

**Fit for The Future
Improvement Proposal
(Existing Structure)**

June 2015

Council name: Strathfield Council

Date of Council resolution endorsing this submission: 18 June 2015

1.1 Executive Summary

Strathfield Council has fully considered the recommendations of the Independent Local Government Panel Report for a merger of the six Inner West Councils. Following financial modelling, extensive community consultation and the fact that no other Inner West Council supports this proposal, Strathfield Council has endorsed submitting a stand alone proposal. Financial modelling indicates the Inner West merger option will not meet as many of the Fit for the Future financial benchmarks by 2019/20 as Strathfield Council can by standing alone. Accordingly, Council in responding to the Fit for the Future program has determined to complete a stand-alone Council Improvement Proposal (Existing Structure). This proposal provides the business case for how Council will remain 'fit for the future' as a stand-alone council.

This submission demonstrates that Strathfield Council has scale and capacity and can meet the benchmarks identified for the other criteria of Sustainability, Infrastructure and Service Management and Efficiency. Council will meet all the benchmarks by 2019/2020, through increasing revenue and expenditure on asset management and reducing operating expenditure through efficiency gains. Council has not forecast borrowings in its Long Term Financial Plan and technically could be said to fail the Debt Service Ratio benchmark. However as all other measures are met council would be taking on debt purely to satisfy the ratio. Plainly that was not the government's intention and Council therefore consider the ratio as met. Council has capacity to borrow should the need arise for appropriate projects. Council addresses its strategic capacity in **Attachment A**. The Strathfield Council Fit for the Future Report by Morrison Low is **Attachment C**. Council has implemented significant cost containment strategies and actions for many years that demonstrate Strathfield Council commitment to providing cost effective services to its community and customers. **Attachment D** contains further information on cost containments.

Strathfield Council's projected development growth will result in increases to the current population by 2031 of in excess of 100% as a result of the current level of development together with the projected development resulting from the Parramatta Road Urban Renewal Strategy. The Strathfield LGA has a unique mixture of land uses including residential – low, medium and high rise development – with significant industrial and commercial areas, supported by Sydney's best connected public and private transport infrastructure networks. Strathfield Council has key State and Federal government and private infrastructure and organisations including the Enfield Intermodal Terminal, Sydney Markets,

Australian Catholic University and many nationally recognised companies. This mixture of land uses provides Council with a robust revenue base and opportunities for economic and community development underpinned by effective environmental management of Strathfield natural resources.

As an alternative to amalgamations, and to achieve effective regional/sub regional advocacy and shared service efficiencies extending beyond current procurement alliances, Strathfield Council supports and is proposing a Joint Organisation (JO) model – providing increased strategic capacity and improved financial sustainability through:

- A regional entity to oversee broad direction, advocacy and strategic planning
- A shared services arrangement to oversee development of shared services, joint procurement and other operational activities – requiring councils to delegate a range of services to a regional entity.

Council has assessed the financial impacts of the Inner West Council merger recommended by the Independent Local Government Review Panel and it is concluded that this merger would be financially detrimental for the residents and ratepayers of Strathfield Council. There would be a significant number of risks involved in a six council merger including the likelihood that any efficiency gains may not eventuate which has occurred in many other states. However, the greatest risks are the impact of change in political representation. In the case of a merger of the Inner West, it is likely that there would be only one councillor elected from the former Strathfield area, which would greatly reduce representation and minimise any influence in the new council from the Strathfield area. This would irreversibly alter the governance of the Strathfield area and substantially change if not extinguish the voice of the Strathfield community in local government and as represented to the state and federal government.

The community have been extensively consulted throughout the process and Council has notified the community of actions that Council intends to pursue to meet Fit For the Future objectives including a standalone proposal with a Special Rate Variation and establishing strong regional partnerships with neighbouring councils through a Joint Organisation. The Strathfield community has overwhelmingly indicated support for this option with over 80% of the community supporting this as their preferred option. A Joint Organisation model is seen as a genuine and potentially superior option to amalgamations. This is outlined in **Attachment B**.

A merger of the Inner West Councils does not meet the Fit for the Future benchmarks and merger proposals are not supported by the Strathfield community, which has been consulted regularly over the last two years and has indicated in all consultations a preference for Council to stand alone.

Council has not proposed boundary adjustments of lands controlled by other councils as it is considered to be beyond the scope of this review and does not agree with any proposals by other councils which propose changes to Strathfield Council's boundaries. This position was endorsed by Council on 26 May 2015.

The size, scale and revenue generated from an increasing growing area, and the projected infrastructure improvements to meet community needs will ensure that Strathfield Council has the capability to ensure the ongoing financial, social, civic leadership and environmental sustainability of Strathfield for current and future generations.

Scale and Capacity

The Independent Local Government Review Panel recommended the merger of Strathfield Council with Ashfield, Burwood, City of Canada Bay, Leichhardt and Marrickville Councils. As an alternative, it proposed the establishment of a Joint Organisation in the Inner West.

Strathfield Council's proposal does not align with the Independent Local Government Review Panel merger recommendation. The proposal to merge six councils is not supported by any of the six Inner West Councils. Strathfield Council's proposal is consistent with the alternate option proposed by the Panel of establishing a Joint Organisation. Council considers that the establishment of a Joint Organisation is a more cost effective proposal than the merger option recommended by the Panel.

Considerations

Council has fully considered the implications of the Panel's recommended merger of Strathfield Council with Ashfield, Burwood, City of Canada Bay, Leichhardt and Marrickville Councils.

Council commissioned independent industry experts Morrison Low to analyse and model the Fit for Future requirements as they apply to Strathfield Council and the cost and benefits of the Panel recommended Inner West merger. Detailed analysis indicates that the Inner West merger does not meet the Fit for the Future benchmarks now and into the future. Therefore, it would not be in the interest of the community.

None of the Inner West Councils have resolved to support the Panel recommendation for a six council merger into an Inner West Council.

The issues considered are:

Financial sustainability

The proposed merged Inner West council would not be 'Fit for the Future'. Modelling by Morrison Low found that merger of Inner West Councils would fail 3 of the 7 financial and sustainability benchmarks required by the NSW Government in the benchmark period of 2019/20. Modelling revealed that this would not improve over the longer 10 year term. In contrast, Strathfield Council is projected to satisfy all benchmarks by 2019/20.

