
GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Responsible Officer: Dr Catherine Dale - General Manager

Attachments: 1. Under Separate Cover - Draft - Council's Improvement Proposal - June 2015

Focus Area: Collaborative Communities

Delivery Program Link: C1.2 Manage the organisation to effectively and efficiently meet our statutory obligations

Operational Plan Link: C1.2.1 Respond to legislative and policy requirements set by the Department of Local Government

EXECUTIVE SUMMARY

The purpose of this report is to outline Council's Fit for the Future Improvement Proposal and seek Council approval to submit the proposal to the Independent Pricing and Regulatory Tribunal (IPART).

Council welcomes the NSW Government's Fit for the Future program and sees it as an opportunity to clearly articulate its plan for the future. Under the program, Council has been identified as having the scale and capacity to continue as a stand alone council under the program and is required to assess performance against the seven Fit for the Future benchmarks.

Council's 2016-17 forecast reflects our continued efforts to strengthen our financial position and shows we will meet five of the seven benchmarks required to be Fit for the Future prior to implementing an Improvement Action Plan.

Implementation of our Improvement Action Plan will result in Council achieving IPART's assessment criteria for all ratios in 2019-20 by showing progressive improvement in the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios.

How our community will benefit from what we deliver in a financially responsible way has been considered in every step of our Fit for the Future proposal. Council's Improvement Proposal builds on the work that has already been completed in recent years to improve our position. This has placed Eurobodalla in a robust position to meet all the benchmarks without proposing significant cuts to service and infrastructure.

Fit for the Future is an opportunity to review our operations and how we consult and engage with our community in determining our future. Collaboration will be key to ensuring community infrastructure and services are financially sustainable and meet the stated needs of our community, now and into the future.

Council's Improvement Proposal clearly explains how its successful implementation will positively influence our ability to maintain and improve Council's performance against all seven Fit for the Future benchmarks, realise efficiency savings, productivity improvements and redirect funds to address the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios. This will ensure we will improve performance within five years and meet all benchmarks within 10 years.

In implementing our Improvement Action Plan, Council will:

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

- support economic growth and development through a new Integrated Economic Growth and Development Strategy
- collaborate with our community to review services as part of the Integrated Planning and Reporting process
- implement a prioritised renewals funding strategy to improve performance against the Building and Infrastructure Asset Renewal and Infrastructure Backlog ratios
- redirect surplus funds into a new restricted infrastructure renewals fund and an increased, targeted renewals program.
- strengthen and diversify Council's revenue streams to continue to meet the Own Source Revenue Ratio and achieve modest operating surpluses to be redirected into infrastructure renewal
- further increase our capacity and focus on long term planning and organisational sustainability
- invest in improved community relationships through the development of a robust community engagement framework.
- advocate for improved funding and financing arrangements, to meet community service and infrastructure needs.

In many areas, Eurobodalla's Fit for the Future Improvement Proposal does not represent a significant change in direction for our community, as many of the strategies Council already has in place are on track with the NSW Government's recommendations for how councils can deliver the services and infrastructure their communities need in a financially sustainable way.

Council's Improvement Proposal will however, be an important catalyst for us to reset our conversations with our community, our partners in the South East Joint Organisation, key stakeholders and other levels of government and enable us to work collaboratively to deliver projects that will contribute to a financially sustainable future for Eurobodalla.

Council's Improvement Proposal will ensure that we retain scale and capacity, strengthen sustainability and deliver value for our community, while meeting or exceeding the Fit for the Future benchmarks.

RECOMMENDATION

THAT Council:

1. Endorse Council's Fit for the Future Improvement Proposal for submission to the Independent Pricing and Regulatory Tribunal (IPART).
2. Approve the creation of an internally restricted Infrastructure renewal fund.

BACKGROUND

The NSW Government's Fit For The Future Program

The NSW Government, in recognition of the financial challenges that face the local government sector, has been working with NSW councils since 2011 to address how to plan for a sustainable future. Part of this review was through the Local Government Acts Taskforce and the establishment of an Independent Local Government Review Panel (ILGRP) to review the structure, form and performance of local government in NSW. The panel assessed 152 local government councils in NSW to determine their ability to be financially sustainable now and into the future.

In September 2014, the NSW Government released the Fit for the Future program in response to the findings of the independent review. The program includes benchmarks to help councils assess their financial sustainability and give communities further assurance that their councils' finances are being well managed.

The NSW Government requires councils to show how they are working towards long term financial sustainability. The benchmarks are to be achieved or show improvement over a five year period, with all addressed within a reasonable timeframe.

The NSW Government adopted the Independent Panel's assessment in regard to the scale and capacity of councils in relation to potential mergers or as participants of Joint Organisations. Through this process, Eurobodalla was identified as one of 38 NSW councils that have the scale and capacity to continue as an independent organisation without amalgamation or boundary adjustments. As such, the NSW Government requires Council to complete Fit for the Future Improvement Proposal: (Template 2).

The NSW Government has announced that IPART and an independent advisor (Mr. John Comrie) will act as the Expert Advisory Panel to review local councils' Fit for the Future submissions and make recommendations to the NSW Government. IPART released the final methodology for assessment of Fit for the Future proposals on Friday 5 June 2015. Council's submission is in accordance with the requirements and performance criteria outlined within the final methodology.

Assessment methodology for Council Fit for the Future proposals

The adopted methodology addresses the following four criteria:

- **Scale and capacity** – demonstrating strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government.
- **Sustainability** –generating sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting (IPR) process.
- **Effective infrastructure and service management** – maximising return on resources and minimising 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 IPR process.
- **Efficiency** – efficient service and infrastructure delivery, achieving value for money for current and future ratepayers.

How prepared is Council for Fit for the Future?

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Since 2009, Eurobodalla has been extensively engaging with our community as evidenced in the development of our first Community Strategic Plan. This process enabled our community to provide feedback on the services and infrastructure it expects Council to deliver both now and into the future.

The Community Strategic Plan was reviewed with the community in 2012. Since then we have continued to ask for feedback through the annual exhibition of our plans and budgets, and with regular opportunities for feedback on our strategies, proposals and policies.

Independent statistically reliable community surveys are conducted as part of the Integrated Planning and Reporting process. The most recent results¹ indicate that 82% of residents surveyed are very satisfied to somewhat satisfied with Council's performance and that 89% of residents are very satisfied to somewhat satisfied with the level of service and facilities provided by Council.

Council has recently reviewed its Resourcing Strategy, which includes the Long Term Financial Plan, Workforce Strategy and Asset Management Plans. This has enabled Council to assess its current resources, financial position and asset conditions. As a result, Council made a successful application to Independent Pricing and Regulatory Tribunal (IPART) for a rate variation of 6.5% to the general rate, including rate peg, cumulative for a three year period. Council's application identified that a rate variation is a financially responsible way to fund the increasing costs of infrastructure renewal and maintenance works and to support economic growth and deliver social benefits.

Council has an ongoing organisational service review program to ensure that Council's services are efficient, effective and meet community needs.

Outcomes of the completed reviews and other continuous improvement programs and strategies have informed the development of Council's Delivery Program 2013-17, Operational Plan and Budget 2015-16 and Fit for the Future Improvement Proposal.

Council is also facilitating an internal, independently chaired audit committee and associated audit program to monitor ongoing efficiencies and the implementation of the Long Term Financial Plan. The committee will play a key role in monitoring compliance with the rate variation requirements.

Some key indicators of our current position include:

- 82% of residents are very satisfied or somewhat satisfied with Council's performance. This result is significantly higher than the NSW Regional Benchmark (Micromex 2014).
- 89% of residents are very satisfied to somewhat satisfied with the level of service and facilities provided by Council (Micromex 2014).
- Over 70% of councils in New South Wales have higher employee costs, as a percentage of total expenditure, than Eurobodalla (NSW Government Data).

¹ Micromex Research, Special Rate Variation, November 2014, pp 7-8

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

- Eurobodalla is below the state and Group 4 average for employee costs as a percentage of total expenditure (NSW Government Data).
- The NSW Department of Planning Development performance monitoring showed that Eurobodalla's volume and value of development was higher than the Group 4 average for similar sized councils (NSW Department of Planning).
- Eurobodalla's average development assessment determination time was below the Group 4 and State average, and the number of applications determined per assessment officer was above the Group 4 and State average (NSW Department Planning).

This foundation has supported the preparation of Council's Improvement Proposal.

CONSIDERATIONS

Council's Improvement Proposal

Council has prepared a detailed Improvement Proposal which outlines its current position and a comprehensive Improvement Action Plan that will assist Council to meet all seven benchmarks within 10 years.

The starting point for all Fit for the Future proposals is the Independent Panel's final report. For Eurobodalla, the panel's recommendation is 'no change', as Council has been assessed as having sufficient scale and capacity to operate as a stand alone council. Bega Valley and Shoalhaven Councils have also not been identified by the NSW Government for merger or boundary change options. In line with the panel's recommendations Council will explore opportunities and work collaboratively with our neighbouring Councils as an active member of the South East Joint Organisation.

Given the panel's recommendation, Council is required to submit a Council Improvement Proposal (Template 2).

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

The Improvement Proposal template shows Council's current performance against the seven Fit for the Future benchmarks as outlined below:

| Measure | Benchmark | IPART's Assessment Criteria |
|---|--|---|
| SUSTAINABILITY | | |
| Operating performance ratio Indicates Council's capacity to meet ongoing operating expenditure requirements. | Greater than or breakeven average over 3 years | Must meet within 5 years |
| Own Source revenue Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability. | Greater than 60% average over 3 years | Must meet within 5 years |
| Building & Infrastructure Asset Renewal ratio 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. | Greater than 100 average over 3 years | Meet or improve within 5 years |
| INFRASTRUCTURE AND SERVICE MANAGEMENT | | |
| Infrastructure backlog Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable. | Less than 2% | Meet or improve/inform within 5 years |
| Asset maintenance Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog. | Greater than 100% average over 3 years | Meet or improve/inform within 5 years |
| Debt service Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases. | Greater than 0% and less than or equal to 20% average over 3 years | Meet within 5 years |
| EFFICIENCY | | |
| Real operating expenditure per capita Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies. | A decrease in Real Operating Expenditure per capital over time | Must demonstrate operational savings (net of IPR supported service improvements) over 5 years |

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Addressing the Improvement Proposal template

The following is a high level summation of Council's response to each section. The full Improvement Proposal provides significantly more detail and includes financial modelling and detailed strategies to ensure Council meets all seven benchmarks within 10 years.

