implementing its base case, business as usual model. Council is therefore sustainable without improving its current business. However, Council's Proposal to the State is to further improve its fitness by implementing planned business improvement initiatives, in addition to those built into the existing LTFP. This means that Council will be significantly more sustainable and further exceed the State's Sustainability requirements.

### 3.2 Infrastructure and Service Management Criterion

A Fit for the Future council that meets the Infrastructure and Service Management criterion seeks to maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the IP&R process.

Table 6 shows the three performance measures the Panel considers in forming a judgement on infrastructure and service management by councils.

Table 6. Infrastructure and Service Management Criterion – Measures and Definitions

Measure	Definition
<b>Infrastructure Backlog Ratio</b>	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.
<b>Asset Maintenance Ratio</b>	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.
<b>Debt Service Ratio</b>	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.



The Panel will assess these performance measures for infrastructure performance and debt in a holistic manner, that is, in the context of the council’s overall capital sustainability as reflected by its Asset Management Plan (AMP). The Panel acknowledge there may be data consistency issues that need to be taken into account when interpreting a council’s reported asset renewal, backlog and maintenance performance, as there is no current requirement for this data to be routinely audited.

The Panel consider it is reasonable to expect that a council would meet the debt service ratio benchmark where it is feasible for the council to borrow and this is compatible with the council’s Asset Management Plan. A council that uses debt to finance long-lived infrastructure is efficiently allocating costs between the present generation of ratepayers and future ratepayers, regardless of when the benefits accrue.

Table 7 shows how the Panel propose to assess the three infrastructure and service management criteria measures against the benchmarks. As is evident from Table 7, a fit council must meet the Debt Service Ratio measure within five years. The two other measures for this criterion provide more scope for councils to demonstrate improvement in the projected performance against the benchmark rather than being required to meet the benchmark.

**Table 7. Proposed Approach to Assess the Infrastructure and Service Management Criterion**

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case*
Infrastructure Backlog	Less than 2%	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Debt Service	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years	Meet within 5 years	Meet within 5 years

\* For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

The State’s benchmark for the Asset Maintenance Ratio is based on the underlying assumption that previous underspending has occurred, which has resulted in the infrastructure backlog for councils being greater than 2%. This assumption is consistent with TCorp’s analysis that one of the major drivers of the Infrastructure backlog is the underspending in the maintenance of assets. Should a council continuously exceed the Asset Maintenance target by spending more on maintenance than is required (i.e., the ratio is >100%), this may also indicate the council is not efficiently managing its assets.

**Council’s Asset Management Strategy**

Council will continue to meet its fitness in the provision of infrastructure and service due to its comprehensive Asset Management Strategy; where asset management is the process by which Council manage its physical asset base to achieve a balance between the community’s service expectations, and their willingness and capacity, to pay for the infrastructure and natural assets that underpin those services.

The Asset Management Strategy (AMS) focuses on managing Council’s \$3.7B asset portfolio over the next ten years and identifies:

- the cost of purchasing, building, operating, maintaining and renewing assets
- staff skills required to manage, maintain and operate our assets

- systems for the collection and management of asset information.

Council's AMS has been developed in alignment with the following documents:

- Council's Strategic Plan
- Council's Four Year Delivery Program
- Wyong Shire's Community Strategic Plan.

It informs (and is informed by) the IP&R process and integrates with other long term resourcing strategies as:

1. the cost of purchasing, building, operating, maintaining and renewing assets is a significant factor of the LTFP
2. asset management requires particular skills which are reflected in the Workforce Management Strategy
3. the collection and storage of asset information is guided by the Information Management Strategy.

Successful achievement of Council's Strategic Plan is dependent on the effective and efficient utilisation and management of assets as outlined in the AMS.

The delivery of Council's AMS has been reviewed and guided in accordance with industry asset management guidelines.

In addition to the AMS, there are three other levels in Council's hierarchy of asset management documents.

### 1) Asset Management Policy

Council's Asset Management Policy focuses on what Council will do to manage its assets. It includes the following commitments for asset management planning and decision making:

- asset renewals, as identified in Asset Management Plans and the LTFP, are required to meet agreed service levels and are given high priority for funding in the annual budget estimates. These align with the priority objectives of the CSP
- upgrade and new projects that have external funding sources (e.g. grant funding) are given higher priority within the upgrade and new works annual budget allocations, in conjunction with an assessment of affordability for future life cycle costs
- an Asset Sustainability Ratio target of not less than 100% as a long term average and not less than 50% in any one year is set for each of the General, Water, Sewerage and Waste Funds, having regard for the relative age of its asset portfolio and Integrated Planning considerations
- target levels for the Asset Renewal Funding Ratio are between 90% and 100% as defined in the Asset Management Policy
- future life cycle costs will be reported and the ability to fund those costs will be considered in all decisions

relating to new services and assets and upgrading of existing services and assets including disposal/ decommissioning costs.

### 2) Asset Management Improvement Plan

The objectives and outcomes of the AMS form the Asset Management Improvement Plan. The Asset Management Improvement Plan translates the long-term high level strategy of the AMS into operationally achievable tasks. These tasks are then incorporated into the individual Asset Management Plans for various classes of assets in differing departments to ensure we are collectively working towards the same goals.

### 3) Asset Management Plans

Asset Management Plans provide detail of the condition of Council assets, their funding base, the asset activities and levels of service provided. Council's Asset Management Plans are for a ten year period and assist to identify gaps between the level of service expected by the community and the funds available to achieve that level of service.

### Strong Balance Sheet

Council will also continue to deliver strong performance in infrastructure and service delivery due to its strong balance sheet with significant Total Assets and Net Assets (assets less liabilities), conservative and serviceable debt levels, fully recognised and funded liabilities, fully funded restricted cash, and minimal risk of loss existing in the asset portfolio.

At 30 June 2014, Council held \$3.7B of Total Assets and \$2.5B in Net Assets.

Council's Debt Levels are low compared to Total Assets. Council's Consolidated Debt Ratio (Total Debt/Total Assets) is a very conservative 6.7%. The General Fund is virtually debt free and the majority of debt resides in the Water Supply Authority and was originally undertaken to support the principle of "intergenerational equity."

These debts are serviceable, as indicated by the Debt Service Coverage Ratio of 3.17 (this ratio measures the availability of operating cash to service debt including interest and principle and 3.17 meets the benchmark set by the NSW Government).

Unlike many other councils in NSW, all of Council's Investment Portfolio, totalling \$152M, is in compliance with the Ministerial Investment Order endorsed in January 2011 and OLG Investment Policy Guidelines published in May 2010. In effect this means that there are no exotic financial investments recorded in the investment portfolio, and that the value of the investment portfolio is not in any doubt, and not concealing any losses.

In addition, Council has a fully funded provision for future costs of remediating tipping / landfill sites.

### Council's Infrastructure and Service Management is Fit

Council meets all of the Infrastructure and Service Management benchmarks set by the State, again proving its present and future fitness. Figure 11 represents Council's response to the State's Fit for the Future Infrastructure and Service Management criteria as per section 2.3 of *Template 2* (Appendix D).

**Figure 11. Council's Results: Infrastructure and Service Management 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%)	2.00%	Yes	1.37%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	100.87%	Yes	102.32%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	9.99%	Yes	8.51%	Yes

### 3.3 Efficiency Criterion

A fit council that meets the Efficiency criterion would seek to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers.

Table 8 shows that Real Operating Expenditure is the benchmark the Panel will consider when measuring the performance of a council's efficiency. The Panel will consider service levels consistent with community priorities identified in the IP&R process when assessing a council's efficiency.

**Table 8. Efficiency Criterion – Measures and Definitions**

Measure	Definition
Real Operating Expenditure	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

Table 8 shows how a council must demonstrate improvement in this measure to satisfy the criterion. Metropolitan, regional, and rural councils that propose to be stand-alone are required to demonstrate that operational savings will be achieved by 2019-20.

**Table 9. Proposed Approach to Assess the Efficiency Criterion**

Performance Measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
Real operating expenditure per capita	A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Demonstrate operational savings (net of IPR supported service improvements) over 5 years but may not be practical in short term

*Council's Process to Determine Levels of Service*

Service levels are achieved by balancing community aspirations with the affordable cost of providing the service to a given level. In most cases a decision to provide an increased level of service will require more funding. Alternatively, a reduction in funding will generally result in lower service levels.

Council use a combination of customer based service levels and technical service levels to better manage its assets.

Community levels of service are developed from the community as customer's perspective. In November 2011, Council resolved to commence consultation with the community on service levels and community priorities in order to provide additional information to assist Council's Strategic Planning process. In 2012, Council consulted the community on what it values as part of a service standards review, and these results underpin Council's business planning. Technical service levels are performance measures used in providing the service and are covered in the respective Asset Management Plans.

The 2012 consultation identified what the local community valued. The resulting service standards review identified that community values were as follows:

- renewals and upgrades, not new assets
- smarter maintenance and operations
- roads and drainage
- open space
- sporting, leisure and recreation facilities
- community buildings
- town centres
- the natural environment.

*Council's Infrastructure Delivery*

Council regularly reviews its infrastructure delivery to ensure its delivery remains efficient and matches the community's priorities. Council's Asset Management Policy focuses on how Council will manage its assets. It includes the following commitments for asset management planning and decision making.

Asset renewals, as identified in Asset Management Plans and the Long Term Financial Plan, are required to meet agreed service levels and are given high priority for funding in the annual plan.