Costs of mergers

Transitioning to a merged council would take many years and be very costly. Based on the Queensland amalgamation experience, it is expected that the costs would far exceed the funds being offered by the state government. The merger would impose considerable costs on the ratepayer (in excess of \$70 million on top of a \$16.5 million government contribution - resulting in a likely residential rate increase) without a commensurate increase in service levels. In fact, it is expected that service levels will decline in any merged council because of the unsustainable financial position of the merged council.

A review of merger costs in Queensland by the Queensland Treasury Corporation in 2009 showed that the estimated costs ranged from \$2.3 million to \$21.5 million, with an average of \$8.1 million. These same Queensland Councils post-merger had an average population of only 69,000. A merger of the Inner West Council would result in a population of over 350,000 and it is expected that merger costs would therefore be much greater than the Queensland experience.

A major cost of transition would be the integration of information technology systems. Local government IT systems are inherently complex due to the wide range of services and regulatory functions that are managed. Currently there is very little commonality between the IT systems across the Inner West, meaning that there would be a major process to move to a common system. The transition would involve many other costs such as for redundancies, employment transition, branding, new accommodation, change management, standardisation of policies, processes and procedures, salary system equalisation and redesign.

During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.

Cost savings and efficiencies

A merged council would result in a larger bureaucracy and there is little evidence supporting claims by the NSW Government that local government amalgamations will result in cost savings to the community or are more financially sustainable than stand-alone councils. There are differing views about whether mergers lead to cost savings and greater efficiency. Academic studies indicate that predicted savings from mergers are theoretical and do not eventuate.

Modelling by Morrison Low (Inner West Councils Fit for the Future - Shared Modelling, February 2015¹) indicated there are possible savings as a result of merger of Inner West Councils which would largely occur through reducing staff numbers (corporate services, managerial and works units) and sale of assets. However savings were dependent on future decisions of the merged council which cannot be guaranteed. There is considerable evidence to suggest that savings rarely eventuate and the costs of the merger are significantly underestimated and the real cost is borne by ratepayers with reduced services and increased rates.

Academic studies indicate that predicted savings from mergers are optimistic and do not eventuate. This is supported by the work of local government expert Professor Brian Dollery from the University of New England (Dollery, Kortt and Grant (2013) *Funding the Future: Financial Sustainability and Infrastructure Finance in Australian Local Government*, and Dollery, Kortt and Grant (2012), *Shared Services and Australian Local Government*).

Nine of the biggest Councils in NSW run large operating deficits. These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. This demonstrates that large councils are not necessarily more efficient.

Community Representation

There are currently 7 councillors elected in Strathfield Council. There is currently a total of 59 councillors across the six Inner West Councils. The *Local Government Act* provides for a maximum of 15 councillors and there are no apparent plans by the State Government to increase this number, as such, it is assumed that a merged council would have a maximum of 15 councillors.

Council areas with higher populations would have more councillors elected from their areas. Based on population, Strathfield Council would be entitled to 1 councillor out of the 15 council positions and therefore, would exercise minimal influence in a larger council.

The reduction of councillor representation would dramatically increase the number of residents per councillor from one councillor to 5,900 residents currently in Strathfield Council to one councillor per 23,000 residents in a merged council. This trend would continue to increase as the resident population increases over time, which is expected.

Community engagement and identification

¹ http://www.burwood.nsw.gov.au/our_burwood/local_government_amalgamations.html

If Strathfield was merged into an Inner West Council, there is a perception by the local community in communications and engagement that there would be significant loss of identity. In community engagements in preparing the Community Strategic Plan 'Strathfield 2025', the values and sense of local community were extremely important to the local community. A merger would involve a significant reduction in representation of the Strathfield area in a larger merged Council and make it much harder to effectively engage with councillors.

The Strathfield community has been extensively consulted on the NSW Government's proposal and does not support the Inner West merger with over 80% of the community expressing their preference for a stand-alone position for Council.

Rates

Council rates are based on land values and a merger of six council areas would result in changes to the amount of rates paid by individual properties. As the *Local Government Act* only allows for one ordinary residential rate across the whole of an urban council area, the status quo could not remain and a new residential rate covering the merged council area would need to be implemented.

Due to the higher land values in Strathfield, an Inner West Council merger would result in significantly increased rates in the former Strathfield Council area and a reduction in the Ashfield, Burwood and Marrickville areas. Morrison Low's modelling projected a residential rate increase of 16% in the Strathfield area as a result of standardising Council rates. Similarly business rates are projected to significantly increase. The increase in rates would have no direct benefit to the Strathfield area as this would be an equalisation of rating systems between former council areas, resulting in increases in Strathfield but decreases in other areas.

It should be noted that Council is proposing a moderate one-off special rate variation of about 7.5% in its Improvement Proposal Plan, however the scale of the increase will be substantially less than the projected 16% increase that is likely to occur in a merger. A special rate variation would raise additional revenue which would be directed to services and infrastructure in the Strathfield Council area. It would not be used to subsidise decreases in rates paid in other council areas.

Land is revalued by the Valuer General every three years. While land revaluations do not change the total rates revenue councils are permitted to raise, it does change the distribution of the rates burden. It is not uncommon for there to be significant variation in rates for properties due to revaluations, for example when the land values of one suburb increase more than another. The greater the disparity in land values, the greater the potential for rates volatility.

Neither the Local Government Review Panel nor the State Government has proposed any changes to the Local Government Act that could reduce the impacts. Even if a transition period was incorporated into a merger, whereby the former council areas were able to maintain separate rating structures for a period of time, for reasons of equity eventually there would need to be common rates for ratepayers within a single local government area.

Strategic Capacity

Strathfield Council meets all ten elements of strategic capacity (upon which the scale and capacity options are based) as prescribed in the Independent Review Panel's Final Report. Council's detailed responses to how it meets the strategic capacity elements are provided in detail at **Attachment A**.