Section 1 - Examines the key aspects of Council's performance against the key indicators for scale and capacity.

Section 2 - Provides an overview of the characteristics of the Eurobodalla, in relation to geographic spread, principle industries, demographics and historical context and the key challenges in relation to strengths, weaknesses, opportunities and threats, as well as water utility performance.

The template includes the following table, which details Council's starting position as at 2013-14 and where Council was forecast to be in 2016-17 prior to the implementation of Council's Improvement Action Plan. These results are based on performance against the benchmarks.

| Sustainability | | | | |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2016-17 Forecast | Meets benchmark? |
| Operating Performance Ratio <i>(greater than or equal to break-even average over 3 years)</i> | -0.0004 | ✗ | -0.02 | ✗ |
| Own Source Revenue Ratio <i>(greater than 60% average over 3 years)</i> | 69.49% | ✓ | 69.45% | ✓ |
| Building and Infrastructure Asset Renewal Ratio <i>(greater than 100% average over 3 years)</i> | 62.4% | ✗ | 108.50% | ✓ |
| Infrastructure and service management | | | | |
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2016-17 Forecast | Meets benchmark? |
| Infrastructure Backlog Ratio <i>(less than 2%)</i> | 14.62% | ✗ | 13.15% | ✗ |
| Asset Maintenance Ratio <i>(greater than 100% average over 3 years)</i> | 68.58% | ✗ | 100.00% | ✓ |
| Debt Service Ratio <i>(greater than 0% and less than or equal to 20% average over 3 years)</i> | 8.21% | ✓ | 8.36% | ✓ |
| Efficiency | | | | |
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2016-17 Forecast | Meets benchmark? |
| Real Operating Expenditure per Capita <i>(decrease over time)</i> | 1.41 Decreasing | ✓ | 1.38 Decreasing | ✓ |

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Section 3 outlines how Council will improve performance against the seven benchmarks as shown below:

Operating Performance Ratio

Council will meet the operating ratio by 2019-20 without the need to employ further strategies.

Own Source Revenue Ratio

Council currently meets the Own Source Revenue Ratio. Council's Long Term Financial Plan forecasts show that we will continue to meet this ratio in future years without the need to employ further strategies.

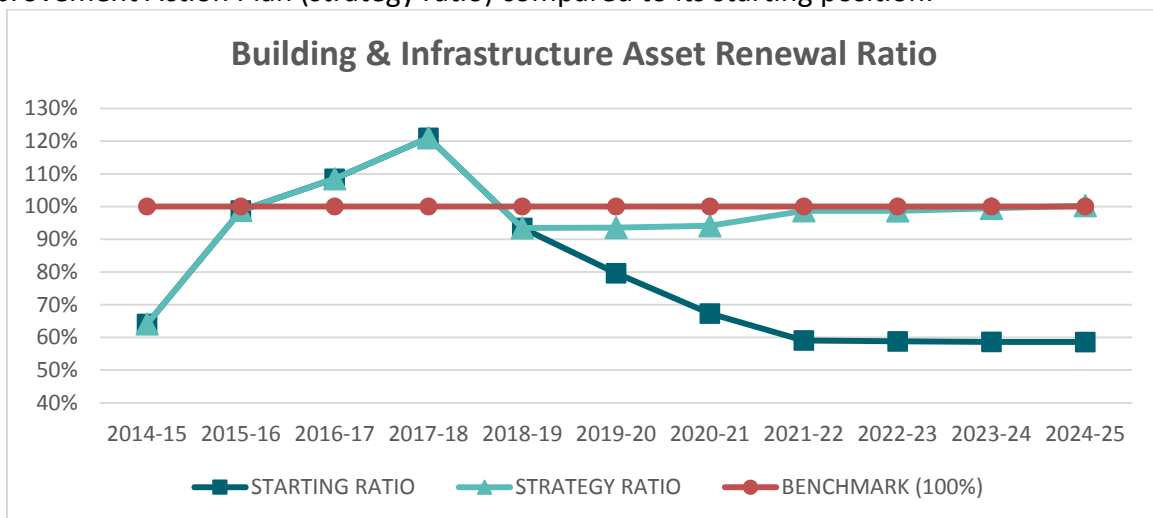
Building and Infrastructure Asset Renewal Ratio

Council does not meet the ratio in 2019-20, however it does show progressive improvement and meets the assessment criteria which is to meet or improve within five years.

Council's program of community and transport infrastructure works to be delivered as a result of the rate variation and an increased focus on renewals will contribute significantly to improving performance against this ratio in the next three years.

An increased focus and spend on renewals from 2019-20 as a result of key strategies will see Council meet the ratio in full within 10 years and continue to do so on an ongoing basis, ensuring long term infrastructure sustainability balanced with community benefit.

The graph below highlights Council's forecast over the next 10 years after implementation of its Improvement Action Plan (strategy ratio) compared to its starting position:



Infrastructure Backlog Ratio

Council does not meet the Infrastructure Backlog Ratio in 2019-20, however it does show progressive improvement and meets IPART's assessment criteria of meet or improve/inform within five years.

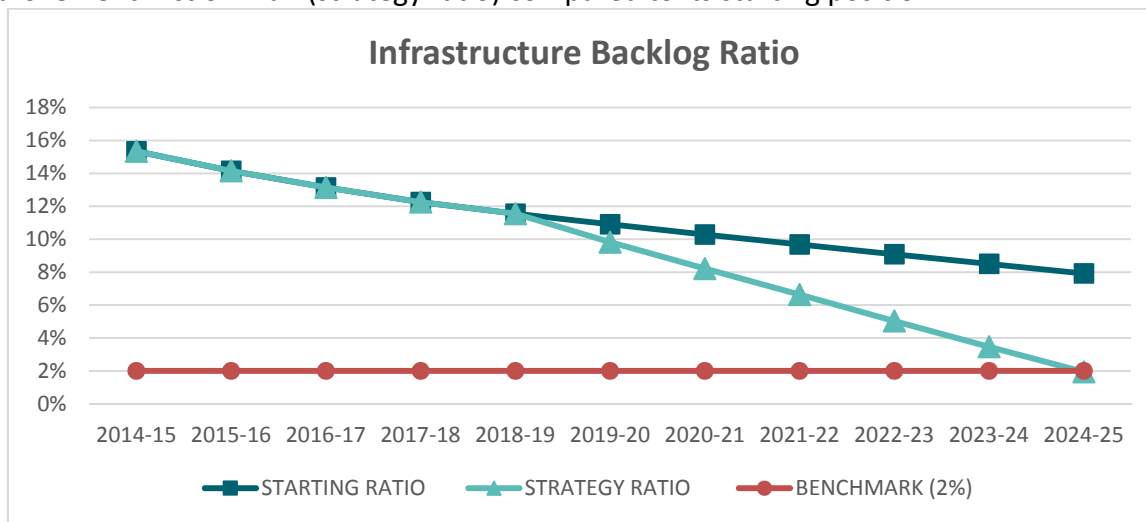
Council's program of community and transport infrastructure works to be delivered as a result of the rate variation and an ongoing focus on renewal will contribute to a steady improvement in performance against this ratio in the next five years.

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

It is expected that ongoing revaluation of asset classes and depreciation models will contribute to improvement in performance as data becomes more reliable. An increased focus and spend on renewals from 2019-20 as a result of key strategies will see Council meet the ratio in full within 10 years and continue to do so on an ongoing basis, ensuring a real reduction in the Infrastructure Backlog over time.

The graph below shows Council's forecast over the next 10 years after implementation of its Improvement Action Plan (strategy ratio) compared to its starting position:



Asset Maintenance Ratio

Council currently meets the Asset Maintenance Ratio. Continued implementation of Council's Asset Management Plans and funding of routine maintenance operations will ensure that we continue to meet this ratio in future years.

Debt Service Ratio

Council currently meets the Debt Service Ratio and while there is a significant increase in borrowings to fund the program of community and transport infrastructure under the rate variation and expected 40% debt financing of increased renewal program to achieve benchmarks. We will continue to meet this ratio in future years.

Efficiency ratio

Council currently meets the Fit for the Future efficiency benchmark and is forecast to continue to meet this ratio in future years.

Section 3 also outlines Council's Improvement Action Plan, which aims to maximise community benefit through phased implementation.

The scope of Council's Improvement Action Plan is to:

- ensure community benefit
- ensure community and key stakeholder involvement
- maintain scale and capacity
- drive social and economic growth
- address the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios
- maintain and improve performance against all other Fit for the Future ratios.

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Council's Improvement Action Plan spans 2015-16 and 2016-17. Key strategies planned to be undertaken during this period include the development of the Integrated Economic Growth and Development Strategy, the establishment of an agreed range of services and service delivery levels with our community and a review of our Integrated Planning and Reporting framework, Information Technology Strategy, Recreation and Open Space Strategy, Pathways Strategy, Organisational Financial Strategy and Asset Management plans. These actions will significantly influence the direction of our Fit for the Future road map.

How was the Action Plan developed?

A collaborative working group was established led by Council's General Manager, and involved the Executive Leadership Team and key staff. The working group reviewed existing strategies, consultation outcomes and data that would inform the development of Council's Improvement Action Plan including:

- 2013-14 performance against the Fit for the Future benchmarks
- 2016-17 forecast performance against the Fit for the Future benchmarks
- actions underway during the current 2014-15 year and planned for the 2015-16 year that would impact forecasts
- extensive community consultation outcomes from the last five years of Council's Integrated Planning and Reporting process and key infrastructure strategy development.