The goals of the AMS and Asset Management Policy are in part achieved through engaging the community in discussions on desired service levels and ensuring asset investment decisions consider whole of life costs, and balance the funding for investment in new and upgraded assets with the investment in asset renewal. Council's Asset Management Improvement Program outlines the broad targets and actions to improve Council's asset management capability over the next four years. The improvement program is reviewed each year, based on current progress and available resources, and a detailed plan is prepared for each asset class, for each year. Service levels also form part of the Improvement Program as a key enabler with a detailed plan set out for 2015-16 FY to 2018-19 FY (page 124 of Council's Strategic Plan 2015-19).

In addition, Council's Policy for Community Infrastructure Asset Management (within Council's Strategic Plan 2015-19) sets the broad framework for undertaking asset management in a structured and coordinated way, in order to provide an appropriate level of service in a sustainable manner for present and future customers.

Clause D8 of the Policy states that: asset renewals required to meet agreed service levels and identified in asset management plans and long term financial plans and which align with the priority objectives of the CSP will be given high priority for funding in the annual budget estimates.

Finally, Council continues to focus on ensuring it provides quality customer service and improving quality of life with the services and products it deliver to the community. Another example of Council's commitment to this is evidenced by its Information Management Strategy (within Council's Strategic Plan 2015-19). The Information Strategy provides direction on the information and technological resourcing requirements needed to increase/improve productivity, efficiency and service levels. This Strategy guides Council's financial planning by ensuring those projects with the greatest benefit are given the highest priority.

*Council is Efficient*

Council meets the Efficiency benchmark set by the State, proving its present and future fitness against this criterion. Figure 12 represents Council's response to the State's Fit for the Future Efficiency criteria as per section 2.3 of *Template 2* (Appendix D).

**Figure 12. Council's Results: Efficiency Benchmark**

<b>Efficiency</b>				
<b>Measure/ benchmark</b>	<b>2014 /2015 performance</b>	<b>Achieves FFTF benchmark?</b>	<b>Forecast 2016 / 2017 performance</b>	<b>Achieves FFTF benchmark?</b>
<b>Real Operating Expenditure per capita</b>  A decrease in Real Operating Expenditure per capita over time	1.48	Yes	1.40	Yes

# 4. Other Assessment Factors





## 4. Other Assessment Factors

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The Panel has advised it will also consider other factors that may influence its overall assessment of whether a council meets the Fit for the Future criteria, namely:

- the social and community context of the council
- the nature and quality of the supporting information, including the rigour by which the ILGRP's preferred options for scale and capacity were explored by the council, and the robustness and consistency of the assumptions underlying the council's forecasts
- how the council consulted with its community regarding its proposal or alternative options as relevant, and the outcomes from these consultations, and
- the impact of the councils water utility business on its General Fund performance, where the council also serves a water utility function (this information is requested in the templates).

Council has addressed each of these additional factors in this section of its Proposal.

### 4.1 The Social and Community Context of the Council

The Panel will consider the social and community context when assessing council proposals. This may include the demographics of an area, the community's social and economic needs and the sense of local identity. These factors may be particularly relevant when considering the scale and capacity criterion.

The State believes local government boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; but instead should facilitate integrated planning, coordinated service delivery, and regional development. Council agrees with this in principle, and believes this can be achieved through the work of the CCROC and greater regional collaboration, as well as via the investigation of joint services delivery with GCC. However, Council is mindful of the vast differences between the Wyong and Gosford LGAs, as well as the uniqueness of the Shire and the distinct issues which affect the Wyong LGA. Council believes the delivery of specific joint services rather than the creation of a full JO or amalgamation will ensure the unique communities of both Wyong and Gosford remain adequately catered for. The major differences between the two unique LGAs of Wyong and Gosford are detailed in section 4.1.1 of this Proposal. The issues unique to the Wyong LGA are detailed throughout this Proposal.

### *Council's Strategic Vision*

All of Council's strategic vision is informed by the Shire and its residents' specific local needs and community aspirations. Such may be compromised when amalgamating councils or developing a JO. Council's strategic vision is strongly informed by the Community Strategic Plan which is unique to the views and objectives of the Wyong community.

### 2030 Community Strategy

Council's Community Strategic Plan (CSP) is an important community document that addresses the question of "Where do we, as a community, want to be in the future?" It provides a roadmap to help government and the community achieve the things that important to them, such as community connectedness, health, transport, environment, job opportunities, local economy and participative governance.

The Act requires councils to have a CSP that identifies the main priorities and aspirations for the future of its community. Every four years Council's CSP is reviewed against changes to the profile of the Shire to ensure that it still meets the needs of the community.

The CSP drives the priorities for the delivery of council services, which are planned through a short and mid-term planning process. Activities to deliver the CSP are published annually in Council's Strategic Plan under twelve principal activities: community and education; community recreation; economic and property development; Council enterprises; regulatory; environment and land use; waste management; roads; stormwater; sewerage services; water supply and administration.

To ensure Council has the capacity to deliver these activities it produces resourcing strategies that allow it to consider community needs when undertaking its corporate strategic planning.

The CSP endorsed by Council in 2011 was based on extensive consultation from 2007-2010 that saw over 5,600 community members participate in various styles of community engagement. The consultation topics were designed to capture the community's priorities for the future and included community visioning, quality of life, youth engagement and community planning.



A further review was undertaken in 2013 and included consultation with over 2,900 community members on topics including: learning communities, the Central Coast Regional Action Plan 2013, the Central Coast Regional Strategy, council service priorities and standards and quality of life. This consultation identified the community priorities of skills enhancement, local job opportunities, access to learning, improved transport times and accessibility, environmental protection, support for young people and their families, local roads and drainage, effective governance, greater opportunities for participation in leisure, recreation and cultural activities, building neighbourhood connections, and reducing levels of obesity through increased physical activity. The review highlighted that the community's focus had not altered over an 18 month period.

The results of the extensive community consultation campaign found that the community prioritised the following items as key desires for their community and the Shire:

- Vibrant, caring and connected communities
- Access to facilities, programs and services
- Ease of travel
- Educated, innovative and creative communities
- Enhanced areas of natural value
- Community ownership of the natural and built environment
- Strong sustainable business sector and increased local employment
- Advanced information communication technology

Council ensures its major projects and capital works clearly meet criteria that deliver the community's priority objectives while maintaining essential services. The extensive consultation and identification of the Council's priorities may be jeopardised if a merger with GCC was forced to proceed.

#### *Local Representation*

A significant negative impact from a merger of Wyong and Gosford Councils will be on representation. The number of people represented by each councillor will increase significantly, making it more difficult for residents to access their councillors and obtain adequate representation. Based on the current maximum of 10 councillors, a Central Coast elected Council would represent a projected population of over 400,000.

Council and the Wyong community (as detailed by Council's recent Fit for the Future community consultation detailed in of this Proposal) strongly believe that keeping the 'local in local government' is important, so that community identity and local democracy are maintained.

#### *Council's Role in Building Community Capacity*

Council plays a very important role in its community by supporting the development of partnerships and programs to build community capacity via partnerships, external agencies, volunteers, social and community enterprise and Town Centre development.

#### Partnerships

Council's effective partnerships allow the delivery of improved community services, including sporting and recreational opportunities, expansion of information technology, support for indigenous programs, environmental activities, arts, culture and education.

#### External Agencies

Council use third party agency agreements, sponsorships, grants and contracts to deliver maintenance activities, community and sporting events, community engagement, business coordination and support, tourism coordination, apprenticeships, animal care and immunisation clinics.

#### Volunteers

Council's strong volunteer network provides environmental activities such as Landcare, Bushcare and Dunecare. Council also manages community hall bookings, maintains tidy towns, collects litter and supports library patrons.

#### Council's Social and Community Enterprise

Social enterprise programs promote economic sustainability, increase local enterprises and support the development of innovative new enterprise models.

Opportunities are available through:

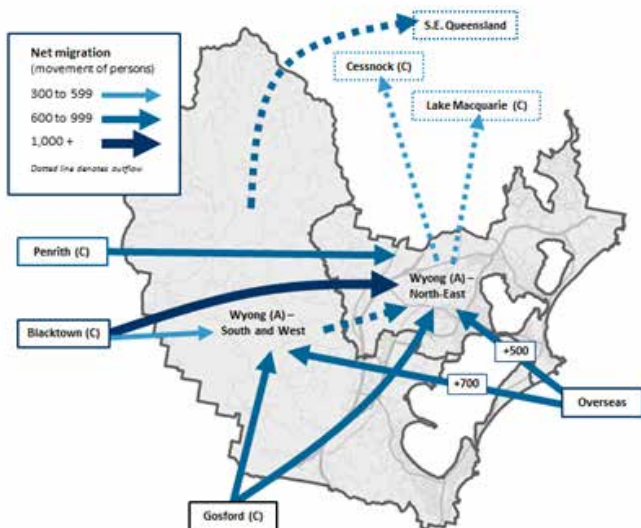
- Council's partnership with Westfield Tuggerah to provide space for social enterprise projects, or
- attending one of our regular peer to peer network events.

#### Town Centre Development

Special rate levies are applied against non-residential properties within the Town Centre areas and surrounds. This allows Council to support The Entrance Town Centre Management, Greater Toukley Vision and Wyong Regional Chamber of Commerce with funding to assist in the coordination and maintenance of infrastructure and provision of services and attractions.

#### 4.1.1 Major Differences between the Wyong and Gosford LGAs

**Figure 13. Historical Migration Flows, Wyong LGA 2006-2011**



*Population and household forecasts, 2011 to 2036, prepared by .id the population experts, March 2015.*

The major component of the Shire’s population growth is through in-migration of people moving to the Shire from other areas. Those attracted to the Shire between 2006 and 2011 came mostly from Gosford, Blacktown, Penrith and from overseas.

In-migration is influenced by a number of factors including overall immigration to Australia, house prices (relative to prices in Sydney) and perceived lifestyle which include retirement, good place to bring up children, and amenity.