2. Your council's current position

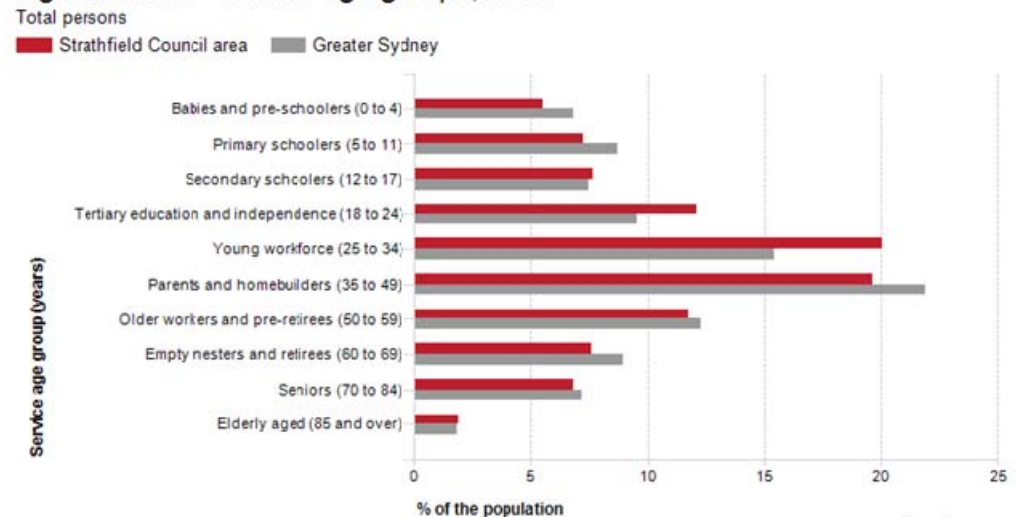
2.1 About your local government area

The Strathfield's Community Strategic Plan 'Strathfield 2025' is driven by community vision of:

"Strathfield is a well connected urban centre in Sydney's inner west with rich cultural diversity and a strong sense of community cohesion. The community is engaged with Council in guiding a sustainable future and opportunities for education, recreation, employment and overall wellbeing in Strathfield."

The Strathfield Local Government Area is centrally located in Sydney's Inner West and is well known for its transport, residences, schools, businesses, attractive streetscapes, parks and open spaces. The Strathfield LGA has a unique mixture of land uses ranging from residential including significant regional and local heritage items and conservation areas to medium-high rise development generally located in town centres and transport corridors. The Strathfield Council area also has significant industrial and commercial areas, supporting by Sydney's best connected public and private transport infrastructure networks. This mixture of land uses provides Council with a robust revenue base and opportunities for economic and community development underpinned by effective environmental management of Strathfield natural resources.

Age structure - service age groups, 2011



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.

.id
the population experts

The population of the Strathfield Local Government Area is currently an estimated 40,000 residents. Strathfield's community is highly multicultural with over 50% of the population born overseas. The people of Strathfield are highly educated with 32.8% with bachelor or higher

qualifications. Strathfield has large population of young persons with 32.2% of the population aged 18-34 years compared to 24.9% in the Greater Sydney area and a lower proportion of people aged 35 years and over. Strathfield scores 1,044.2 on the SEIFA Index which measures socio-economic advantages and disadvantages. Strathfield is placed within the top 20% of local government areas in NSW.

The Strathfield Council area has the highest amount of developed and undeveloped employment land in the Inner West, which is has an Estimated Gross Regional Product (GRP) of \$3.42 billion as at 2014. More than 27,307 people are employed in the Strathfield Local Government Area. Strathfield is a major transport hub with three train stations including Strathfield Rail Station, one of the largest stations in NSW featuring metro, regional, freight, country and state rail connections. One of Council's long term plans is the development of a rail/bus interchange at Strathfield Station and the revitalisation of the Strathfield Town Centre, a major infrastructure project of local, regional, state and federal significance.

With the adoption of growth targets aimed at increasing development in the transport corridors of Homebush, Homebush West and Strathfield Town Centre, the population of Strathfield is estimated to rise by 2031 to 56,000 based on estimates in the Strathfield Local Environment Plan but is likely to rise to over 80,000 under NSW Government Urban Growth targets.

Council's Community Strategic Plan – 'Strathfield 2025' contains five themes which set out the key strategic goals for the Strathfield community now and into the future, which addresses the challenges and opportunities for the Strathfield area and is based on five broad themes:

- Understanding how Strathfield connects and integrates with the broader Inner West and Sydney region is critical to providing transport that is easy and safe to use, planning infrastructure that is adequate for growth and improving information and communication technologies to connect to local community to the world.
- The wellbeing of the local community is supported and enhanced by providing safe, clean, healthy and attractive environments, access to public spaces and community facilities, and opportunities to participate in programs and activities.
- Providing opportunities for prosperity through innovative business development, improving regulatory systems and promoting a sense of civic pride creates economic benefits.
- Supporting high quality, well planned and sustainable urban and natural environments that balance well designed and innovative development with existing local character whilst protecting and enhancing the natural environments.

Strathfield is a desirable place to live with one of Sydney's best performing housing markets, large amounts of open space and parks, well respected public and private educational institutions supported by good quality infrastructure assets. Strathfield is managing transitional development through high quality planning strategies which support connected, cohesive and inclusive communities.

2.2 Key challenges and opportunities

Strengths

- Council's Long Term Financial Plan (LTFP) demonstrates Council meets all Fit for the Future
- Ability to deliver cost effective services below costs of larger councils
- Strathfield's population growth is one of the highest in NSW and leads the Inner West in development approval
- Cohesive community
- Infrastructure assets are in good condition with long lifespans and can be managed cost effectively over long term.
- Access to excellent transport and educational facilities
- Desirable place to live, work and study
- High proportion of open space
- Integrated Planning and Reporting system is fully implemented
- Highly productive economy, Strathfield has the highest Gross Regional Product of all the inner west councils whether measured per Capita or per Business.