Timeframe to meet

The principle Fit for the Future benchmarks that Council's Improvement Action Plan addresses are the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios.

Council plans to improve these two ratios by year five and meet by year 10, and make incremental savings and improvements in the Operating Performance Ratio to ensure measured progress. This aligns with Council's Integrated Planning and Reporting framework and Long Term Financial Plan and ensures that the community benefits are balanced and maintained into the future.

Council's timeframe to improve the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios meets IPART's assessment criteria as outlined in the final methodology. In determining a 'reasonable' timeframe to meet the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios in full, Council considered financial sustainability, infrastructure asset planning and most importantly, how the timing of implementation would impact our community.

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Section 4 - outlines how Council will meet all seven assessment criteria by 2019-20, as measured against the assessment criteria defined in the final methodology and detailed in the table below.

| Measure Assessment Criteria | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Meets Criteria? |
|---|---------|---------|---------|---------|---------|---------|--------------------|
| Operating Performance Ratio* Must meet within 5 years | -0.02 | -0.02 | -0.02 | 0.01 | 0.02 | 0.02 | ✓ Meet |
| Own Source Revenue Ratio* Meet or improve within 5 years | 69.25% | 69.72% | 69.51% | 70.87% | 72.90% | 74.99% | ✓ Meet |
| Building and Infrastructure Asset Renewal Ratio* Meet or improve within 5 years | 64.11% | 98.77% | 108.50% | 121.03% | 93.44% | 93.55% | ✓ Improving |
| Infrastructure Backlog Ratio Meet or improve/inform within 5 years | 15.34% | 14.16% | 13.15% | 12.26% | 11.55% | 9.82% | ✓ Improving |
| Asset Maintenance Ratio* Meet or improve/inform within 5 years | 83.87% | 85.84% | 100.00% | 100.00% | 100.00% | 100.00% | ✓ Meet |
| Debt Service Ratio* Meet within 5 years | 6.93% | 7.49% | 8.14% | 8.93% | 9.65% | 10.15% | ✓ Meet |
| Real Operating Expenditure per capita Must demonstrate operational savings (net of IPR supported service improvements) over 5 years | 1.48 | 1.37 | 1.37 | 1.36 | 1.36 | 1.36 | ✓ Meet |

* Ratios calculated on an average over three years.

Council has developed realistic, achievable and quantifiable actions to achieve all benchmarks within a 10 year timeframe and achieve the core objectives of:

- Consistent improved performance against the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios to meet the benchmark within 10 years
- Improved Operating Performance Ratio to achieve modest surpluses each year so that funds can be directed to infrastructure renewal works
- Sustained performance against the remaining four Fit for the Future Benchmarks
- Ongoing consideration of community benefit.

The specific actions that support these objectives and ensure we remain Fit for the Future in the long term are:

- Achieve and maintain an additional operating expenditure reduction of \$285,000 (0.8%) from 2015-16 onwards
- Increase in modelled rates growth to 0.5%. This is a slight increase on current conservative modelling of 0.2%, from 2016-17 onwards
- Ongoing energy efficiency savings of \$130,000 per year from 2018-19 onwards
- Achieve and maintain increase in user fees and charges of \$81,000 (0.8%) from 2016-17 onwards

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

- Increase in waste fees and charges to ensure full cost recovery and return approximately \$0.9million in additional income each year from 2019-20
- Adjustment to Waste capital program funding by reducing loan funding from 100% to 50% for major capital projects. This will save \$620,000 in borrowing costs over the next five years
- Additional spend on targeted infrastructure renewal program commencing 2019-20 as outlined in the table below, funded through the Infrastructure Renewal Fund (60%) and additional loan funding (40%).

| Year | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|--------------------------|-------------|---------------|---------------|----------------|----------------|----------------|
| Additional Renewal Spend | \$6 million | \$5.7 million | \$5.8 million | \$6.25 million | \$6.25 million | \$6.25 million |

The strategies and actions outlined in Sections 3 of Council's Improvement Proposal will build on this solid foundation and strengthen Council's position.

Following the implementation of Council's Improvement Action Plan all seven Fit for the Future benchmarks will be achieved within 10 years. The table below compares Council's 2013-14 starting position as per the OLG Self Assessment tool and Council's 2024-25 forecast position where it meets all seven benchmarks as a result of the implementation of the Improvement Action Plan.

| Sustainability | | | | |
|--|--------------------|------------------|--------------------|------------------|
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2024-25 Forecast | Meets benchmark? |
| Operating Performance Ratio <i>(greater than or equal to break-even average over 3 years)</i> | -0.0004 | ✗ | 0.02 | ✓ |
| Own Source Revenue Ratio <i>(greater than 60% average over 3 years)</i> | 69.49% | ✓ | 76.59% | ✓ |
| Building and Infrastructure Asset Renewal Ratio <i>(greater than 100% average over 3 years)</i> | 62.4% | ✗ | 100.25% | ✓ |
| Infrastructure and service management | | | | |
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2024-25 Forecast | Meets benchmark? |
| Infrastructure Backlog Ratio <i>(less than 2%)</i> | 14.62% | ✗ | 1.94% | ✓ |
| Asset Maintenance Ratio <i>(greater than 100% average over 3 years)</i> | 68.58% | ✗ | 100.00% | ✓ |
| Debt Service Ratio <i>(greater than 0% and less than or equal to 20% average over 3 years)</i> | 8.21% | ✓ | 9.81% | ✓ |
| Efficiency | | | | |
| Measure (benchmark) | 2013-14 Result | Meets benchmark? | 2024-25 Forecast | Meets benchmark? |
| Real Operating Expenditure per Capita <i>(decrease over time)</i> | 1.41 Decreasing | ✓ | 1.33 Decreasing | ✓ |

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Section 5 outlines how Council's plan will be implemented

This section details overall responsibility for the implementation of Council's Improvement Action Plan.

Council's Improvement Action Plan items will be reported in Council's six monthly progress reports and Annual Report as part of the legislated Integrated Planning and Reporting process.

Legal

Eurobodalla Shire Council is required to submit a Fit for the Future proposal to the NSW Government by 30 June 2015.

Community Engagement

The Community Strategic Plan commenced in 2010 and was reviewed with the community in 2012. Since then, we have continued to seek feedback through the annual exhibition of our plans and budgets, and with regular opportunities for feedback on our strategies, proposals and policies as outlined in the table below. As part of the Integrated Planning and Reporting process, Council has undertaken independent statistically reliable community surveys. The most recent results² indicate that 82% of residents surveyed are very satisfied to somewhat satisfied with Council's performance and that 89% of residents are very satisfied to somewhat satisfied with the level of service and facilities provided by Council.

Council has embraced the opportunities offered by Integrated Planning and Reporting to genuinely engage the community in a vision for the future, foster greater awareness of Council's services, ensure alignment of service planning and delivery with community needs and expectations, highlight the financial and asset challenges facing the organisation and finally, develop a solution to meet community expectations and move towards financial sustainability in the future.

The information gained from these consultations has and will continue to inform our actions towards becoming financially sustainable.

| Timing | Community engagement method | Reach |
|-------------------------------|--|--|
| September 2010 | State of the Shire report public exhibition | Shire wide |
| October 2010 to November 2011 | Community strategic plan engagement | Total: over 3,000 residents and ratepayers |
| | Community visioning survey | 517 participants |
| | Focus groups | 98 participants |
| | Community summit | 99 participants |
| November 2011 to January 2012 | Community survey | 1,401 responses |
| | Resourcing Options Paper and Delivery Program Information Paper Long Term Resource Planning Community | 733 participants |

² Micromex Research, Special Rate Variation, November 2014, pp 7-8

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

| Timing | Community engagement method | Reach |
|---|--|-------------------------------------|
| | Survey | |
| | Focus Groups | 17 participants |
| March 2012 | Council Performance and Planning for the Future focus groups | 3 focus groups with 33 participants |
| May 2012 to June 2012 | Delivery Program 2012-16 and Operational Plan 2012-13 public exhibition | Shire wide |
| July 2012 | Community satisfaction and service delivery survey | 400 participants |
| September 2012 | Community satisfaction and service delivery focus groups | 4 focus groups with 25 participants |
| February 2013 to April 2013 | Community Strategic Plan Review and Levels of Service discussion paper public exhibition | Shire wide |
| | Community satisfaction survey | 400 participants |
| | Resourcing Strategy Levels of Service focus groups | 4 focus groups with 28 participants |
| May 2013 to June 2013 | Delivery Program 2013-17 and Operational Plan 2013-14 public exhibition | Shire wide |
| May 2014 to June 2014 | Delivery Program 2013-17 and Operational Plan 2014-15 public exhibition | Shire wide |
| September 2014 to November 2014: Funding our Future phase 1, inform and involve | Mail out | 21,700 rate payers |
| | Community survey | 602 participants |
| | Public information sessions | <100 participants |
| | Telephone hotline | <70 contacts |
| December 2014 to January 2015: Funding out Future phase 2, inform and consult | Dedicated website | 1,180 visits |
| | Revised Delivery Program 2013-17 including Special Rate Variation public exhibition | Shire wide |
| | Mail out | 21,700 ratepayers |
| | Telephone hotline | <30 contacts |

Council used the detailed consultation processes outlined above to form the basis for our Fit for the Future Improvement Proposal.

Following the release of the Fit for the Future package, Council developed a dedicated web page which was progressively updated to keep our community informed about the program.

The community was invited to attend three information sessions, in Batemans Bay, Moruya and Narooma, about Council's revised Delivery Program 2013-17 and Draft Operational Plan and Budget 2015-16, at which Council's framework for the Fit for the Future Improvement Proposal was discussed.