Overall the majority of residents are positive about living in Wyong Shire; they are attracted to the lifestyle the area offers, the relative affordability, the sense of community and the environmental features.

The current estimated resident population of the Shire is 160,000. Between 2013 and 2014, the Shire has grown by 1,679 people representing a growth rate of around 1.1%. This compares to 0.7% growth for Gosford and 1.5% for NSW.

**Figure 14. Population Profile for Wyong and Gosford LGAs**

	Population (ERP 2014)	No Households	Average Household size	Population density per hectare
<b>Wyong</b>	159,015	57,849	2.51 people per household	2.15
<b>Gosford</b>	171,992	63,910	2.46 persons per household	1.83
<b>Greater Sydney</b>	4 840 600	1,601,530	2.69 persons per household	3.55
<b>New South Wales</b>	7,520,000	2,599,174	2.59 persons per household	0.09

(Source: profile.id for Wyong, Gosford, Greater Sydney and NSW)

**Figure 15. Population Forecasts for Wyong and Gosford LGAs**

	2016	2021	2026	2031	2036
<b>Wyong</b>	164,500	175,550	186,800	202,403	215,554
<b>Gosford</b>	173,650	176,250	184,950	184,862	189,050
<b>Greater Sydney</b>	4,286,300	4,657,600	5,064,150	5,467,000	5,861,850
<b>New South Wales</b>	7,218,550	7,708,850	8,230,400	8,739,950	9,228,350

(Source: forecast .id for Wyong and Gosford and Department of Planning)

Wyong Shire will see the most-significant population growth in the Central Coast Region over the next 20 years. The population of the Shire is currently 160,000 and is expected to grow to over 200,000 by 2030. This compares to Gosford LGA where the population is currently 171,992 and is expected to grow by 17,203 people to 189,195 by 2036. By 2036, Wyong Shire will have a population that is larger than Gosford LGA.

In Wyong Shire, the majority of this growth will occur in the short-term in the Warnervale/Wadalba Social Planning District and in the long term in the Northern Lakes Social Planning District. The greatest population change for Wyong Shire is forecast for the period from 2022 to 2026, which is expected to have an increase of 14,576 people.

Gosford LGA will have continued demand for residential development, catering for both people moving from Sydney and also new households being formed from within the existing population however, the area is likely to continue to lose population to Wyong Shire, especially as the supply of detached dwellings is likely to become limited over the next twenty years.

#### Age Structure

The age structure between Wyong and Gosford Councils is another significant point of difference.

**Figure 16. Age Structure (%) across Wyong and Gosford LGA**

AGE	0-4	5- 9	10 - 14	15 - 19	20 – 24	25 - 29	30 – 34	35 - 39	40 - 44	45- 49	50 - 54	55 - 59	60 - 64	65 – 69	70 to 74	75 - 79	80 - 84	85 +
<b>Wyong</b>	6.6	6.7	6.9	6.9	5.5	5.3	6.2	6.6	6.6	6.6	6.5	6.0	5.9	5.3	4.5	3.6	2.9	2.6
<b>Gosford</b>	6.0	6.1	6.5	6.6	5.5	5.0	5.2	6.3	6.7	7.1	7.2	6.5	6.2	5.2	4.1	3.5	3.2	3.2
<b>Greater Sydney</b>	6.8	6.3	6.1	6.3	7.0	7.8	7.7	7.6	7.3	7.0	6.5	5.7	5.1	3.8	2.9	2.3	1.9	1.8
<b>New South Wales</b>	6.6	6.3	6.3	6.4	6.5	6.8	6.8	7.1	7.0	7.0	6.8	6.1	5.6	4.4	3.4	2.7	2.2	2.0

(Source: profile .id for Wyong, Gosford, Greater Sydney and NSW)

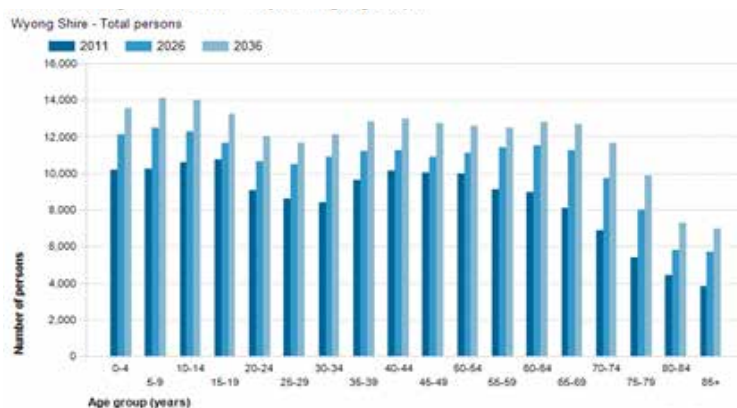
Wyong Shire is characterised by a unique age structure with high proportions of both younger and older people and a projected growing aged population. In 2011, 25% of the population were aged 0-17 years and 25% were aged 60+.

Between 2006 and 2011 the largest changes in age structure were in the age groups:

- Empty nesters and retirees (ages 60 – 69) +2606 people
- Older workers and pre-retirees (ages 50 – 59) +2063 people
- Tertiary education and independence (ages 18 – 24) +1383 people
- Babies and pre-schoolers (ages 0-4) +829 people.

Between 2011 and 2026, the age structure forecasts for Wyong Shire indicate an 18.9% increase in population under working age, a 41.2% increase in population of retirement age, and a 17.4% increase in population of working age. This compares to Gosford LGA which forecasts a 2.9% increase in population under working age, a 27.2% increase in population of retirement age, and a 3.7% increase in population of working age.

**Figure 17. Forecasted Age structure for Wyong LGA**



The largest increase in persons between 2006 and 2026 is forecast to be in ages 65 to 69, which is expected to increase by 3133 people and account for 6% of total persons. This compares to Gosford LGA with the largest increase in persons between 2011 and 2026 is forecast to be in ages 70 to 74, which is expected to increase by 2,974 and account for 5.4% of the total persons.

## Dwelling Types

**Figure 18. Dwelling Types Across the Wyong and Gosford LGAs**

	Separate house	Medium Density	High Density	Caravans, cabin, houseboat	Other	Not stated	Total Private Dwellings
<b>Wyong</b>	81.4%	14%	3.1%	1.2%	0.3%	0.0%	65,580
<b>Gosford</b>	74.7%	20.5%	3.4%	0.9%	0.3%	0.2%	73,720
<b>Greater Sydney</b>	58.9%	19.7%	20.7%	0.2%	0.4%	0.1%	1,720,357
<b>New South Wales</b>	67.9%	17.4%	13.3%	0.8%	0.4%	0.2%	2,864,602

(Source: profile.id for Wyong, Gosford, Greater Sydney and NSW)

In the Shire, 81.4% of all dwellings were separate houses; 14.0% were medium density dwellings, and 3.1% were in high density dwellings, compared with 74.7%, 20.5%, and 3.4% in Gosford, 58.9%, 19.7% and 20.1% in Greater Sydney and 67.9%, 17.4% and 13.3% in NSW.

Between 2006 and 2011 the total number of dwellings in Wyong Shire increased by 3,156.

The largest changes in the type of dwellings found in Wyong Shire between 2006 and 2011 were:

- Separate house (+1,917 dwellings)
- Medium density (+908 dwellings)
- High density (+451 dwellings)
- Caravans, cabin, houseboat (-227 dwellings).

#### Aboriginal and Torres Strait Islander People

Between 2006 and 2011, Wyong Shire had the largest increase in numbers of Indigenous people (+1661 people) in NSW. This compares to Gosford who had an increase of 907 people. The Shire's Indigenous growth rate is significant at 43.7% and is the 21st highest in NSW.

#### Education

Wyong Shire has lower levels of educational attainment and formal qualifications with School completion rates significantly lower than Gosford, Greater Sydney and NSW.

In Wyong Shire in 2011 there was a lower proportion of people holding formal qualifications (Bachelor or higher degree; Advanced Diploma or Diploma), a higher proportion of people with vocational qualifications and a higher proportion of people with no formal qualifications compared to Gosford, Greater Sydney and NSW.

#### Labour Market

The employment characteristics of the population are an important indicator of the socio-economic status of an area. It shows the share of the population that is employed full-time, part-time or unemployed, as well as changes over time in the labour force. Employment status is linked to a number of factors:

The age structure of the population which, for example, influences the number of persons in the workforce (i.e. population 15 years or more) or retired (i.e. population over 60 years),

The economic base and employment opportunities available in the area, and

The education and skill base of the population.

The main features of Wyong Shire's labour force are:

- A high proportion of the population aged 15 years and over not in the labour force (low participation rates)
- A high ratio of part-time to full-time employment, and
- High unemployment rates.