Weaknesses

- Rate pegging constrains Council's ability to match income against expenditures and to meet to the cost of inflation as rate pegs are often below inflation rate for Sydney area
- Inability for Council to determine expenditures due to income constraints on charging for service recovery
- Lack of effective and genuine partnership with the State Government
- Low rates

Opportunities

- Parramatta Road corridor redevelopment
- Upgrading of transport facilities by State Government as residential growth reaches critical mass to support additional services eg light rail or upgrades of existing transport hubs eg railway stations
- Population growth, expected growth in excess of 100% over the period to 2031 – one of the highest in NSW
- Potential for expanded infrastructure projects eg Strathfield Town Centre redevelopment and rail/bus interchange project

- Employment lands and job growth

Threats

- Disruption and cost impacts of forced amalgamation
- Inconsistent engagement by other levels of government resulting in lack of coordinated approach
- Rate peg leading to inability to meet rising costs
- Inability to contain costs and their impact on expenditures especially from utility providers eg energy, water, stormwater charges, street lighting
- Economic conditions at State and Federal level affecting local economic conditions eg growth
- Cost shifting from State and Federal government is a significant portion of Council's total income
- High levels of community expectation

2.3 Performance against the Fit for the Future benchmarks

In 2013 TCorp assessed Strathfield's Financial Sustainability Rating as *moderate* with a *weak* outlook. While Council did not agree with many of the aspects of the TCorp assessment, the recommendations of the report were considered by Council. All recommended actions have been implemented or are being implemented. In particular:

- *“Council has incurred increasing operating deficits (excluding grants and contributions for capital purposes), and these deficits are forecast to increase over the forecast period”*
 - Council's updated Long Term Financial Plan turns around the operating deficits such that Council is projected to meet the Operating Performance ratio by 2019/20.
- *“Council is not spending sufficient amounts on asset renewal and asset maintenance”*
 - Expenditure on asset renewal and maintenance has been addressed under the new Long Term Financial Plan
- *“With an increasing population Council needs to address these issues and consider means of generating additional revenues or reducing operating expenses”*
 - Council's updated Long Term Financial Plan incorporates a SRV and parking revenue
- *“Council has not applied for a SRV since 1995 or implemented the stormwater management levy that was implemented by many NSW councils. We consider that Council should consider the implementation of both of these options to assist Council's financial position”*
 - Council now has in place a stormwater management levy
 - An SRV is proposed in the updated Long Term Financial Plan

Council has recently updated its Long Term Financial Plan. There are significant changes in the forward financial projections which now take into account the large growth of the Strathfield Council area and the associated changes in revenue and expenditure. The current assessment is that Strathfield will successfully meet all seven benchmarks within the five years set out under the Fit for the Future program for Sydney Metropolitan Councils.

Key assumptions that underpin Strathfield's forward financial projections include:

- No major change in services delivered or service levels
- Rate peg is projected around between 2.3% and 3%
- Growth of properties of between 304 – 523 properties per annum
- User charges and other income increase between 2.5% and 3.5%

- Grants and contribution increase by 2.5%
- Expenses increase between 2.2% and 3.9%
- Special Rate Variation of 7.5% in 2017/18
- Reduction in operating costs of \$125K per annum based on implementing the rolling service review program

Sustainability

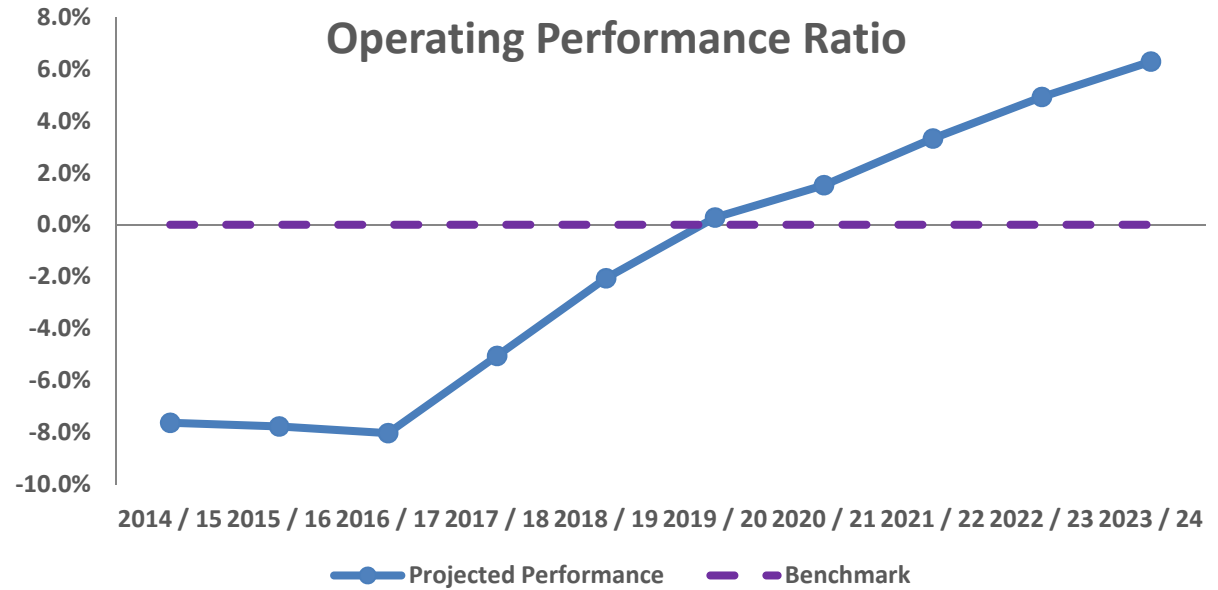
Measure/ benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-10.4%	No	-8.0%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	82.8%	Yes	86.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	56.0%	No	127.5%	Yes

Strathfield Council has had historic and long term policies of no borrowings and no rate increases (above rate peg) and as such, Council has not applied for a Special Rate Variation since 1994/95. Despite Council implementing many cost containment and efficiency strategies over time, operational costs have risen faster than revenue, which has been intensified with cost shifting. These policies have affected the capacity

of the organisation to address operating performance ratio. Council has advised its community through recent engagements of its intention to seek a SRV to address Fit for the Future indicators. Over 80% of the community have indicated support for this proposal.