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

However, in regard to Council's proposal it should be noted that a clear direction from IPART was, "...a Council Improvement Proposal, where the Independent Local Government Review Panel recommended that a council already had sufficient scale and capacity, would require more limited consultation, if any. Generally, the nature and extent of the consultation should be commensurate with the significance of the changes involved in the proposal and the possible impacts on the community We also considered the resources of the council in assessing consultation³.

Our pathway to become Fit for the Future in the next ten years will continue to involve further conversations with our community as we work together to refine and implement our Council Improvement Action Plan to continue to build a financially sustainable future for Eurobodalla.

The four yearly review of the Community Strategic Plan which is due to commence later in 2015 will be the start of this next phase of community conversations. Other strategies that will also include significant community engagement include the review of the Recreation and Open Space Strategy and the Integrated Growth and Development Strategy.

At its meeting on 16 June 2015, Council's Independent Audit Committee resolved to support Council's Improvement Proposal and were satisfied that due process has been followed.

Council's submission must be lodged with IPART by 30 June 2015. Members of the community are invited to lodge a submission with IPART (www.ipart.nsw.gov.au) from 1 July 2015 to 31 July 2015 on their council's proposal.

CONCLUSION

In September 2014, the NSW Government released its Fit for the Future program, requiring all NSW councils to review current and future operations against seven financial sustainability benchmarks.

Council has continued to strengthen its financial position since the Independent Review was undertaken, welcoming the Fit for the Future process as an opportunity to set a clear action plan for the future.

Council's 2016-17 forecast reflects our continued efforts to strengthen our financial position and shows we will meet five of the seven benchmarks required to be Fit for the Future prior to implementing an Improvement Action Plan.

Council will meet all seven IPART's assessment criteria at year five, and will meet all seven benchmarks in full through phased improvement within 10 years.

Council will focus on improving the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios, as well as maintaining performance against the other five ratios. To support this, Council will increase spending on infrastructure renewals, with funds restricted for this purpose and used as required.

Council's Improvement Action Plan includes strategies and actions that are realistic, achievable and quantifiable, with actions incorporated into Council's Operational Plan 2015-16. A key strategy is the development and implementation of an Integrated Growth and Development

³ IPART Methodology for Assessment of Council Fit for the Future Proposal, June 2015, pp. 51

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

E12.6443

Strategy. The strategy will increase the regional focus on economic and population growth and development, with an emphasis on supporting business and tourism.

Council's Improvement Proposal builds on the work undertaken in recent years to improve our position. The Proposal considers service and infrastructure provision, financial sustainability and community benefit, with the resulting strategies and actions enabling a balanced response that ensures Council is Fit for the Future.

GMR15/014 FIT FOR THE FUTURE - COUNCIL'S IMPROVEMENT PROPOSAL

File Ref: E12.6443

15/118 MOTION Councillor Burnside/Councillor Schwarz

THAT Council:

1. Endorse Council's Fit for the Future Improvement Proposal, including any further formatting or minor editorial changes as a result of the requirement for the submission to now go into a template, for submission to the Independent Pricing and Regulatory Tribunal (IPART).
2. Approve the creation of an internally restricted Infrastructure renewal fund.

(The Motion on being put was declared **CARRIED**

Councillor Leslight voted against the Motion.)

The Mayor commended the General Manager and her staff, and in particular the project team, for their excellent work on the Fit for the Future proposal. He was aware of other councils that had employed consultants at considerable expense to undertake this work. He expressed his appreciation to the hard working staff, who had put in many late nights, in bringing this together.

GMR15/009 FIT FOR THE FUTURE

E12.6443

Responsible Officer: Dr Catherine Dale - General Manager

Attachments: Nil

Strategic Objective: Support Services

Delivery Program Link: SS1.2 Maintain a sound governance framework within which Council operates

Operational Plan Link: SS1.2.2 Ensure transparency in council dealings

EXECUTIVE SUMMARY

This report provides an update on Council's progress of our Fit for the Future proposal, an outline of the Fit for the Future improvement proposal template that needs to be submitted to IPART and an overview of the assessment methodology for council's Fit for the Future proposals which was released by IPART on 1 May 2015.

The NSW Government, in recognition of the financial challenges that face the local government sector, has been working with NSW councils since 2011 to address how to plan for a sustainable future. Part of this review was through the Local Government Acts Taskforce and the establishment of an Independent Local Government Review Panel (ILGRP) to review the structure, form and performance of local government in NSW. The panel assessed 152 local government areas in NSW to determine their ability to be financially sustainable now and into the future.

In September 2014, the NSW Government released the Fit for the Future package in response to the findings of the independent review. The Fit for the Future program includes a range of new measures in the form of benchmarks to help councils assess their performance and give communities further assurance that their councils' finances are being well managed. These benchmarks are to be achieved over a five to ten year period.

The NSW Government also adopted the Independent Panel's assessment in regard to all Council's scale and capacity in relation to potential mergers or as participants of Joint Organisations. Through this process, Eurobodalla has been identified as having the scale and capacity to continue as an independent organisation without amalgamation or boundary adjustments and is recommended to be a member of a Joint Organisation.

The NSW Government requires councils to consider their financial sustainability, infrastructure and service management and efficiency which will be measured by seven benchmarks designed to show how Council is working towards long term financial sustainability. Councils do not have to meet all benchmarks immediately, but they must show in a Council Improvement Plan how they plan to progress meeting them.

GMR15/009 FIT FOR THE FUTURE

E12.6443

The NSW Government has appointed Independent Pricing and Regulatory Tribunal as the independent expert advisory panel to assess Council's Improvement Plan and make recommendations to the government.

A consultation paper on the methodology for assessment of Council Fit for the Future proposals was released by IPART on Friday 1 May 2015. The paper is on exhibition and available at [http://www.ipart.nsw.gov.au/Home/Industries/Local Govt/Reviews/Fit for the future/Review of Local Council Fit For The Future proposals](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Reviews/Fit_for_the_future/Review_of_Local_Council_Fit_For_The_Future_proposals), with submissions closing on 25 May.

RECOMMENDATION

THAT Council:

1. Receives and notes the information in this report on the Fit for the Future – Council Improvement Plan proposal.
2. Prepares a submission to IPART's proposed Methodology for Assessment of Council Fit for the Future Proposals.

BACKGROUND

The NSW Government's Fit For The Future Program

The NSW Government, in recognition of the financial challenges that face the local government sector, has been working with NSW councils since 2011 to address how to plan for a sustainable future. Part of this review was through the Local Government Acts Taskforce and the establishment of an Independent Local Government Review Panel (ILGRP) to review the structure, form and performance of local government in NSW. The panel assessed 152 local government areas in NSW to determine their ability to be financially sustainable now and into the future.

In September 2014, the NSW Government released the Fit for the Future package in response to the findings of the independent review. The Fit for the Future program includes a range of new measures in the form of benchmarks to help councils assess their performance and give communities further assurance that their councils' finances are being well managed. These benchmarks are to be achieved over a five to ten year period.

Since launching the reform package, the NSW Government has run workshops and received feedback from councils across the state about mergers, development of shared service models, a rural council model and five pilot Joint Organisations (JOs) of councils in regional NSW.

The NSW Government requires councils to consider their financial sustainability, infrastructure and service management and efficiency which will be measured by seven benchmarks designed to show how Council is working towards long term financial sustainability. Councils do not have to meet all benchmarks immediately, but they must show in a Council Improvement Plan how they plan to progress meeting them over the next five to ten years.

GMR15/009 FIT FOR THE FUTURE

E12.6443

Councils will need to demonstrate how they currently meet, or are working towards meeting the benchmarks established by the NSW Government. These benchmarks have been based on the work of Treasury NSW (TCorp) and the Independent Local Government Review Panel and have been reviewed by IPART. Eurobodalla has previously been assessed by TCorp to show that its financial sustainability is moderate with a neutral outlook.

Councils which are assessed as Fit for the Future will have access to a range of benefits, including access to a streamlined rate variation process and a NSW Government borrowing facility, priority for other governments funding and grants and eligibility for additional devolved planning powers.

CONSIDERATIONS

Progress to date

Since 2009, Eurobodalla has been extensively engaging with our community through the development of our first Community Strategic Plan. This process allowed our community to provide feedback on the services and infrastructure it expects Council to deliver.

The Community Strategic Plan was reviewed with the community in 2012. Since then we have continued to ask for feedback through the annual exhibition of our plans and budgets, and with regular opportunities for feedback on our strategies, proposals and policies including;

- Recreation and Open Space Strategy
- Greenhouse Action Plan
- Pathways Strategy
- Disability Action Plan
- Property Strategy
- Business Development Strategy

Council has recently reviewed its Resourcing Strategy (Long Term Financial Plan, Workforce Strategy and Asset Management Plans). This has enabled Council to assess its current financial position and asset conditions. As a result, Council has made an application to Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation of 6.5%, including rate peg, for a three year period. Council's application identified that a rate variation is a financially responsible way to fund the increasing costs of infrastructure renewal and maintenance works on roads, bridges, sport and community facilities, playgrounds, pathways, and public toilets, and to support economic growth and deliver social benefits.

Council is also currently undertaking a number of service reviews to ensure Council is efficient, effective, meets community needs, support the strategic direction of the organisation and avoid any duplication of services with other service providers. The reviews consider:

- A review of the current position of each service
- Resources required to deliver each service

GMR15/009 FIT FOR THE FUTURE

E12.6443

- Assessment of statutory obligations
- Emerging trends
- Efficiencies opportunities
- Alternate service delivery methods

Outcomes of the completed reviews and other continuous improvement reviews and strategies have informed Council's Delivery Program and Operational Plan and will help to inform Council's Fit for the Future proposal.

Council has also participated in a range of benchmarking programs such as comparative data surveys coordinated by Office of Local Government, Human Resource Metrics Benchmarking report coordinated by Local Government NSW, service reviews and the *NSW Local Government Operational and Management Effectiveness* program conducted by Price Waterhouse Coopers (PwC) Analytics Department and hosted by NSW Local Government Professionals in the areas of:

- Workforce;
- Finance;
- Operations;
- Risk management; and
- Corporate leadership.