Figure 19. Educational Qualifications for Wyong and Gosford LGAs

	Tertiary Education (Bachelor or Higher degree)	University attendance	Vocational Qualifications
Wyong	9,628 (8%)	3,555 (2.4%)	28,819 (24%)
Gosford	19,009 (14.4%)	5,454 (3.4%)	28,989 (22%)
Greater Sydney	856,205 (24.1%)	229,422 (5.2%)	537,573 (15.1%)
New South Wales	1,108,805 (19.9%)	303,135 (4.4%)	986,651 (17.7%)

(Source: profile.id for Wyong, Gosford, Greater Sydney and NSW)

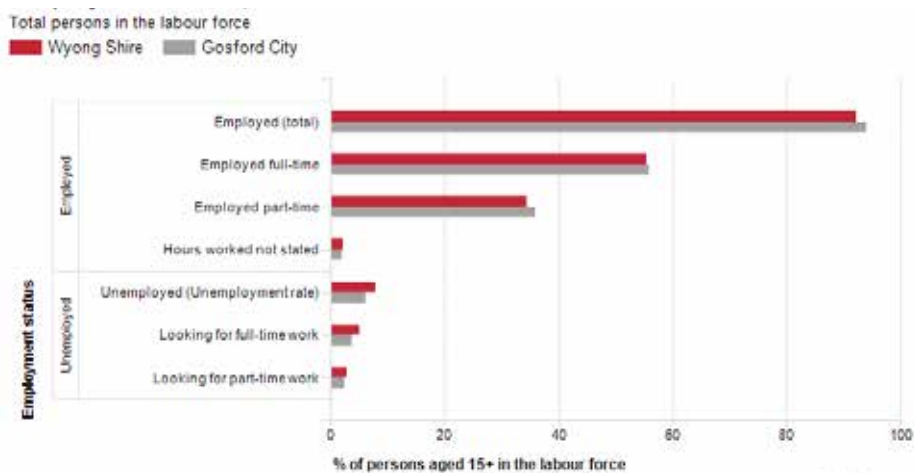
**Figure 20. Employment Status for Wyong and Gosford LGA**

The percentage of employed and full time employed persons is larger in Gosford than Wyong. Unemployment is higher in Wyong than Gosford.

Wyong Shire - Total persons (Usual residence)		2011		2006		Change	
Employment status	Number	%	Gosford City %	Number	%	Gosford City %	2006 to 2011
Employed	59,956	92.2	93.9	53,854	91.8	93.8	+6,102
Employed full-time	36,028	55.4	55.9	32,246	55.0	56.3	+3,782
Employed part-time	22,430	34.5	36.0	19,951	34.0	34.9	+2,479
Hours worked not stated	1,498	2.3	2.0	1,657	2.8	2.5	-159
Unemployed (Unemployment rate)	5,088	7.8	6.1	4,808	8.2	6.2	+280
Looking for full-time work	3,289	5.1	3.6	3,229	5.5	3.9	+60
Looking for part-time work	1,799	2.8	2.4	1,579	2.7	2.3	+220
<b>Total Labour Force</b>	<b>65,044</b>	<b>100.0</b>	<b>100.0</b>	<b>58,662</b>	<b>100.0</b>	<b>100.0</b>	<b>+6,382</b>

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented in profile.id by .id, the population experts.

**Figure 21. Employment Status for Wyong and Gosford LGAs**



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.



The size of Wyong Shire's labour force in 2011 was 59,956 persons; of which 22,430 were employed part-time (37%) and 36,028 were full-time workers (60%). Between 2006 and 2011, there has been a proportional increase in part-time employment. Part-time employment could also be disguising levels of underemployment.

**Figure 22. Unemployment Rate for Wyong and Gosford LGA**

	Unemployment Rate
Wyong	8.5%
Gosford	5.3%
Greater Sydney	5.6%
New South Wales	5.7%

(Source: Department of Employment Labour Market Information Portal 2015)

Between 2006 and 2011, the number of people employed in Wyong Shire showed an increase of 6,102 persons and the number unemployed showed an increase of 280 persons.

Unemployment rates have historically been 2-3% above the state and national rates. For the December 2014 quarter, the Shire had an unemployment rate of 8.5%. This compares to 5.3% for Gosford, 5.6% for Greater Sydney, and 5.7% for NSW.

The youth unemployment rate is significantly higher than Gosford. In Wyong Shire in 2011, unemployment among young people was particularly high at 16.4%. This compares to 11.6% for Gosford.

**Figure 23. Household Income and Wealth for Wyong and Gosford LGAs**

	Household income per week
Wyong	\$934
Gosford	\$1,089
Greater Sydney	\$1,447
New South Wales	\$1,237

(Source: profile.id for Wyong, Gosford, Greater Sydney and NSW)

Wyong Shire has a significantly lower income profile than Gosford, Greater Sydney and NSW with a median weekly household income of \$934 compared to \$1,089, \$1,447 and \$1,237 respectively.

28% of Wyong Shire households had an income of less than \$600 per week (24.4% Gosford, 18.3% Greater Sydney and 21% NSW) and only 9% of Wyong Shire households had an income of \$2500+ (Gosford 14%, Greater Sydney 24% and NSW 19%).

### Crime and Community Safety

In December/ January 2014 Wyong Shire had a much higher rate of some crimes than Gosford e.g:

- assault - Domestic Violence Related offences: 509.7 per 100,000 population compared to 263.5 for Gosford
- assault – non domestic violence offences: 508.4 per 100,000 population compared to 400.0 per 100,000 in Gosford
- sexual assault offences: 78.8 rate per 100,000 population compared to 55.6 for Gosford.

Numbers of apprehended violence orders (AVOs) are an indicator of the extent of domestic violence in the area. In 2013 there were 1,050 AVO's issued in relation to Domestic Violence on the Central Coast.

The rate of AVO's on the Central Coast, 323.9 per 100,000 people is lower than the NSW rate of 350.3 per 100,000 people. However, in Wyong Shire there was a significant increase (11.7%) in offenders breaching their AVO.

In Wyong Shire there have been some significant increases in particular types of crime including:

- harassment, threatening behaviour and public nuisance + 23.1%
- possess/ Use cannabis +68.3%
- possess/ Use amphetamines +107.8%
- prohibited & regulated weapons offence +15.9%
- breach AVO +11.7%
- transport Regulatory Offenses +43.6%.

(Source: NSW Bureau of Crime Statistics and Research 2015)

## Socio-Economic Disadvantage

In 2011, Wyong Shire scored 951.7 on the SEIFA index of disadvantage. This compares to Gosford (1006.3), Greater Sydney (1011) and NSW (995.8).

Wyong Shire also has SEIFA scores for smaller areas in the Shire. 12 suburbs in the Shire score below the Shire SEIFA score. The areas with the highest levels of disadvantage are:

**Figure 24. Wyong LGA SEIFA Scores**

Wyong	849.9
The Entrance - North Entrance	852.9
Toukley	877.8
Gorokan	891.3
Long Jetty - Blue Bay - Toowoan Bay	897.0
San Remo – Doyalson	897.1
Watanobbi	902.4
Lake Haven - Charmhaven (part)	905.0
Budgewoi - Halekulani - Buff Point	927.3
Mannering Park	932.0
Noraville - Norah Head - Canton Beach	936.3
Killarney Vale	940.4
Blue Haven	949.2

(Source: profile.id for Wyong)

### Summary: How Wyong is different to Gosford

- Significant projected population growth. Wyong Shire's population is projected to overtake Gosford City in the next 15 years
- Largest increase (in numbers) of Aboriginal and Torres Strait Islander People (between 2006 & 2011) in NSW
- Lower levels of educational attainment, formal qualifications, school completion and school retention
- Lower labour-force participation
- Higher ratio of part-time to full-time employment (disguising underemployment)
- Higher unemployment rates
- Higher rates of youth unemployment
- Lower income profile
- More households earning less than \$600 per week

- Significantly fewer households earning \$2500 per week
- High levels of households experiencing housing stress
- Higher levels of disadvantage
- Higher proportion of one parent families
- Higher rates of some crimes e.g. domestic violence, assault and sexual assault
- Significant increases in particular types of crime: Harassment, threatening behaviour and public nuisance, Possess/ Use cannabis, Possess/ Use amphetamines, Prohibited and regulated weapons offence, Breach AVO and Transport Regulatory Offences
- Poorer access to GP's, Primary care and specialist health care
- Higher rates of health behaviour risk factors – smoking, obesity
- Lower levels of health and wellbeing.

### 4.1.2 Key Issues for Wyong Shire

#### Significant Population Growth:

Wyong Shire's population is projected to overtake Gosford City in the next 15 years.

Challenges associated with population growth include: lack of facilities and services to meet the needs of residents, lack of local education and employment opportunities, housing affordability, and access to public transport. Facilities, services and programs are required to meet the needs of a growing and changing community. This includes arts, culture, recreation, sporting, leisure, learning, community support, health and access to appropriate and affordable accommodation and transport.

#### Unique Age Structure:

The "younger" and "older" age groups place the greatest demands of community and health services. The challenge is to manage growth to maintain and improve resident's overall quality of life. This is where our largest proportion of population is.



### *Ageing population:*

In Wyong Shire 25% of the region's population is aged 60 years and over compared to 20% for NSW.

Wyong Shire has an ageing population. This can be attributed to a number of factors including increasing life expectancy, improved living standards, advances in health and medical technology, and the "baby boomer" population transitioning into the older age groups.

Wyong Shire is and will continue to be an attractive place for older people to live, both through the natural ageing of the existing population and the in-migration of retirees.

Sufferers of dementia set to increase by 300% by 2050 (Central Coast Primary Dementia Care Network 2011).

### *Low socio-economic status:*

Wyong Shire is characterised by lower school retention rates, lower participation rates and attainment in tertiary education.

There is a high proportion of the population aged 15 years and over not in the labour force and a high ratio of part-time to full-time employment, disguising significant levels of underemployment.

As previously mentioned the Shire has a high unemployment rate of 8.5%. Historically, it is 2-5% higher than Gosford, Greater Sydney, NSW and Australia. Youth unemployment is also significantly higher at 16.4% compared to Gosford 11.6%.

In Wyong there is an overrepresentation in persons employed in trades and unskilled occupations, clerical and sales.

To reiterate, Wyong Shire has a significantly lower income profile than Gosford, Greater Sydney and NSW with a median weekly household income of \$934 compared to \$1,089, \$1447 and \$1237 respectively.

Lower education participation and attainment is a major factor explaining the higher unemployment rates and lower household incomes.