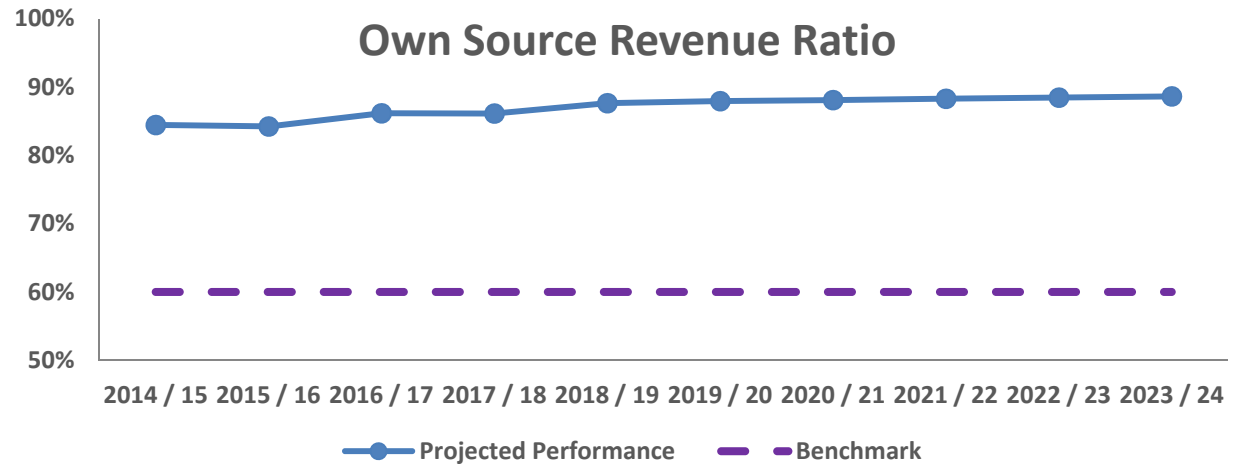
Operating Performance Ratio

Council's operating performance increases quickly as a result of the increases in revenue and reduction in operating costs with the benchmark being met by 2019/20.



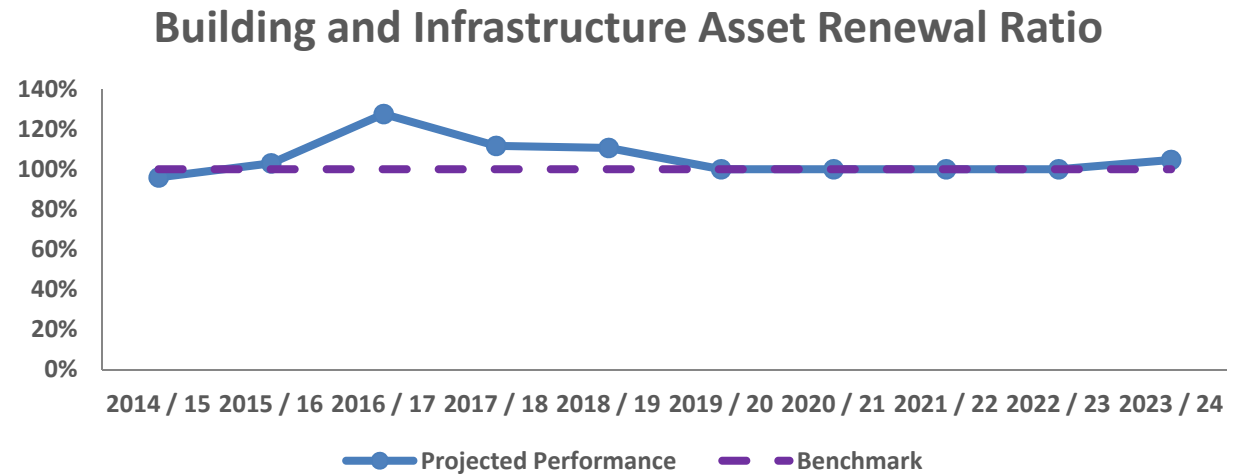
Own Source Revenue Ratio

Council continues to meet the benchmark.



Building & Infrastructure Renewal Ratio

Council has now prioritised renewal expenditure with significant expenditure occurring in 2015/16 and in 2016/17 in particular in order to address both renewals and the infrastructure backlog. The ratio will be met by 2015/16 based on the three year average for Fit for the Future and Council will maintain a renewal ratio of over 100% into the foreseeable future.



Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	2.8%	No	2.6%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	48.7%	No	82.0%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.0%	Yes	0.0%	Yes

The key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, include:

- Increased Asset Renewal expenditure from 2016/17
- Increased Asset Maintenance expenditure from 2016/17

As a result of the increases in revenue and reduction in expenditure set out in 3.1, Council will commit additional resources to asset renewal and maintenance. As a result the infrastructure backlog will be significantly reduced to below the benchmark.

As set out in Section 2.3, Council does not forecast the need for borrowings in the Long Term Financial Plan. Council's Section 94 Contributions Plan identifies both significant improvements to existing assets as well as new assets.

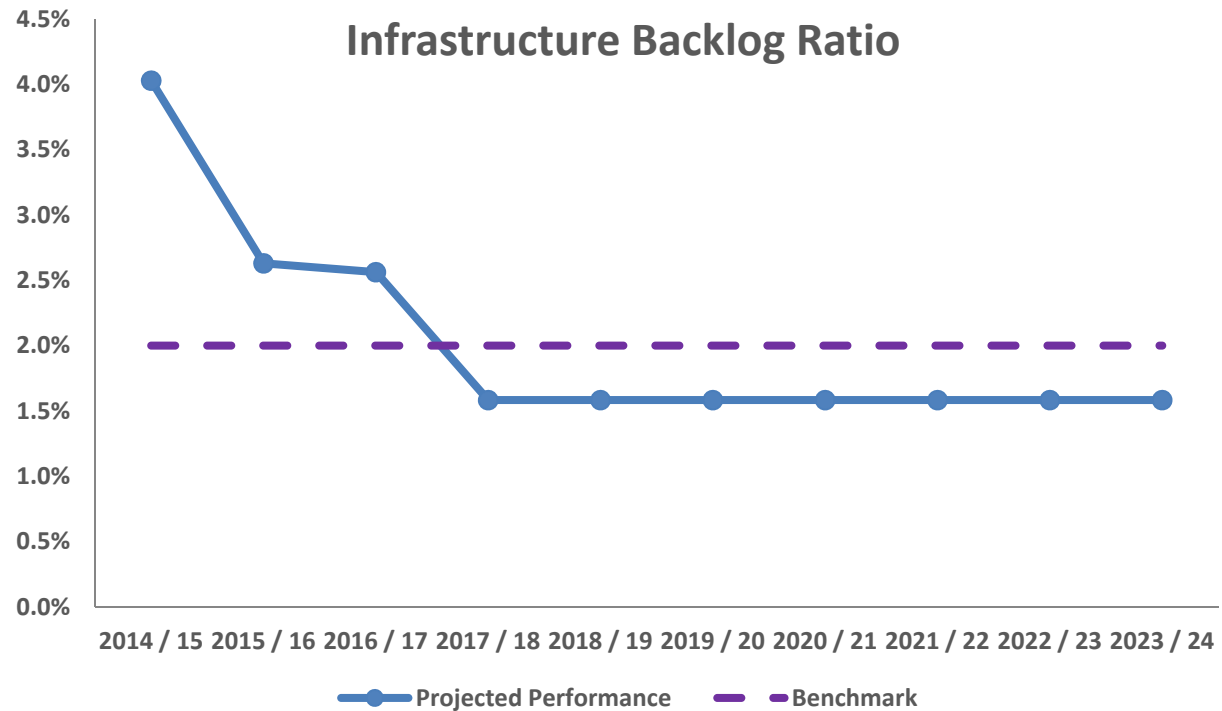
Council has set aside the proceeds from asset sales in a reserve which can be utilised to fund future capital projects which have not been identified in the Section 94 Plan.