Council is also facilitating an internal audit program to monitor ongoing efficiencies and implementation of the Long Term Financial Plan and will play a key role should the SRV be approved by IPART. Council's audit committee is independently chaired and includes highly qualified and experienced community members.

Some key indicators of our current position include:

- 82% of residents are very satisfied or somewhat satisfied with Council's performance. This result is significantly higher than the NSW Regional Benchmark (Micromex).
- 89% of residents are very satisfied to somewhat satisfied with the level of service and facilities provided by Council (Micromex).
- Over 70% of councils in New South Wales have higher employee costs, as a percentage of total expenditure, than Eurobodalla (NSW Government Data).
- Eurobodalla is below the state and Group 4 average for employee costs as a percentage of total expenditure (NSW Government Data).
- The NSW Department of Planning Development performance monitoring showed that Eurobodalla's volume and value of development was higher than the Group 4 average for similar sized councils (NSW Department of Planning).
- Eurobodalla's average determination time was below the Group 4 and State average, and the number of applications determined per assessment officer was above the Group 4 and State average (NSW Department Planning).
- Eurobodalla's general rate has not increased more than the rate peg since 2006.

GMR15/009 FIT FOR THE FUTURE

E12.6443

- Eurobodalla has a rates income which is 20% below the average rates of comparable Group 4 councils, with residential and farmland rates being the fifth lowest of the group (NSW Government Comparative Data).

All these aspects will support the preparation of the Council Improvement Proposal in response to Fit for the Future program.

Council Improvement Proposal

Each council has been asked to look at its current situation and consider the future needs of its community and the recommendations of the Independent Local Government Review Panel. The starting point for all Fit for the Future proposals is therefore the Independent Panel’s final report.

For Eurobodalla, the panel’s recommendation is ‘no change’, as Council has been assessed as having sufficient scale and capacity to operate as a stand along council. However the continuation of alternative service delivery models in cooperation with neighbouring councils will be achieved through the establishment of the South East Joint Organisations.

Since Council has not been identified to merge with neighbouring councils, Council is required to submit a Council Improvement Proposal. The NSW Government has provided a template to guide council’s submission. Bega and Shoalhaven Councils have also not been identified by the NSW Government for merger or boundary change options.

This template will demonstrate Council’s current performance against the seven Fit for the Future benchmarks as outlined below:

| Performance | Benchmark | Requirement |
|---|--|---------------------------------------|
| SUSTAINABILITY | | |
| Operating performance ratio | Greater than or breakeven average over 3 years | Must meet within 5 years |
| Own Source revenue | Greater than 60% average over 3 years | Must meet within 5 years |
| Building & Infrastructure Asset Renewal ratio | Greater than 100 average over 3 years | Meet or improve within 5 years |
| INFRASTRUCTURE AND SERVICE MANAGEMENT | | |
| Infrastructure backlog | Less than 2% | Meet or improve/inform within 5 years |
| Asset maintenance | Greater than 100% average over 3 years | Meet or improve/inform within 5 years |

GMR15/009 FIT FOR THE FUTURE

E12.6443

| Performance | Benchmark | Requirement |
|---------------------------------------|--|---|
| Debt service | Greater than 0% and less than or equal to 20% average over 3 years | Meet within 5 years |
| EFFICIENCY | | |
| Real operating expenditure per capita | A decrease in Real Operating Expenditure per capital over time | Must demonstrate operational savings (net of IPR supported service improvements) over 5 years |

The template will also provide a mechanism for Council to demonstrate how it plans to meet all the benchmarks as adopted by the NSW Government for Council to be financially sustainable.

Eurobodalla’s Council Improvement Proposal will build on the direction that Council has already taken in addressing how to improve its financial situation in an environment where revenue is reducing, costs are rising, demand for services is increasing and there is an infrastructure backlog.

The progress on Council’s improvement strategies will be incorporated into Council’s existing six monthly reporting process of the Operational Plan and the Annual Report.

Assessment methodology for Council Fit for the Future proposals

The NSW Government has announced that IPART and an independent advisor (Mr. John Comrie) will act as the Expert Advisory Panel to review local councils Fit for the Future submissions. Subsequently, a consultation paper on the methodology for assessment of council’s Fit for the Future proposals was released by IPART on Friday 1 May 2015. The paper is on exhibition, with submissions closing on 25 May.

The proposed methodology will address the following four criteria:

1. **Sustainability** –generating sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the integrated planning and reporting (IPR) process.
2. **Effective infrastructure and service management** – maximising return on resources and minimising 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 IPR process.
3. **Efficiency** – efficient service and infrastructure delivery, achieving value for money for current and future ratepayers.
4. **Scale and capacity** – demonstrating strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government.

GMR15/009 FIT FOR THE FUTURE

E12.6443

Council will evaluate the proposed methodology and provide feedback to IPART as part of the consultation phase. Hence the above criteria may change as a result of the consultation phase.

Legal

Eurobodalla Shire Council is legally obliged to submit a Fit for the Future proposal to the NSW Government by 30 June 2015.

Communication / Consultation

The Community Strategic Plan was reviewed with the community in 2012. Since then we have continued seek feedback through the annual exhibition of our plans and budgets, and with regular opportunities for feedback on our strategies, proposals and policies as outlined in the table below.

The information gained from these consultations has and will continue to inform our actions towards becoming financially sustainable.

| Timing | Method | Reach |
|------------------------------|---|---|
| September 2010 | State of the Shire Report Public Exhibition | Shire-wide |
| October 2010 – November 2011 | Community Strategic Plan Engagement And two public exhibitions Community visioning survey Focus groups Community Summit Community survey | Total: over 3,000 residents and ratepayers 517 participants 98 participants 99 participants 1,401 responses |
| November 2011- January 2012 | Resourcing Options Paper and Delivery Program Information Paper Long Term Resource Planning Community Survey Focus Groups | 733 participants 17 participants |
| March 2012 | Council Performance and Planning for the future focus groups | 3 Focus Groups 33 participants |
| May 2012 - June 2012 | Delivery Program 2012-16 & Operational Plan 2012-13 Public | Shire-wide |

GMR15/009 FIT FOR THE FUTURE

E12.6443

| Timing | Method | Reach |
|--------------------------------|---|--|
| | Exhibition | |
| July 2012 | Community satisfaction and service delivery survey | 400 participants |
| September 2012 | Community satisfaction and service delivery focus groups | 4 focus groups 25 participants |
| February 2013 – April 2013 | Community Strategic Plan Review and Levels of service discussion paper public exhibition Community satisfaction survey Resourcing Strategy levels of service focus groups | Shire-wide 400 participants 4 focus groups 28 participants |
| May 2013- June 2013 | Delivery Program 2013-17 & Operational Plan 2013-14 Public Exhibition | Shire-wide |
| May 2014 – June 2014 | Delivery Program 2013-17 & Operational Plan 2014-15 Public Exhibition | Shire-wide |
| September 2014 – November 2014 | Funding our Future Phase 1 – Inform and involve Mail out Community survey Public information sessions Telephone hotline Dedicated website | 21,700 ratepayers 602 participants <100 participants <70 contacts 1,180 visits |
| December 2014 – January 2015 | Funding our Future Phase 2 – Inform and consult Revised Delivery Program 2013-17 including Special Rate Variation Public exhibition Mail out Telephone hotline | 21,700 ratepayers |

GMR15/009 FIT FOR THE FUTURE

E12.6443

| Timing | Method | Reach |
|--------|--------|--------------|
| | | <30 contacts |

The NSW Government does not require councils preparing a Council Improvement Plan (Template 2) to formally engage with their communities during the preparation of their proposal. Their advice is that, “...a Council Improvement Proposal, where the Independent Local Government Review Panel recommended that a council already had sufficient scale and capacity, would require more limited consultation, if any. Generally, the nature and extent of the consultation should be commensurate with the significance of the changes involved in the proposal and the possible impacts on the community. We will also consider the resources of the council in assessing consultation. (Page 36 IPART Methodology for Assessment of Council Fit for the Future proposal).

Council has developed a dedicated website to inform the community about the Fit for the Future program. The community is invited to the following information sessions about our 2013-17 revised Delivery Program and 2015-16 Draft Operational Plan where Fit for the Future will also be discussed:

1. Batemans Bay Library Wednesday 13 May 6pm to 7.30pm
2. Moruya Markets Saturday 16 May 9am to 12pm
3. Narooma Library Monday 18 May 6pm to 7.30pm.

Our proposal to become Fit for the Future in the next ten years will continue to involve further conversations with our community as we work together to refine and implement our Council Improvement Proposal to continue to build a financially sustainable future for Eurobodalla. The four yearly review of the Community Strategic Plan which is due to commence later in 2015 will be the start of this next phase of community conversations.

CONCLUSION

In the recent review of local government in NSW and TCorp financial reports, Eurobodalla Shire Council has been identified as having the scale and capacity as a standalone council into the future. Under the Fit for the Future, Council will develop a Council Improvement Proposal to identify how it will move to ensure it is working to achieve sustainability, effective infrastructure and service management and efficiencies. The process will support Council to continue to have conversations with our community about our five to ten year plans to become financially sustainable in the future.

10. GENERAL MANAGER'S REPORTS

GMR15/009 FIT FOR THE FUTURE

File Ref: E12.6443

15/23 MOTION Councillor Harding/Councillor Brice

THAT Council:

1. Receives and notes the information in this report on the Fit for the Future – Council Improvement Plan proposal.
2. Prepares a submission to IPART's proposed Methodology for Assessment of Council Fit for the Future Proposals.