Education is an investment in the economic and social sustainability of the Central Coast. A more highly educated community will create income generating opportunities through innovation and creativity as well as employment opportunities and have a positive impact on the social fabric, via improvements in community participation and health.

The Shire has a narrow jobs base that is highly reliant on population related services (mainly health, retail, construction) and is under-represented in knowledge and business services (business services, professional services, technical services, finance) jobs.

The Shire's economy is comprised of a large number of small and medium sized businesses. Larger employers include health service, local government, several manufacturers, food processors, logistics centres, clubs, resorts and call centres.

Many of the Central Coast residents, who are employed in the knowledge and business services sectors, are commuting to jobs outside of the area. 22,094 or 36.8% of Wyong Shire's working residents travel outside of the area to work.

### *Families under pressure:*

Wyong Shire has a higher proportion of one parent families (14.5%) compared to Gosford (11.9%).

Many families moving to the Shire are moving away from their support networks or extended families experience a sense of isolation and disconnection.

The cumulative effects of long separation of working parents from children, limited leisure time and financial commitments have the potential to create high stress levels in families. Consequences include, child abuse and neglect, domestic violence – inadequate support services, family situation (unemployment, low income, housing stress and isolation), lack of appropriate parenting skills and strategies.

In some cases children are being raised in families that have been receiving income support for most of their lives.

A key challenge is to attract resources and recurrent funding for community support services and early intervention programs and activities that build positive family relationships, increase resilience, promote healthy child development, prevent abuse and neglect.

### *High levels of housing stress:*

14,000 households in Wyong Shire are currently experiencing housing stress (25% of all households in the Shire). This is projected to increase to 24,000 households in 2036. Over 50% of these are very low and low income renters. The majority of very low and low income renting households in housing stress were lone person and sole parent families.

The largest age group in housing stress was those aged 35-55 years, though there were still a large proportion of older people in housing stress, particularly low income purchasers. Over one-quarter of low income renters in housing stress were aged 55+ years.

Highest level of purchase housing stress is in Warnervale/Wadalba Social Planning District (SPD) where 68% of moderate income earners and 84% of low and very low income earners paid more than 30% of income to mortgage.

Very high numbers of very low and low income private renters were in housing stress in The Entrance, as well as in Gorokan, San Remo/Budgewoi, Southern Lakes and Wyong SPDs, in part reflecting the concentration of private rental as well as the relatively low incomes of renters in some of these areas.

Council's population projections show an additional 28,000 households by 2031, and using this estimate, there would be an additional 6,350 households in need of affordable housing, a total of 20,000 households by 2031.

The significant increases in those experiencing housing stress has a range of social impacts including placing pressure on relationships, income available for expenses apart from housing and ultimately access to housing. It is important that the community has access to affordable, appropriate and sustainable housing choices. Source: Wyong Shire Affordable Housing Study 2012.

#### *Limited Transportation Options:*

Public transport routes are often, indirect, services infrequent, limited night and weekend services.

There is an issue with affordability and a need for appropriate transport and investment on transport infrastructure to improve access and provide good links between our homes, places of work, services and facilities.

#### *Lower levels of Health and Wellbeing:*

Good health and access to quality services and facilities are important to the wellbeing of the community.

The Shire is characterised by poorer health, higher rates of behaviour risk factors such as smoking and obesity, and poorer access to GPs, primary care and specialist health care.

The three most common barriers to receiving GP services included too much delay in getting an appointment, inability to get an appointment and lack of GP services in the local area. Wyong residents were more likely to cite cost as a barrier they had faced in accessing GP services (source Central Coast Quality of Life Survey 2012 (CCQOL Survey 2012)).

Almost half of Central Coast residents stated that it would be extremely or very difficult in accessing out of hours care without going to an emergency department. Wyong residents had less accessibility to after-hours services (CCQOL Survey 2012).

Four out of five Central Coast residents rated their health as good, very good or excellent. Wyong residents were more likely to rate their health as fair and Gosford residents were more likely to rate their health as excellent. (CCQOL Survey 2012).

A high proportion of residents report being overweight and obese, rates are steadily increasing and are above the State average. More than half (58.6%) of Central Coast residents were either obese or overweight. Wyong residents were more likely to be obese. (CCQOL Survey 2012).

Wyong residents are less likely than Gosford residents to walk on a daily basis and more likely not to walk for exercise at all (CCQOL Survey 2012).

Wyong residents are less likely than Gosford residents to visit the dentist (CCQOL Survey 2012).

Wyong Shire has significantly lower rates of private health insurance (Central Coast Medicare Local Population Health Profile 2013).

## **4.2 The Nature and Quality of the Proposal's Supporting Information**

The Panel considers a sound argument based on robust information is required to demonstrate the relative merits of proposals alternative to the ILGRP's recommendations. Council believes it has sufficiently demonstrated robustness via:

- the engagement of an independent, third party to assess various reform options including the ILGRP's option for a merger of Wyong and Gosford Councils; where the CBA's assumptions underpinning its conclusion are based on robust and consistent data, are detailed in the CBA Final Report
- Council's own investigation and self-assessment addressing performance indicators based on current data and future forecasts where financial data input is verified via Council's IP&R process
- Provision of relevant and accurate supporting information (inclusive of Appendices) where assumptions are clearly identified and explained e.g. assumptions underpinning Council's LTFP are detailed on page 87-92 of Council's Strategic Plan 2015-19.

### 4.3 How Council Consulted with its Community

To address the Fit for the Future initiative, Council devised a comprehensive communications plan, some of which has been previously presented and includes the following key tasks:

- Development and publication of various media releases and Shirewide (Council designated section of the Shire's local newspaper, The Central Coast Express Advocate) news articles
- Creation of a live, updateable Fit for the Future section within Council's website
- Drafting and publication of Council reports
- Facilitating Councillor workshops and briefings regarding Fit for the Future
- Internal staff communications via Council's Connexions newsletter and designated Fit for the Future intranet site
- 2 x community consultation surveys, and
- 1 x staff survey.

#### 4.3.1 Community Consultation

Council's Proposal was developed in consultation with the community and Council staff. The community was consulted via two surveys:

- an initial survey was sent to those who subscribe to Council's Resident ePanel
- a directed, large scale community and business satisfaction survey (2,300 resident and 200 business participants) undertaken by an external market research company.

##### 1) Initial Community Survey

Council's initial Fit for the Future community survey was made available on Council's website for a period of approximately two weeks with 286 respondents. Council surveys and public exhibition documents are hosted on Council's 'Consultation Hub' site which is easy to use and available 24/7. An electronic link to the survey was sent to all members of Council's Resident ePanel notifying them of the Fit for the Future survey. The survey was also publicised on Council's Twitter and Facebook page, as well as via the Shirewide section of The Express Advocate.

The purpose of the initial Fit for the Future survey was to gauge the community's level of understanding of the State's initiative, the community's level of interest in the initiative and the community's views on the

recommendations of the ILGRP, specifically around a merger between Wyong and Gosford Councils. The survey was also used as a tool to inform the community of the State's initiative and the ILGRP's recommendations, as well as Council's neutral stance regarding the initiative.

The survey also requested respondents to signify support or non-support for the ILGRP's recommendation of a merger, whilst advising that Council was in the process of engaging an independent consultant to assess the merger among other reform options. Council's Communications unit drafted the survey to ensure neutrality and reflect Council's neutral stance.

The results showed the majority (57.34%) of the community had some awareness of the Fit for the Future initiative, with a large number of participants rating their understanding of the initiative as 'Good' (32.87%).

The majority of survey participants 'Strongly Opposed' a merger (29.06%), with a further 16.23% 'Somewhat Opposed.' A number of participants did not register an opinion either for or against a merger.

##### 2) Large Scale Resident and Business Survey Undertaken by Market Research Consultant

During April 2015, an independent telephone survey was conducted by Woolcott Research on behalf of Council to measure satisfaction with a range of Council services. The survey outcomes will enable Council to create benchmarks for future service provision, and assist in planning for the next four years. In addition, these results will assist Council in comparing itself to other councils providing similar services and undertake industry benchmarking. Council utilised the undertaking of a large scale satisfaction survey as an opportunity to gauge the community's views regarding the Fit for the Future initiative and a potential merger.

Respondents were randomly selected using the latest available residential and business listings for the Wyong LGA, with an aim to represent the region in terms of age and gender and by nature of business. The total sample has a standard error of +/- 2% at the 95% Confidence Interval.

Those selected received a call from a Woolcott Research representative, who conducted the survey on Council's behalf. It was anticipated that each survey would take approximately 20 minutes to complete.

As part of the larger Resident and Business Satisfaction Survey, the large scale community survey presented the ideal opportunity to obtain a robust determination of community views in regards to a potential merger between Wyong and Gosford.