In addition Council where appropriate will consider the use of other innovative approaches for the delivery of key infrastructure which includes public private partnerships.

Infrastructure Backlog Ratio

This ratio measures how effectively Council is managing its infrastructure.

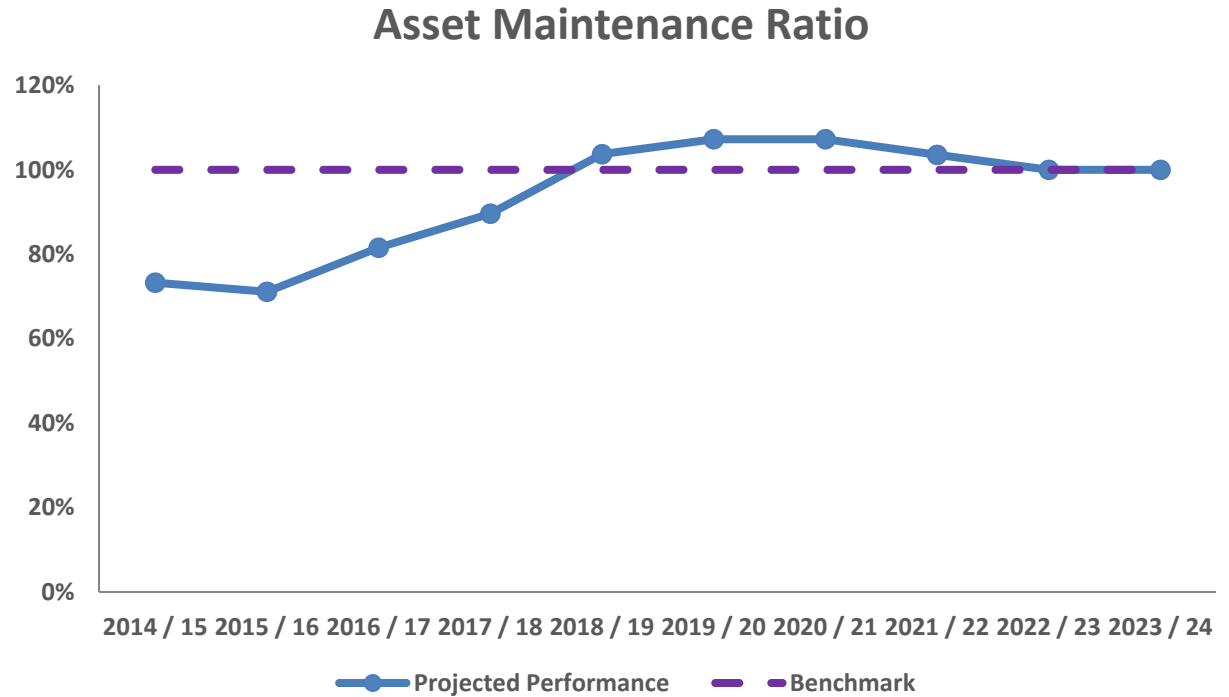
The infrastructure backlog will be brought to below the benchmark as a result of high levels of renewal expenditure in the near future. Once brought below the benchmark, Council's projected renewal expenditure will mean that Council will maintain the backlog at below the benchmark for the foreseeable future.



Asset Maintenance Ratio

Council must prudently manage projected asset renewal and asset maintenance expenditure to ensure the best value for money for the community. Council has therefore prioritised renewal expenditure over maintenance in order to address the infrastructure backlog. Once the backlog has been brought under the benchmark Council will increase maintenance expenditure to also meet that benchmark.

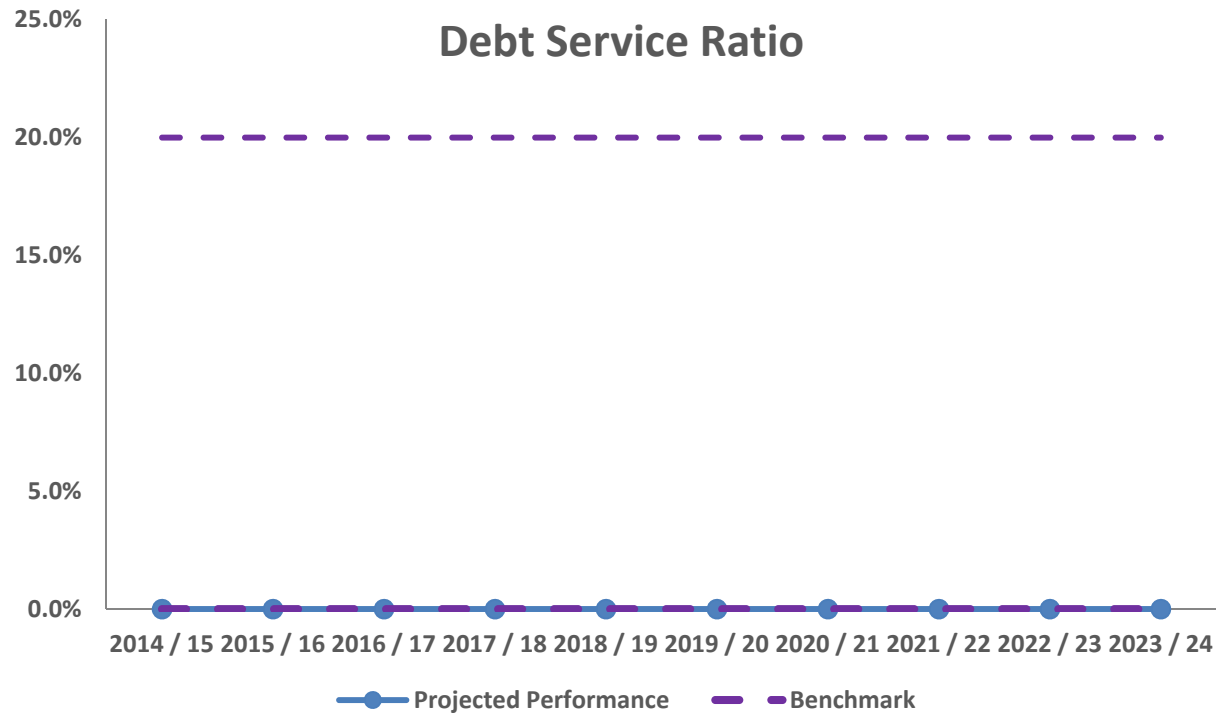
Council and its technical advisors believe that this is the most appropriate approach to asset expenditure.