(The Motion on being put was declared **CARRIED**)

PSR15/010 LOCAL DEVELOPMENT PERFORMANCE MONITORING 2013-14

E90.1859

Responsible Officer: Lindsay Usher - Director Planning and Sustainability Services

Attachments: Nil

Strategic Objective: Productive

Delivery Program Link: P1.1 Facilitate growth and development of our business community

Operational Plan Link: P1.1.2 Provide business support and development activities

EXECUTIVE SUMMARY

To report on Council's performance as published by the NSW Department of Planning and Infrastructure (DoPI) in the Local Development Performance Monitoring Report 2013-14.

Council has continued to exceed in achieving statutory requirements. Eurobodalla has outperformed both the Group 4 region and State averages for assessment times. This is an excellent effort given the nature of the local area and the significant environmental constraints required to be considered in the assessment process. The figures for the 2013-14 year to date also show improving development activity which is reflective of the general improvements in the state of the economy. The performance data is again a satisfactory result for the Development Services Unit.

RECOMMENDATION

THAT Council receive and note the report titled Local Development Performance Monitoring 2013-14.

BACKGROUND

At the end of each financial year councils provide information to the DoPI regarding their development assessment and determination functions. The Department analyses the data from each council and provides comprehensive statistical and performance information on the operation of the local development assessment system including the volume and value of development in NSW, determination times, delegation and staffing, legal appeals and reviews, and post-development certificates.

CONSIDERATIONS

The following data is an overview of Eurobodalla Shire Council's performance in the development assessment area taken from the Local Development Performance Monitoring Report prepared by the DoPI together with comparative figures from previous financial years.

It is good news of the local economy that the data shows an increase in local development activity and volume. Last year Council determined 628 development applications (DA's) compared to 568 the previous year.

The total value of development in 2013-14 was \$110.4M compared to \$84.4M the previous year. The 2013-14 value included the determination of the Bunnings development at Batemans

PSR15/010 LOCAL DEVELOPMENT PERFORMANCE MONITORING 2013-14

E90.1859

Bay with a value of \$15.4M. Excluding Bunnings, the value of development would have been \$95M, which is still a 12% increase on the previous year.

The highlight in Council's performance this year, is the average net determination time, which is down to 23 days, which is the lowest time over the last five year period. This result is well below the statutory requirement of 40 days and out performs the State (39.5) and the Group 4 (35.1) averages. A list of Group 4 region councils can be found in Appendix 1 of this report.

| Local trends 2007-2014 | 13-14 | 12-13 | 11-12 | 10-11 | 09-10 |
|--|--------------|--------------|--------------|--------------|--------------|
| No of DA's determined | 628 | 568 | 691 | 757 | 808 |
| \$ value of DA's | 110.4M | 84.4M | 96.4M | 111.7M | 116.5M |
| Average determination time (net days) | 23 | 29 | 31 | 32 | 31 |
| Median determination time (net days) | 21 | 24 | 25 | 28 | 26 |
| Average determination time (gross days) | 51 | 61 | 64 | 65 | 68 |
| Median determination time (gross days) | 29 | 32 | 41 | 44 | 43 |
| No DA's with 'stop the clock' | 34% (215) | 26% (148) | 35% (242) | 37% (280) | 45% (364) |
| No of DA's with referrals | 17% (105) | 15% (85) | 18% (124) | 40% (303) | 40% (319) |
| No of Complying Development Certificates (Council and private) certifying authorities) | 32 | 48 | 44 | 28 | 14 |
| Equivalent full-time staff | 7 | 7 | 7 | 6.5 | 6.5 |
| Average determination per staff position | 89.7 | 81.1 | 98.7 | 117 | 124.3 |

A higher proportion of applications required additional information (stop the clock) this year at 34%, compared to 26% the previous year. Council's pre-lodgment team has experienced significant staff shortages due to vacancies during this period which may have contributed to the reduced quality of applications being lodged and therefore the request for additional information at the time of assessment.

The number of Complying Development Certificate (CDC) applications has decreased this year. In Eurobodalla some applications that would normally be either exempt or able to be approved as a CDC, trigger the DA process. This is because of issues such as bushfire, vegetation removal and proximity to environmentally sensitive areas such as the marine park, wetland and National Parks which under the NSW Government controls, exclude development from being exempt or complying.

PSR15/010 LOCAL DEVELOPMENT PERFORMANCE MONITORING 2013-14

E90.1859

Council continues to maintain a high degree of efficiency with respect to applications per planner which is substantially better than the State (59.7) and Group 4 (64.5) averages. The increased local volume has resulted in an increase in the number of applications determined per equivalent full time staff to 89.7 per planner, up from 81.1 the previous year.

Council continues to perform well when compared to our neighbouring councils and the State and Group 4 averages. The following is a snapshot of comparison data for some key result areas:

| Comparison Data for 2013-14 | ESC | Group 4 Average | State |
|---|------------|------------------------|--------------|
| DA's determined | 628 | 448 | 399.9 |
| Avg value of development per Council | \$110.4 | \$102.4 | \$169M |
| Average determination time (net days) | 23 | 35.1 | 39.5 |
| Median determination time (net days) | 21 | 26.9 | 29.8 |
| Average determination time (gross days) | 51 | 64.9 | 60.6 |
| Median determination time (gross days) | 29 | 35.9 | 39.8 |
| % DA's with 'stop the clock' | 34% | 33% (148.2) | 36% (144) |
| % DA's with referrals | 17% | 14% (61.2) | 11% (44.4) |
| Average determination per staff member | 89.7 | 64.5 | 59.7 |

| Comparison Data for 2013-14 | Average determination time | Average determination per staff | No of DA's Approved | Value of DA's Approved \$ |
|------------------------------------|-----------------------------------|--|----------------------------|----------------------------------|
| Eurobodalla | 23 | 89.7 | 628 | 110.4M |
| Bega | 35 | 93.6 | 468 | 96.8M |
| Shoalhaven | 30 | 75.3 | 1430 | 236.6M |
| Group 4 Average | 35 | 64.5 | 448 | 102.4M |

Construction Certificates 2013-2014

| Comparison data for 2013-14 | Construction Certificates Issued | Occupation Certificates issued |
|------------------------------------|---|---------------------------------------|
| Eurobodalla | 534 | 557 |
| Bega | 411 | 456 |
| Shoalhaven | 1203 | 1285 |
| Group 4 Average | 389 | 377 |

PSR15/010 LOCAL DEVELOPMENT PERFORMANCE MONITORING 2013-14

E90.1859

The above statistics are encouraging as it can be seen that a high number of Council approvals progress to construction and occupation stages. Council issued 557 Occupation Certificates last financial year, higher than both Bega (456) and the Group 4 average (377) which suggests that more construction was started and completed in our Shire when compared to similar size councils. The State average for issuing Occupation Certificates is 346 per council.

This Financial Year (the first half)

Whilst reporting for the 2014-2015 financial year will not occur until complete data is available Council can provide some indication of performance for the first half, July to December 2014. The number of development applications determined for the first half is 323 with a total value of \$51M. This volume is on track for a similar result to last year. The value of application is also tracking at a similar value to last year (excluding the Bunnings development at a value of \$15.4M).

Assessment times remain strong with net determination times currently at 29 days for this period. One assessment position was vacant during the first half and therefore if application numbers continue until June 30 at the current rate it is likely that applications determined per staff member will be around 100 per planner.

Economic Development Employment Potential

It can be demonstrated that Council's performance with respect to assessing and determining development applications is better to our neighboring councils and should be promoted as factor for attracting further development to our Shire.

Communication / Consultation

The Department of Planning and Infrastructure prepare media releases and make this information available to the public on their website. Council will also provide a media release of this information to coincide with the Council meeting.

CONCLUSION

Council has continued to exceed in achieving statutory requirements. Eurobodalla has outperformed both the Group 4 region and State averages for assessment times. This is an excellent effort given the nature of the local area and the significant environmental constraints required to be considered in the assessment process. The figures for the 2013-14 year to date also show improving development activity which is reflective of the general improvements in the state of the economy. The performance data is again a satisfactory result for the Development Services Unit.

PSR15/010 LOCAL DEVELOPMENT PERFORMANCE MONITORING 2013-14

E90.1859

List of Group 4 Region Councils

Appendix 1

Albury City
Armidale Dumaresq
Ballina
Bathurst Regional
Bega Valley
Broken Hill
Byron
Cessnock
Deniliquin
Dubbo
Eurobodalla
Goulburn Mulwaree
Great Lakes
Greater Taree Griffith
Kempsey
Kiama
Lismore
Lithgow
Mid-Western Regional
Clarence Valley
Orange
Port Stephens
Queanbeyan
Richmond Valley
Shellharbour
Singleton
Tamworth Regional
Wagga Wagga
Wingecarribee

QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

E14.8041

Responsible Officer: Dr Catherine Dale - General Manager

Attachments: 1. Benchmarking Group 4 Employee Costs

At the Council meeting held on 14 October Councillor Burnside moved the following motion as a matter of urgency:

THAT:

1. *Council carry out benchmarking of a minimum of 4 Councils within Group 4 to establish if our Council falls within reasonable parameters with respect to staffing, percentage of salary expenses of total budget etc.*
2. *When this is done Council report to the community the average of this Group and our standing within staff numbers, wages as a percent of total expenditure etc.*

The benchmarking group that was determined by Council for detailed comparison with Eurobodalla included Albury, Ballina, Bega Valley and Great Lakes.

Response

In response to the resolution of Council, the benchmarking of employee costs as a percentage of total expenditure was conducted. This included 152 NSW councils and 31 Group 4 councils at a broad level to provide context. The four Councils selected (Albury, Ballina, Bega Valley and Great Lakes) were then analysed at a more detailed level.

Group 4 councils are defined as having similar characteristics as classified by the Office of Local Government. This may include consideration of population, size, location (rural/urban), budget and services provided. There are currently 31 councils defined as Group 4 in New South Wales.

To ensure consistency, key documents and processes undertaken by all NSW Councils were utilised. They include the General Financial Statements for 2012/2013, Annual Reports and Financial Data Returns (as submitted to the Office of Local Government and the Australian Bureau of Statistics).