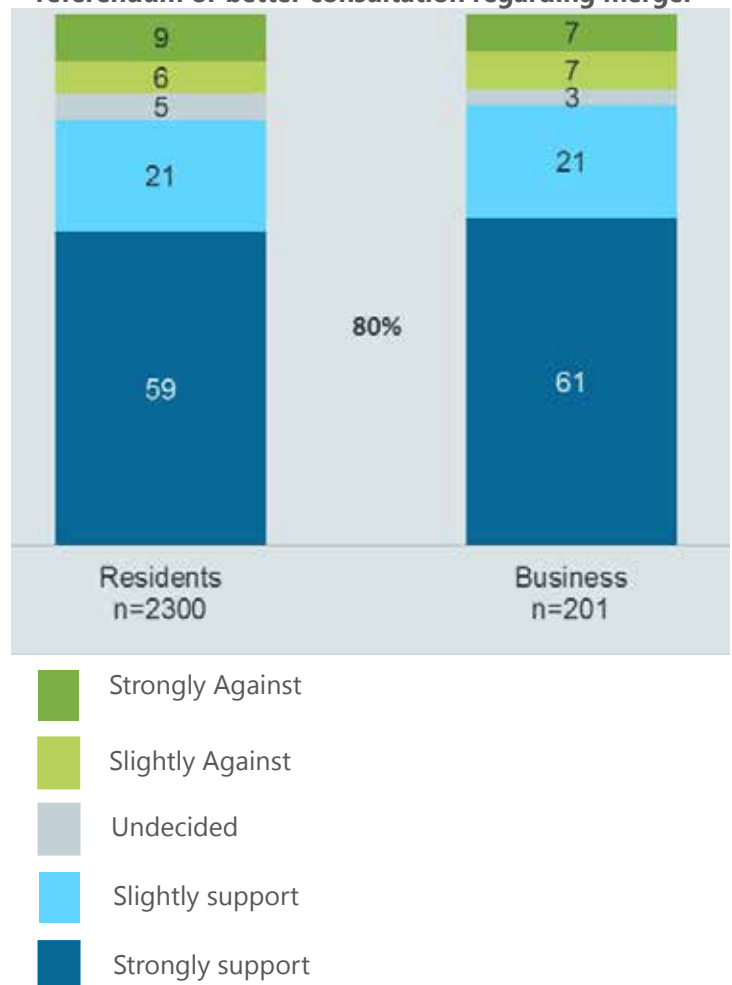
The results of the Woolcott survey showed of those resident who made a decision that Wyong Shire residents were opposed to a merger of Wyong and Gosford (61%), while 57% of businesses were also opposed to a merger.

Approximately 80% of residents and 82% of businesses supported a referendum or better community consultation regarding a plan to merge Wyong and Gosford Councils.

**Figure 24: Residents and Business opinion on potential merger between Wyong and Gosford Councils**



**Figure 25: Residents and Business opinion on a referendum or better consultation regarding merger**



Respondents were asked to identify issues they perceived would arise from a potential merger with the majority of issues identified falling under three major, broader headings of: impacts to community services, loss of local identity, and the merger negatively affecting Wyong with the benefit of a merger going primarily to Gosford.

**Figure 26: Resident concerns regarding a potential merger of Wyong and Gosford**

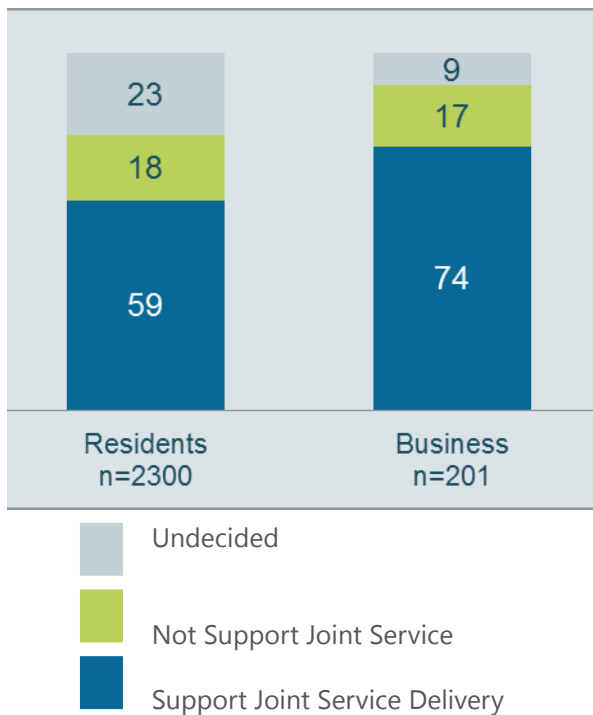
	Residents with concerns (n=1107) %
<b>I think it will become too big, too big an area to manage</b>	<b>31</b>
<b>That we would lose services, have lesser standard of services</b>	<b>21</b>
<b>I have concerns about the allocation of funds, resources</b>	<b>11</b>
I believe, worry that the rates would go up	9
The extremities, parts of the coast would get forgotten, almost forgotten already	8
The personal, local touch might, would get lost if the council was bigger	7
A lot of jobs would \ might go if they merged the councils together	6
Wyong council does a better job than Gosford, are in surplus, don't want to be worse off	5
That the focus will shift according to who is in charge, their agenda, who will be in charge?	5
Gosford will get more out the merger than Wyong, Wyong would suffer	5
Gosford would take all, too much of the money	5
Fear that the result will be worse, things will suffer, we will come out worse	4
Areas are different, councils have different issues to contend with, do things differently	4
That we haven't been given enough information about it	3
As long as they plan well, manage it how they say they will, that they don't waste money	3
That we'd just get lost \ swallowed up \ lose control	3
Other	18

**Figure 27: Business concerns regarding a potential merger of Wyong and Gosford**

	Businesses with concerns (n=1107) %
<b>I think it will become too big, too big an area to manage</b>	<b>20</b>
<b>That we would lose services, have lesser standard of services</b>	<b>19</b>
<b>The extremities, some parts of the coast would get forgotten, they are almost forgotten already</b>	<b>17</b>
<b>That we would just get lost, swallowed up, lose control</b>	<b>16</b>
I have concerns about the allocation of funds, resources	8
Wyong council does a better job than Gosford, are in surplus, we don't want to be worse off	7
The areas are different, councils have different issues to contend with, do things differently	7
Gosford will get more out the merger than Wyong, Wyong would suffer	6
I believe, worry that the rates would go up	6
A lot of jobs would, might go if they merged the councils together	5
Gosford would take all, too much of the money	5
That the focus will shift according to who is in charge, their agenda, who will be in charge?	5
The personal, local touch might, would get lost if the council was bigger	4
That things will never get done, take even longer	3
I don't like the idea of a bigger bureaucracy, a bigger council	3
Other	24

The majority of both resident (59%) and business (74%) respondents were in favour of further investigation into joint opportunities with Gosford City and other neighbouring Councils, with the aim of improving Council services such as water, road and waste across the entire Central Coast region.

**Figure 28: Resident and businesses response to investigation into joint services**



**4.3.2 Staff Consultation**

To assist Council in formulating its Proposal, and in addition to the two community surveys, a staff survey was considered vital to ascertain the views of a key affected stakeholder group.

Council provided a number of updates to its staff regarding the Fit for the Future initiative, via internal communication such as all staff emails and Big Picture presentations (event for all employees held at main work locations where employees hear from the General Manager and key note speakers about what’s happening within Council.)

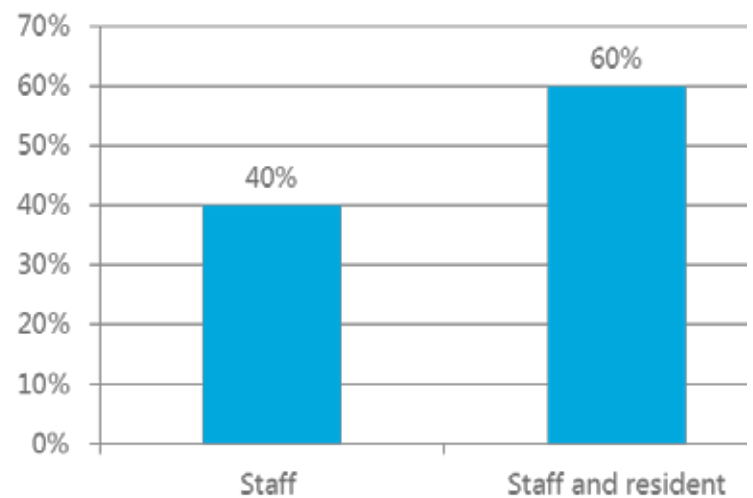
In addition to informing its staff of the Fit for the Future initiative, and Council’s process to address the initiative, Council requested all staff members to participate in a staff survey to ensure staff had a voice on whether they support or do not support a merger of Wyong and Gosford. Council staff were provided the means and opportunity to take a paid 15 minute break to complete the survey. Each Service Unit Manager or Section Manager facilitated staff filling out the survey.

The survey was completed by 501 staff members of which:

202 – staff were from outside the Wyong Shire area

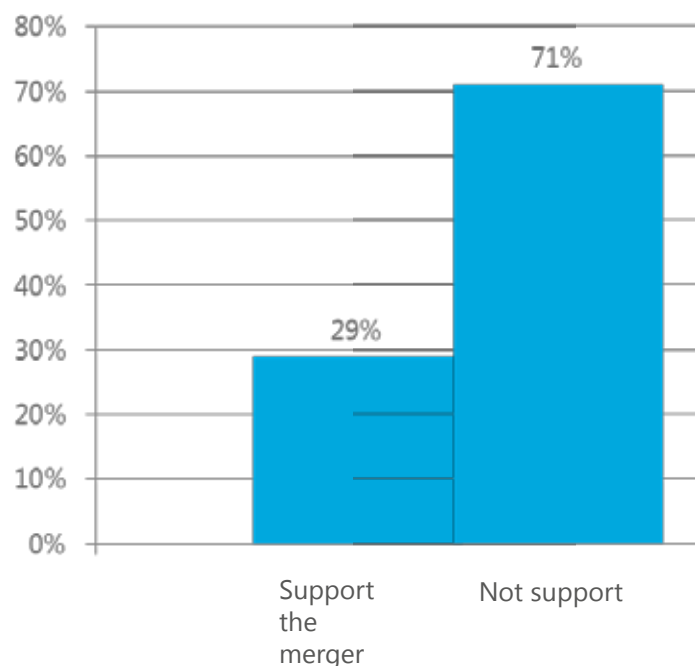
299 – staff indicated they were residents of the Wyong Shire

**Figure 29: Staff and Staff and Resident participating in survey**



Of those staff who made a decision 71% opposed a proposed merger of Wyong and Gosford:

**Figure 30: Staff and Staff and Resident opposed the merger**



Other key highlights from the staff survey are as follows:

- Of those staff who made a decision, the majority (66%) did not believe the merger of Wyong and Gosford would enhance the ability of the council to deliver improvements to the region
- 78% of staff believed the Central Coast region was too large of an area to be managed by one council
- Approximately 73% of staff believed the merger would provide greater benefit to Gosford
- 82% believed Wyong Shire would lose its identity if a merger was to go ahead
- 78% of staff had concerns if a merger were to proceed. With the two major concerns relating to impacts to current service levels and job losses.