Debt Service Ratio

Strathfield Council currently meets this benchmark and continues to meet the benchmark in forward projections. Council currently has no debt and therefore returns a 0 result for the ratio. As Council meets all the Fit for the Future benchmarks over the short and medium term the only reason to take on debt would be to meet the debt service ratio. Given this cannot be the Government's intention with the ratio it is therefore considered that the result is considered fit.

Council is debt free and it has capacity to borrow should the need arise. It is projected that all future projects and renewals are fully funded from revenue and development contributions. However, Council may in the future borrow to fund additional projects. In addition, Council will consider alternative mechanisms to fund significant new or upgraded infrastructure. For instance, the proposed Strathfield Town Centre redevelopment is proposed to be implemented as a Private-Public Partnership (PPP).



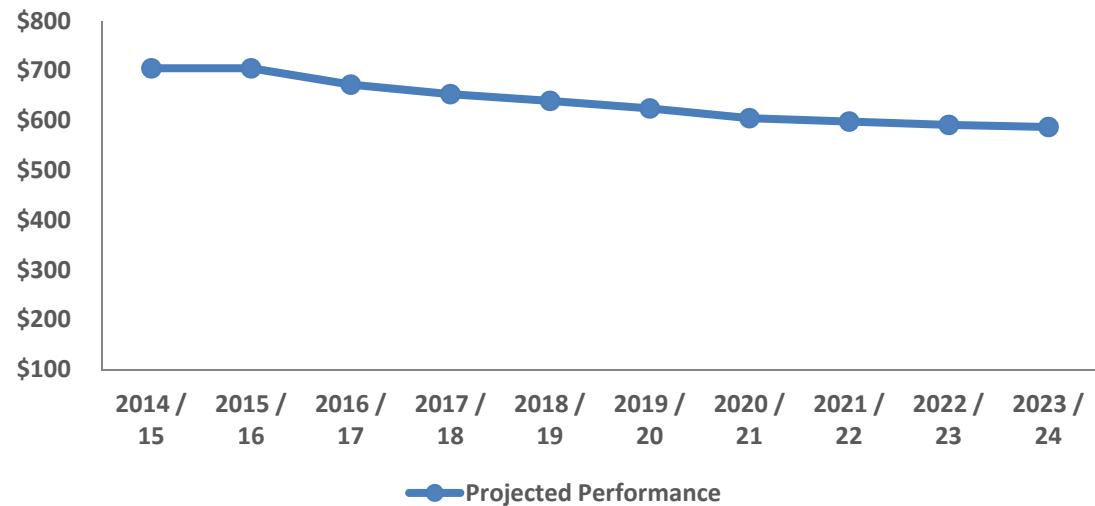
Efficiency

Measure/ benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Yes	Decreasing	Yes

Real Operating Expenditure per capita

Council meets this benchmark now and in the foreseeable future

Real Operating Expenditure per Capita



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

3.1 Sustainability

The key strategies that Council will undertake to improve performance against the sustainability benchmarks in the 2016-20 period include:

- Additional rates revenue of \$170,000 from 2015/16 due to growth in rateable properties based on the Strathfield LEP and by \$136,000 from 2019/20 due to the Draft Parramatta Road Urban Renewal Strategy
- Additional parking revenue of \$308,000 from 2015/16 and \$347,000 from 2016/17
- Additional rates revenue of \$1.3M from 2017/2018 from a Special Rate Variation (SRV)
- Reductions in operational expenditure of \$125,000 from 2016/17 on an annual basis from efficiency improvements
- Increased Asset Renewal expenditure from 2016/2017

The key assumptions which underpin the strategies are:

- Growth in number of rateable properties due to growth targets in Strathfield LEP. This will increase as a result of the Urban Growth targets proposed in Homebush as under the Draft Parramatta Road Urban Renewal Strategy
- The proposed Special Rate Variation has been included in information distributed to the community. The community has endorsed this proposal with 81.4% in agreement in an independent phone survey and 85% in an online survey.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Increase revenue to ensure positive operating performance	Increase in rates revenue of \$170,000 from 2015/16 due to growth in rateable properties	2015/16 budget includes the increased rates revenue	Council has increased revenue to fund its operation and management of its assets	Infrastructure and service management
	Increase in parking revenue of \$308,000 from 2015/16 and \$347,000 from 2016/17	2015/16 and 2016/17 budgets include the increased revenue	Council has increased revenue to fund its operation and management of its assets	Infrastructure and service management
	Increase revenue of \$1.3M from 2017/2018 from a Special Rate Variation	<ul style="list-style-type: none"> Community support an SRV IPART approves an SRV 	Council has increased revenue to fund its operation and management of its assets	Infrastructure and service management
	Undertake a service review with a target reduction in operational expenditure of \$125,000 from 2016/17 on an annual basis from efficiency improvements	<ul style="list-style-type: none"> Service review completed 2015/16 Savings included in budget from 2016/17 onwards 	Council is operating efficiently and effectively	Efficiency ratio

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
2. Ensure sufficient expenditure on asset renewals to meet Fit for the Future benchmarks	Increase Asset Renewal expenditure from 2016/2017	<ul style="list-style-type: none"> Asset renewal expenditure is increased from 2016/17 Asset backlog ratio reduces 		

3.2 Infrastructure and Service Management

All three infrastructure and service management benchmarks will be achieved by 2019/20.