To determine employee costs as a percentage of total expenditure, the Income Statement in the General Purpose Financial Statements for 2012-13 were assessed for the 152 councils in New South Wales.

Eurobodalla employee costs as a percentage of total expenditure in 2012-13 was 31.7%.

State comparison

Graph 1 – State comparison. (attached)

(Please note: the graph includes all 152 councils, however not all council names are listed due to size limitations).

Based on the General Purpose Financial Statements (2012-13) for 152 NSW councils, the state average for employee costs, as a percentage of total expenditure, is 35.2% and the median is 35.3%. Eurobodalla is 3.5% below the average and 3.6% below the median. Therefore Eurobodalla employee costs are within the lowest 30% of councils in the state.

QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

E14.8041

Group 4 comparison

Graph 2 – Group 4 comparison (attached)

As indicated, there are 31 group 4 councils in New South Wales. Based on the General Purpose Financial Statements (2012-13), the Group 4 average for employee costs, as a percentage of total expenditure, is 33.2% and the median is 32.6%. Eurobodalla is 1.5% below the average and 0.9% below the median.

Group 4 – Detailed analysis of Albury, Ballina, Bega Valley and Great Lakes

Graph 3 – Eurobodalla, Albury, Ballina, Bega Valley, Great Lakes comparison (attached)

The four councils, Albury, Ballina, Bega Valley and Great Lakes are Group 4 councils. Detailed analysis included an assessment of Financial Data Returns, Annual reports, as well as well as discussions with each council to clarify the information provided.

Councillors have received a comprehensive briefing on the findings of the analysis, including the impact the three key expenditure factors: employee costs, materials and contracts and depreciation. General observations include the following.

Albury, Bega Valley and Great Lakes have a similar percentage of employee costs to Eurobodalla (respectively 32.4%,30.6% and 31.5%). Ballina has a lower percentage (21%). However, Ballina has higher material and contracts results (30%). Consultation with Ballina Council found that this is due to a higher proportion of partnerships and contracts, with some staff costs within the materials and contracts expenditure line. For example, library staff costs are paid via an agreement with the Richmond Tweed Regional Library Service.

Albury and Bega Valley have a similar percentage of depreciation costs to Eurobodalla (respectively 25.8%, 27.9% and 28%), however Great Lakes and Ballina have lower depreciation costs (respectively 22.2% and 23.3%). Great Lakes do not provide water and sewer services and Ballina are serviced by Rous County Council for water and sewer, impacting this result.

In terms of income Albury Council has a similar percentage of rates and charges to Eurobodalla, however Albury have a significantly higher percentage of user charges (33.5% compared to 22.9%). This indicates that Albury has a greater range of fee for service activities and facilities than Eurobodalla.

In addition to a review of General Purpose Financial Statements, an analysis of the Financial Data Return (FDR) for 2012-13 was conducted. The FDR is provided by each council to the Office of Local Government (OLG) and the Australian Bureau of Statistics (ABS). All employee costs are attributed into categories, as defined by OLG, providing the only consistent framework for comparing council employee costs in NSW.

Analysis indicates that Albury, Bega Valley and Great Lakes provide a similar level of community and education services, although Eurobodalla has a higher percentage of grant income to offset costs for this purpose.

Albury, Ballina, Great Lakes and Eurobodalla expend a similar amount on economic development/tourism activities, with Bega Valley expending less in this category, in part due to contracted service arrangements.

QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

E14.8041

Albury, Bega and Eurobodalla expend similar amounts on water and sewer operations, however Ballina spend a lower amount and Great Lakes has zero expense in this category.

Preliminary information regarding total Full Time equivalent staff (FTE) was augmented by detailed discussions with each council to determine which category of staff were included.

As a result of this analysis the FTE for each council in 2012-13 was determined to be: Eurobodalla 460; Albury 486; Ballina 284; Bega Valley 347 and Great Lakes 297.

Based on this number in relation to total employee costs, Eurobodalla has the lowest average employee cost of the group.

Comparison Table of Selected Councils (attached)

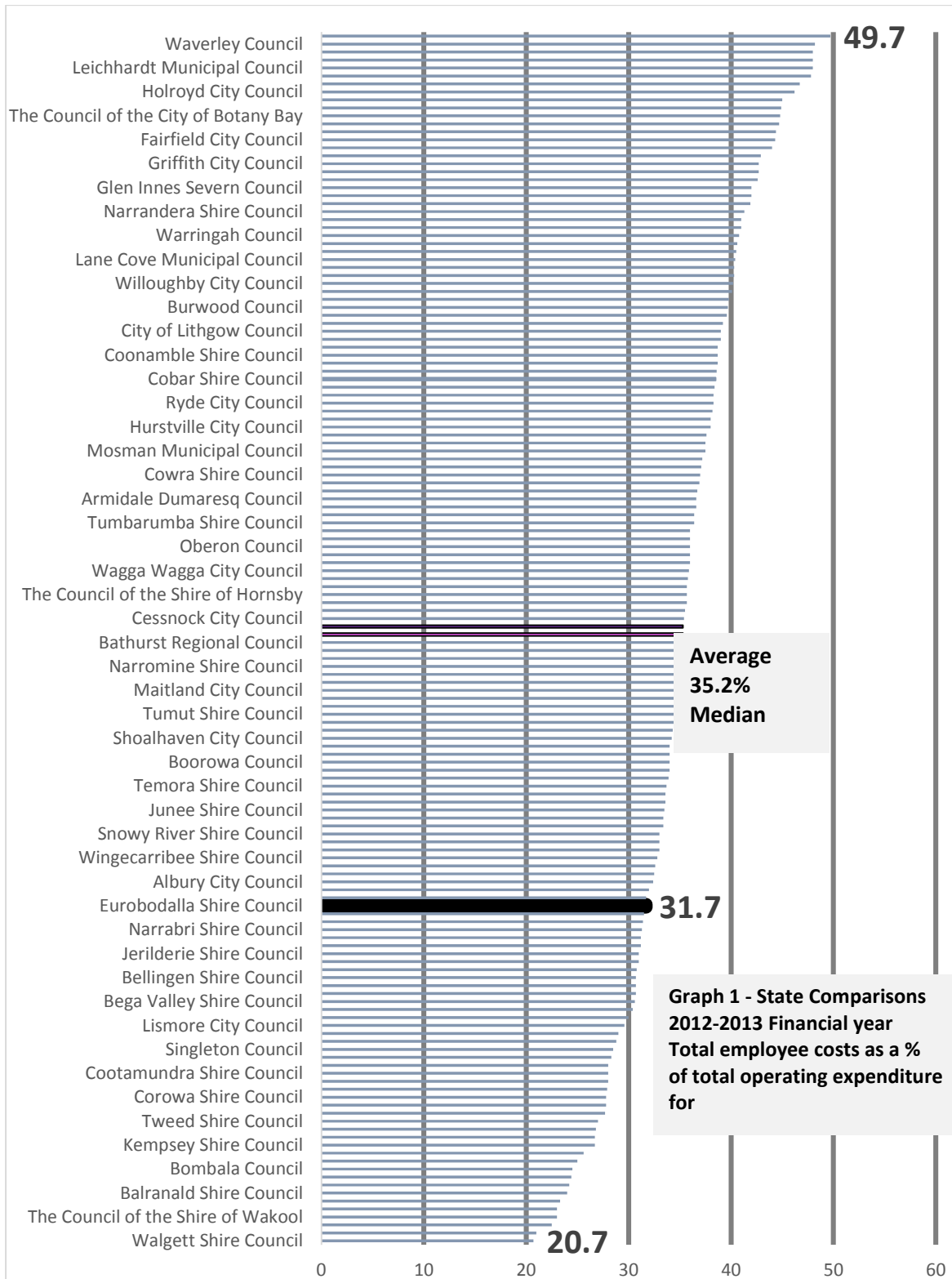
Summary of Key Findings

- Over 70% of councils in New South Wales have higher employee costs, as a percentage of total expenditure, than Eurobodalla.
- Eurobodalla is below the state and Group 4 average for employee costs as a percentage of total expenditure.
- Council is compliant with the Accounting Code for calculating and reporting full time equivalent (FTE) employees.
- Full time equivalent (FTE) calculations vary between the councils in relation to how permanent, part-time, temporary, casual and trainee/apprentices are defined and identified in reporting.
- A number of councils outsource staffing via contractor and partnership arrangements. As such, the cost is not entirely visible in the employee cost component of the financial statements.
- The selected councils do not provide an identical suite of services. For example, a number of councils do not provide services such as water and sewer, community services, galleries and museums and caravan parks.