#### 4.4 The Impact of Council's Water Utility Business

Water supply and sewerage services provided by councils, particularly in regional NSW are an integral part of a council's operations. Water supply and sewerage services enhance a council's scale and capacity, particularly the robustness of a council's revenue base, their ability to undertake major projects, to employ a wider range of skilled staff, and to undertake strategic planning and foster knowledge, creativity and innovation, as well as the ability to achieve effective regional collaboration and be a capable partner for agencies of the NSW Government and the Australian Government. A council's water supply and sewerage function contributes to the overall financial sustainability of councils.

Council is both a Local Government Authority and a Water Supply Authority. This means that Council not only delivers the diverse range of valuable services associated with that of a local government body, but also wholly operates a water and sewerage business as well. As previously stated, Council's Water authority is the third largest Water Authority in NSW after Sydney Water and Hunter Water with over \$2.3B in assets. This function is a very significant undertaking, which requires Council to manage the following:

- Water supply assets that include dams at Mangrove Creek, Mardi and Mooney; weirs at Mangrove Creek, Wyong River and Ourimbah Creek; water treatment plants at Somersby and Mardi; and associated raw water pipelines and pump stations. This system forms part of the third largest water supply undertaking in NSW, reticulating over 13,000 mega litres per annum of drinking water to 62,000 properties through a network of 1200 kilometres of mains, 22 service reservoirs and 23 pumping stations.

- Its sewerage system, consisting of 1240 km gravity and pressure mains; 142 pumping stations; and treatment plants located at Toukley, Bateau Bay, Charmhaven, Wyong South, Mannerling Park and Gwandalan. This system services over 60,000 properties.

Council is now planning to construct a new pipeline to allow improved inter-regional water provision by enabling direct transfer of water from Mardi Dam to the Warnervale growth areas and Morisset and the Lower Hunter. The increasing demand in the northern areas of Wyong together with regional water demands identified in the Lower Hunter Water Plan has necessitated the construction of this main.

##### 4.4.1 Water Utility Performance

###### *Compliance with NSW Government Best Practice Management of Water Supply and Sewerage Framework*

Council has addressed its Water Utility Performance as per the OLG's *Template 2* (Appendix D). Council currently achieves the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework. Council complies with the State's requirements, verified by the results of the 2012-13 FY Annual Audit. The audit for the 2013-14 FY is expected in June 2015.

###### *Council's Current (2013/14) Water and Sewerage Infrastructure Backlog*

Council's 2013/14 water and sewer backlog is \$20.4M or 0.91% of assets.

###### *Does Council's Water and Sewer Operations Operate on a Break-Even Basis*

Council does not currently manage its water and sewerage operations on at least a break-even basis and there are a number of explanatory factors that influence its performance:

###### **Low Water Usage following 10 Years of drought**

In 2001-2002, Council sold 15.4 GL of water. The ten year drought however resulted in severe water storage reductions and associated water restrictions that spanned from February 2002 to May 2012. Significant effort during the drought by the community and the council towards demand management and water efficiency has resulted in persistent lower water demands. The projected water sales for 14/15 FY is 12.2 GL (80% of the 2002 sales) despite the population in Wyong growing by approximately 20%. Average annual residential water

consumption has dropped from 215kL to about 150kL during this decade of drought (30% reduction). Although positive from an environmental and conservation aspect, it means revenues and the business has shrunk.

#### **Regulated prices not adequate to meet cost growth**

The IPART determination for the 13/14 FY to 16/17 FY period provided significantly less revenue than that requested by Council. IPART, in the May 2013 price determination, gave Wyong Council prices that would generate \$292.5M (12/13 FY) in revenue over the 4 year price path 13/14- 16/17 FY. This revenue was \$96.4M less than the revenue requirement proposed by Council. The annual price increases approved were around 1.5%, however costs (salaries and wages, materials, utilities, etc.) are rising by around 4%. The price determination resulted in one of the lowest regulated prices for water in Australia.

#### **Debt at high fixed interest rates**

Under the principle of intergenerational equity, Council's water business borrowed material amounts from banks prior to and during the height of the Global Financial Crisis (approximately \$178M). Servicing these fixed borrowings presents a material impost (total interest costs of \$14.9M and repayment costs of \$10.3M in 2013/14 FY), which are not adequately compensated for in the IPART pricing determination.

#### **Benefits from Central Coast Water Corporation and Joint Services Business not realised due to Gosford City Council decision not to proceed**

In 2006 the NSW State Government introduced the Central Coast Water Corporation Act to provide a single water authority for the entire Central Coast. A project team for the establishment of the CCWC was appointed in November 2011. Shortly after, Directors to the CCWC Board were appointed in December 2011. A cost benefit analysis was undertaken for the establishment of the CCWC in conjunction with the development of a joint service entity for overall cost and efficiency benefits. The implementation plan proposed to transfer staff and lease the assets by 1 July 2017. This was not implemented as a result of a resolution from Gosford City Council for the councils not to proceed with the proposal.

#### **4.4.2 Water Utility Capital Works**

The State's Template 2 (Appendix D, requests Council's directly responsible for water supply and sewerage management to identify any significant capital works (>\$1M) proposed for the 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.

Council has detailed a list of Water Supply Authority capital projects > \$1M for the period 2016-17 to 2019-20 that Council currently has in its LTFP in its Proposal Template (section 2.4 Appendix D). This list is replicated in Table 10 of this document.

It should be noted that Council's next IPART determination period does not commence until 1 July 2017, which may impact on the capital projects that Council undertakes, and therefore the list is subject to change. In addition, each year as the LTFP is reviewed as part of the development of the Strategic Plan, reprioritisation and splitting of bulk amounts into individual projects will also occur.



**Table 10. Significant capital works (>\$1M) proposed for the council's water and sewer operations during the 2016-17 to 2019-20 period**

Capital works			
Proposed works	Timeframe	Cost	Grants or external funding
Joint Water Supply Water Quality Strategy: Works arising from Water Quality Strategy	2016/17	1,500,000	750,000
Tuggerah - Drainage and Water Quality Works	2016/17	1,697,000	1,697,000
Porters Creek Stormwater Harvesting Scheme	2016/17	1,750,000	1,750,000
Wyong South Sewer Treatment Plant Construction	2016/17	2,000,000	1,000,000
Mardi to Warnervale Trunk Main Construction	2016/17	11,500,000	11,500,000
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2017/18	1,628,000	1,628,000
Porters Creek Stormwater Harvesting Scheme	2017/18	1,750,000	1,750,000
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2017/18	2,035,000	2,035,000
Sewer Pump Stations Refurbishment: Future years refurbishment	2017/18	3,670,000	-
Mardi to Warnervale Trunk Main Construction	2017/18	11,500,000	11,500,000
Stormwater Drainage Renewals and Upgrades	2018/19	1,500,000	-
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2018/19	1,628,000	1,628,000
Porters Creek Stormwater Harvesting Scheme	2018/19	1,750,000	1,750,000
Sewer Pump Stations Refurbishment: Future years refurbishment	2018/19	1,890,000	-
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2018/19	2,035,000	2,035,000
Joint Water Supply Projects - Contribution to Gosford City Council for Gosford managed capital projects	2018/19	2,041,000	-
Charmhaven Sewer Treatment Plant Augmentation	2018/19	5,500,000	5,500,000

Proposed works	Timeframe	Cost	Grants or external funding
Joint Water Supply Water Quality Strategy: Works arising from Water Quality Strategy	2019/20	1,025,000	512,500
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2019/20	1,628,000	1,628,000
Porters Creek Stormwater Harvesting Scheme	2019/20	1,750,000	1,750,000
Developer Servicing Plan Works: Sewer main upgrades identified in development servicing plans	2019/20	2,035,000	2,035,000
Sewer Pump Stations Refurbishment: Future years refurbishment	2019/20	2,120,000	-
Sewer Pump Stations Refurbishment: Future years refurbishment	2019/20	2,132,400	-
Stormwater Drainage Renewals and Upgrades	2019/20	2,500,000	-
Joint Water Supply Treatment Plant Dissolved Air Flotation (DAF) Construction	2019/20	4,000,000	2,000,000
Joint Water Supply Projects - Contribution to Gosford City Council for Gosford managed capital projects	2019/20	6,553,000	-
Charmhaven Sewer Treatment Plant Augmentation	2019/20	7,000,000	7,000,000

#### 4.4.3 Improvement Strategies for Water Utility

Template 2 (Appendix D) outlines some of Council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period. However, the strategies which mainly fall under the larger Council Infrastructure Operation Review are detailed in this section.

##### *Infrastructure Operations Review*

In August 2014, a review of Council's Water and Sewer (W&S) and Roads and Drainage (R&D) business units was undertaken, in order to identify opportunities to improve efficiency, performance and culture. The review was identified as a high priority based primarily on Council's W&S business facing significant financial challenges, with then current and forecasted expenditure levels projecting a net loss of \$10M per annum for the current regulatory period (2014-17). The W&S business was identified as inefficient, not market competitive, and utilising outdated work practices.