Council's key strategy in the management of its infrastructure to meet the Fit for the Future benchmarks is to focus on:

1. Ensuring sufficient expenditure is directed to the renewal of assets and infrastructure, thereby meeting the renewal ratio
2. Sufficient expenditure in asset renewal will decrease the asset backlog ratio, thereby meeting this ratio
3. Once these two ratios are addressed, the focus will be on ensuring sufficient expenditure on asset maintenance, thereby meeting this ratio

These assumptions will be incorporated into IPR plans such as Delivery Program and Operational Plans and adoption of the Annual Budget and LTFP.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Ensure sufficient expenditure on infrastructure and assets to meet the Fit for the Future benchmarks	Increase expenditure on asset renewals to reduce asset backlog ratio	Backlog ratio is under 2% by 2017/18	Council's assets are managed appropriately	Infrastructure renewal ratio
	Increased Asset Maintenance expenditure from 2016/17	Asset maintenance ratio reaches 100% by 2018/19	Council's assets are maintained appropriately	
	Increase revenue of \$1.3M from 2017/2018 from a Special Rate Variation	<ul style="list-style-type: none"> Community supports SRV SRV approved by IPART 	Council can fund its asset maintenance and infrastructure renewal	Operating performance ratio

3.3 Efficiency

As detailed above, Strathfield Council has had historic and long term policies of no borrowings and no rate increases (above rate peg) and as such, Council has not applied for a Special Rate Variation since 1994/95. Despite Council implementing many cost containment and efficiency strategies over time, operational costs have risen faster than revenue, which has been intensified with cost shifting. These policies have affected the capacity of the organisation to address operating performance ratio.

Council has advised its community through recent engagements of the intention to seek SRV to address Fit for the Future indicators. Over 80% of the community have indicated support for this proposal. Even taking into account the increased revenue and expenditure associated with the SRV Council's projections show a declining real operating expenditure per capita into the future.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Decrease in Real Operating Expenditure per capita over time	Undertake a service review with a target reduction in operational expenditure of \$125,000 from 2016/17 on an annual basis from efficiency improvements	<ul style="list-style-type: none"> Service review completed 2015/16 Savings included in budget from 2016/17 onwards 	Council's services are efficient and effective	Operating performance ratio
	Investigate opportunities to undertake shared services with neighbouring councils through a Joint Organisation	<ul style="list-style-type: none"> Joint organisation established Opportunities for shared services considered 	Services are delivered more cost efficiently	Operating performance ratio

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan	
Actions	Milestones
Update LTFP to include increase in rateable properties	LTFP updated
Implementation of paid parking	Infrastructure installed and operational
Undertake service reviews for savings to be incorporated into 2016/17 budget e.g. Community Facilities, Plant rationalisation, Organisation Structure	Service reviews completed
Investigate shared services through a Joint Organisation	Continue discussions with neighbouring Councils

In developing the Action Plan Council concentrated on actions that could be taken and incorporated into an updated Long Term Financial Plan. The following important inputs to the process were used by Council to update the LTFP;

- Morrison Low – financial modelling (*refer to **Attachment C***)
- IRIS Research – community research (*refer to **Attachment B***)
- Councillors – workshops and Council meetings (*refer to **Attachment B***)
- Community – surveys, information sessions (*refer to **Attachment B***)

3.5 Other actions considered

Council undertook independent financial modelling to ascertain the benefits or otherwise of a merger. The results of this work were clear in that merging councils in the inner west resulted in significant additional costs to the community and that the merger would not meet the Fit for the Future financial benchmarks.

Increase in borrowings to fund infrastructure renewal. While Council has capacity to borrow, Council's asset renewal program is fully funded without the need to borrow. New works to meet needs of emerging populations will be met by developer contributions.

Reductions in service levels or standards. Council has consulted the community on its asset condition levels in a number of consultation processes since 2011. The Strathfield community is not supportive of reducing Council's service levels and the condition of assets. Consultations indicate that there is general support for increases in rates to maintain the condition of Strathfield's assets.

Development of a detailed business case for a new Inner West Joint Organisation (JO) was considered in line with recommendations of the Independent Local Government Panel Report. This is Council's preferred option and is highly supported by the Strathfield community. However, the lack of support from the NSW Government regarding this option has made it difficult to fully develop this proposal and gain support of other neighbouring councils. However, Strathfield Council intends to commence working with its neighbouring Inner West councils to develop a sound business case for a JO.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-7.6%	-7.8%	-8.0%	-5.0%	-2.1%	0.3%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	84.4%	84.2%	86.2%	86.1%	87.6%	87.9%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	95.9%	102.9%	127.5%	111.6%	110.6%	100.0%	Yes
Infrastructure Backlog Ratio (Less than 2%)	4.0%	2.6%	2.6%	1.6%	1.6%	1.6%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	73%	71%	82%	90%	104%	107%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$705	\$705	\$672	\$653	\$640	\$625	Yes

5. Putting your plan into action

Strathfield Council's Delivery Program and Operational Plan translates the strategic goals articulated in Strathfield's Community Strategic Plan – Strathfield 2025 – into specific actions which detail Council's four year commitment to our community.

Actions are assigned a responsible officer, associated target date and require progress comments to be provided on a quarterly basis to the Executive. Progress is reported to Council via a six monthly reporting process which is finalised within three months of the end of the reporting period.

Council's "Fit for the Future" Improvement Action Plan will be managed by the Executive Management Team.

Attachments

A – SCALE AND CAPACITY

B – COMMUNITY ENGAGEMENT

C – MORRISON LOW – STRATHFIELD COUNCIL FIT FOR THE FUTURE REPORTING

D – COST CONTAINMENT STRATEGIES AND ACTIONS