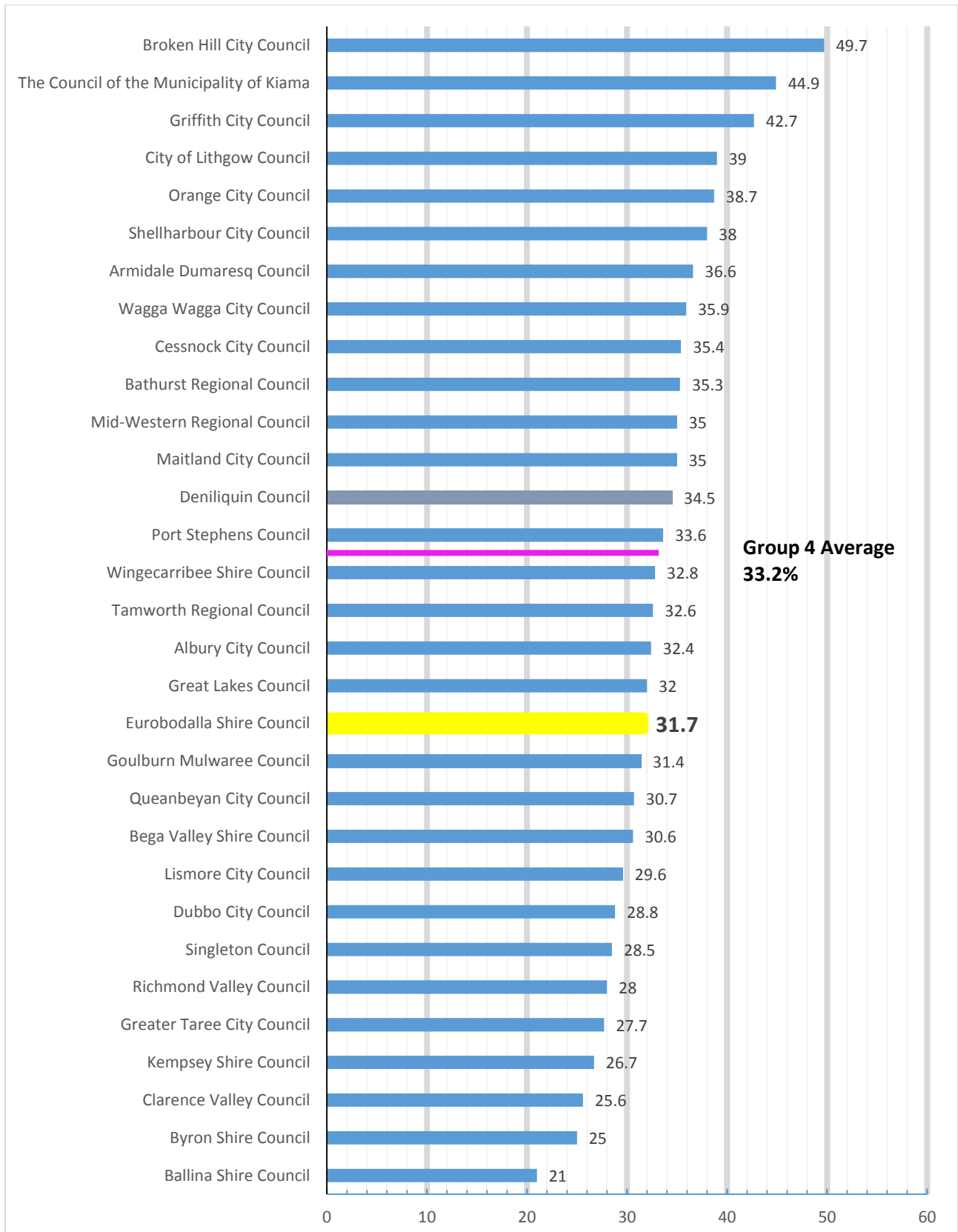
RECOMMENDATION

THAT the response to the motion regarding benchmarking Group 4 employee costs raised by Councillor Neil Burnside be received and noted.

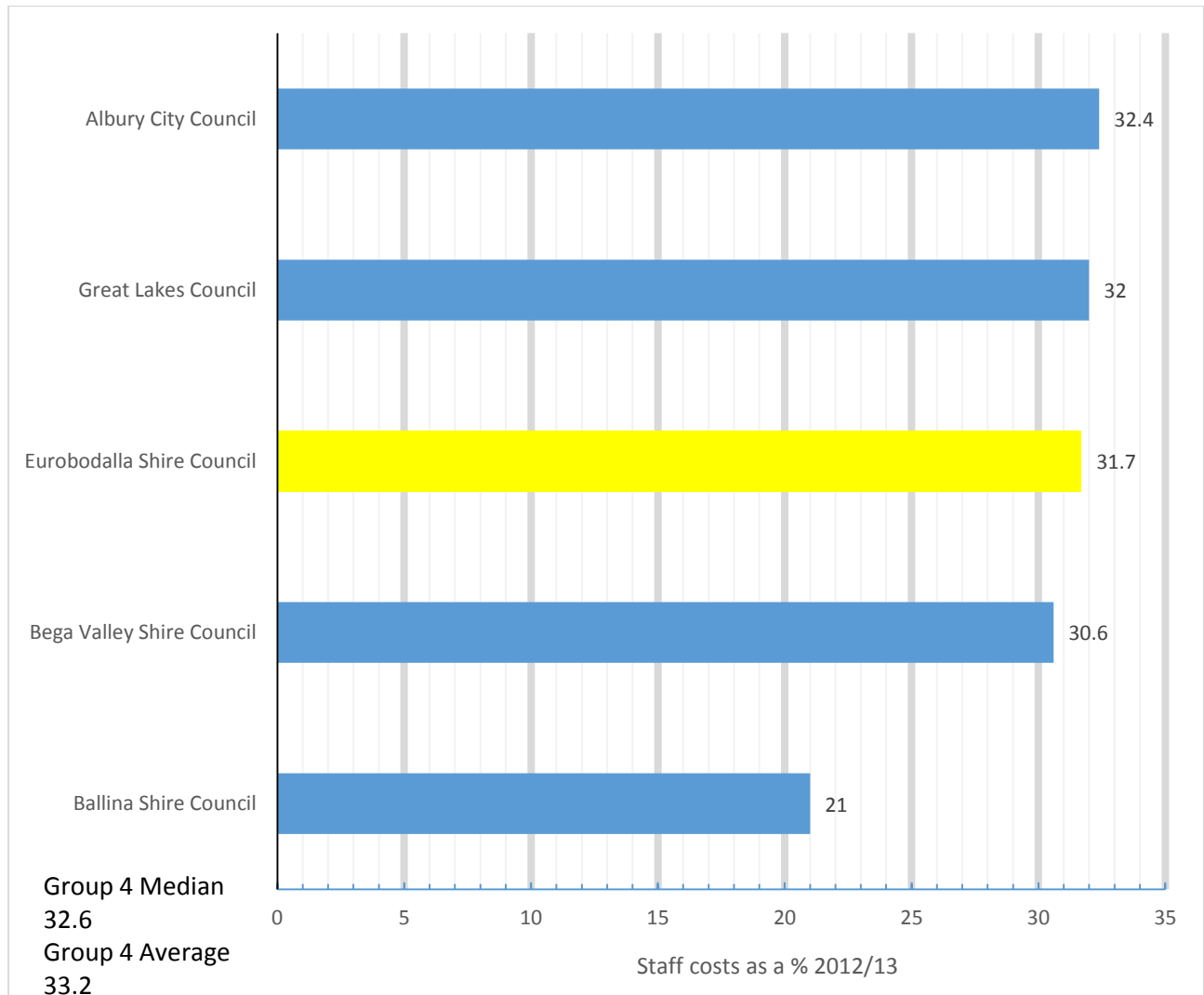
Graph 1 – State comparison



Graph 2 – Group 4 comparison



Graph 3 – Eurobodalla, Albury, Ballina, Bega Valley and Great Lakes comparison



Comparison Table of Selected Councils

| 2012-13 Income Statements | Albury | | Ballina | | Bega | | Eurobodalla | | Great Lakes | |
|--|----------------|-----|-----------------|-----|----------------|-----|----------------|-----|----------------|-----|
| | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % |
| INCOME FROM CONTINUING OPERATIONS | | | | | | | | | | |
| Revenue: | | | | | | | | | | |
| Rates & Annual Charges | 48,963 | 43% | 33,837 | 31% | 41,282 | 42% | 87,821 | 30% | 31,436 | 48% |
| User Charges & Fees | 26,348 | 23% | 33,360 | 31% | 17,513 | 18% | 23,900 | 8% | 33,114 | 51% |
| Interest & Investment Revenue | 2,412 | 2% | 4,658 | 4% | 2,665 | 3% | 3,137 | 1% | 2,945 | 4% |
| Other Revenues | 3,836 | 3% | 3,981 | 4% | 644 | 1% | 2,128 | 1% | 2,667 | 4% |
| Grants & Contributions provided for Operating Purposes | 9,207 | 8% | 11,806 | 11% | 23,289 | 24% | 15,358 | 5% | 16,796 | 26% |
| Grants & Contributions provided for Capital Purposes | 9,850 | 9% | 39,549 | 37% | 3,427 | 4% | 5,339 | 2% | 5,423 | 8% |
| Other Income: | | | | | | | | | | |
| Net gains from the disposal of assets | - | 0% | - | 0% | - | 0% | - | 0% | 1,004 | 2% |
| Net Share of interests in Joint Ventures & Associated | 23 | 0% | - | 0% | - | 0% | - | 0% | 10 | 0% |
| Entities using the equity method | | | | | | | | | | |
| Total Income from Continuing Operations | 108,711 | | 124,891 | | 88,817 | | 95,479 | | 74,989 | |
| EXPENSES FROM CONTINUING OPERATIONS | | | | | | | | | | |
| Employee Benefits & O&M Costs | 32,179 | 32% | 38,810 | 31% | 27,426 | 31% | 30,023 | 32% | 21,214 | 32% |
| Borrowing Costs | 3,968 | 4% | 5,254 | 4% | 2,034 | 2% | 4,242 | 4% | 3,006 | 4% |
| Materials & Contracts | 22,664 | 21% | 26,043 | 21% | 26,842 | 30% | 23,642 | 25% | 20,603 | 30% |
| Depreciation & Amortisation | 25,615 | 24% | 20,428 | 16% | 23,217 | 26% | 26,710 | 28% | 14,886 | 22% |
| Impairment | 55 | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Other Expenses | 14,865 | 14% | 12,231 | 10% | 5,503 | 6% | 8,719 | 9% | 7,472 | 11% |
| Net Losses from the Disposal of Assets | 191 | 0% | 4,913 | 4% | 64 | 0% | 3,310 | 4% | - | 0% |
| Total Expenses from Continuing Operations | 99,811 | | 87,688 | | 83,106 | | 94,896 | | 67,181 | |
| Operating Result from Continuing Operations | 8,899 | | 27,211 | | 511 | | 782 | | 7,404 | |
| Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | - 470 | | - 11,898 | | - 3,114 | | - 4,817 | | - 1,791 | |