Not being regulated by IPART, R&D does not face the same cost pressures, however, it is required to increase productivity in order to make the best use of available capital and provide best value service to the community.

High level benchmarking of key activities undertaken by the W&S business was undertaken as part of the review and highlighted significant opportunity for efficiency improvements, particularly in field services functions, where comparable peers (many of whom have heavily outsourced operating models) are able to deliver the same services for less than 50% of the cost currently incurred by Council. Observations of W&S field functions supported the benchmark findings, with significant issues identified in the areas of job and cost control, planning, scheduling, crew utilisation and productivity.

Observations of R&D field functions highlighted high performance in the construction group, with specific opportunities to share best practice with other field functions across W&S and R&D in terms of career development and performance management. Observations of R&D maintenance function (General Works) highlighted similar issues to those seen in W&S.

A high level review of the current organisation structure highlighted a largely reactive approach to organisation design, a lack of clarity and overlap between roles, significant and detrimental variation in spans of control, and key risks in terms of corporate knowledge retention and succession planning.

The review identified that there are a number of key cultural issues that need to be addressed to create a baseline for sustainable change. The culture reflected a distinct lack of trust between management layers and very little accountability for individual or organisational performance.

Specific opportunities were also identified to improve operational efficiency in the areas of chemical usage, energy efficiency, treatment processes, capitalisation and revenue recovery.

The review identified six priority work streams and recommended that these be delivered under a structured and comprehensive transformation program. The six priority work streams are as follows:

#### 1. Job and Cost Control

Establish management control over crews, jobs and expenditure, developing granular visibility of maintenance costs to enable critical reporting and continuous improvement.

#### 2. Accountability and Trust

Build trust and connection between staff and leverage performance management regime to develop a culture of accountability for individual and organisational performance.

#### 3. Organisation Design

Develop a clear view of the future state structure of the organisation based on a bottom up review of core function processes, capabilities and roles.

#### 4. Recruitment Process

With improved visibility of future state organisational structures, develop tactical workforce plans to allow rapid recruitment and/or redeployment when roles become vacant.

#### 5. Operational Improvement

Implement a number of tactical initiatives to improve the financial position of the W&S business by decreasing operating expenditure on power, chemicals and logistics, more accurately reflecting capital expenditure, and reducing unrecovered revenue.

#### 6. Meet or Beat the Market

Identify opportunities to introduce contestability and challenge the organisation to meet comparable market rates. Drive improvements to internal planning, scheduling, and maintenance processes to increase productivity while undertaking selective outsourcing to establish a robust baseline of market capabilities to deliver key contestable services.

Key to underpinning the above priority work streams was the creation of an integrated business system similar to that used by our potential competitors. An integrated system would provide assurance that we can manage our work health and safety, environmental and our service quality responsibilities in one common approach and would also support the creation of an accountable workplace culture. As such, Integrated Business System Development was added as a seventh work stream.

Council is currently in the process of implementing the seven work streams to achieve the identified improvements. The R&D business, which already market tests a significant number of services, has similar opportunities to improve outdated work practices.

The objectives of the project which oversees all seven work streams, are:

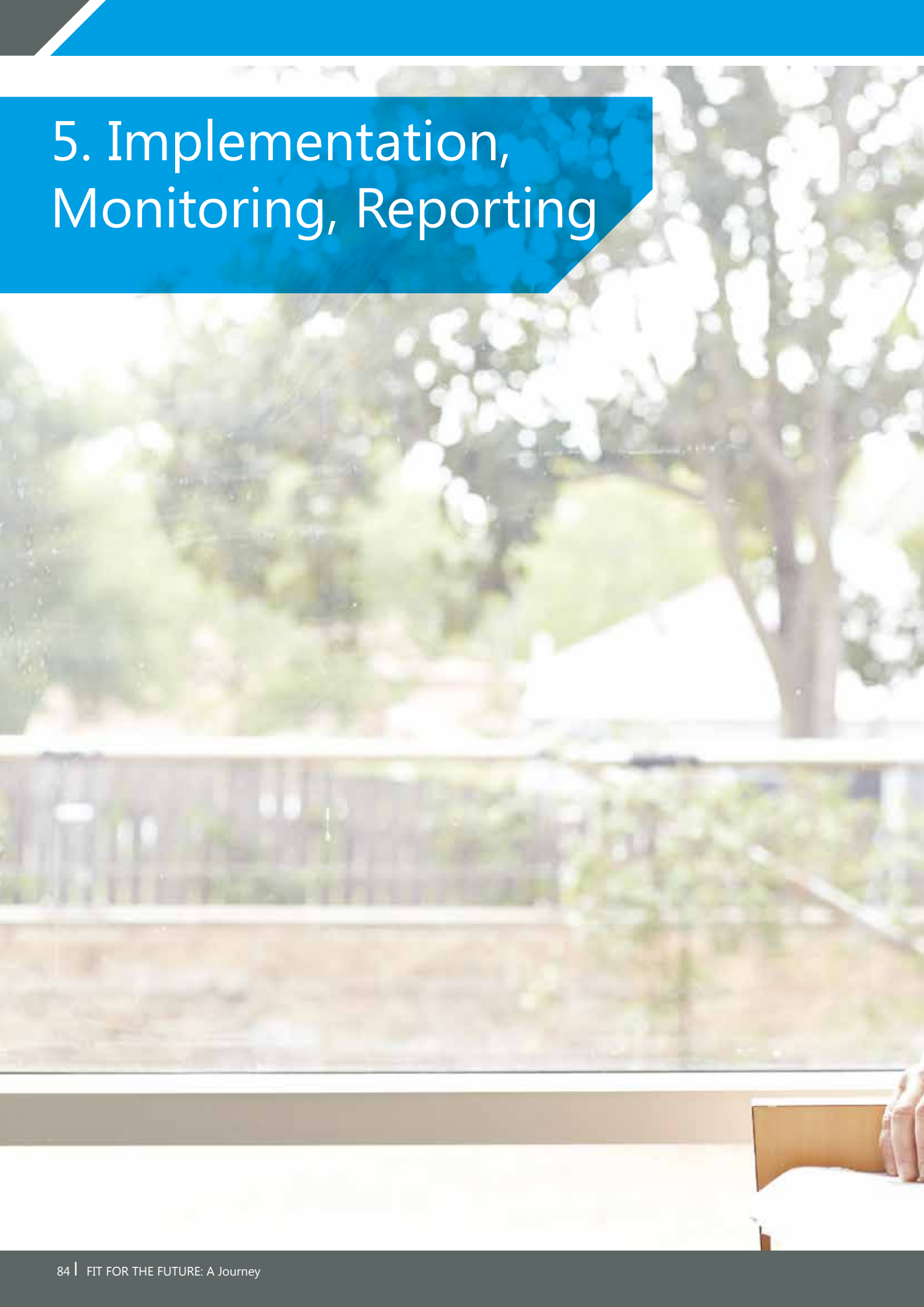
- Implement the principles of the business review by 30 June 2016
- Implement each initiative as soon as completed and
- Run the improved structure and processes from implementation until 30 June 2017 and then benchmark performance. If the business(es) are still not market competitive then proceed with broader scale outsourcing.

The benefits of the project are:

- Savings in operational costs of the order of \$4m per annum
- Market competitive business sustainable in the long term
- Compliance with the NSW Government "Fit for the future" requirements
- Skilled and motivated workforce
- Reduced increases in customer bills
- Customer savings.

This is one of many business improvement initiatives currently being undertaken by Council to improve its current performance and future fitness.

# 5. Implementation, Monitoring, Reporting







## 5. Implementation, Monitoring and Reporting on Implementation of Fit for the Future Plan

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### **Implementation**

Further detail on how Council plan on implementing the key activities and initiatives is clearly outlined in the appendures of B - OLG Self Assessment, Appendix D - OLG Business Improvement, Appendix E - Council's Strategic Plan and Appendix N which includes a detailed action plan, schedule and the Wyong Shire Council Corporate Portfolio Panel.

### **Monitoring and Reporting**

The State note that becoming a Fit for the Future council is a process that will take time, particularly where structural change is proposed. The State also suggests there are benefits from assessing council performance over time to ensure financial sustainability and effective and efficient service delivery. Therefore, the Panel considers that councils should report against their Fit for the Future proposals and be reassessed in the future.

To monitor and report Fit for the Future performance of councils, the Panel propose that:

- councils would report performance in their Annual Reports, and
- the Auditor General would reassess performance periodically as part of the Audit Office of NSW's new auditing role in the sector.

Council agrees with the Panel's proposal for NSW Councils to report on their performance in light of their Fit for the Future proposals.





## 6. Appendices

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Under separate cover

### List of Appendices

Appendix A	WSC Joint Services Opportunities List
Appendix B	OLG Self-Assessment Consolidated Fund and General Fund
Appendix C	Third Horizon CBA
Appendix D	OLG Template 2: Business Improvement
Appendix E	Council's Strategic Plan 2015-19
Appendix F	Transforming the NSW Central Coast: Wyong – A Key NSW Growth Area & 10,000 Jobs Created by 2030 for the Central Coast
Appendix G	North Wyong Shire Structure Plan
Appendix H	The Regional Economic Development and Employment Strategy (REDES), Central Coast Regional Strategy 2006-31, 2031 Your Future Central Coast A Discussion Paper
Appendix I	The Coalition's Growth Plan for the Central Coast
Appendix J	Central Coast Regional Action Plan NSW 2021
Appendix K	Central Coast Destination Management Plan
Appendix L	Wyong Shire Economic Development Strategy, Wyong Community Strategic Plan 2030, Wyong Settlement Strategy
Appendix M	LTFP Assumptions
Appendix N	Detailed Action Plan, Detailed Action Plan Schedule, Corporate Portfolio Panel



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