

COFFS HARBOUR CITY COUNCIL

INTEGRATED PLANNING AND REPORTING



Image by Phil Coy

2014-2024 RESOURCING STRATEGY LONG TERM FINANCIAL PLAN ASSET MANAGEMENT PLANS WORKFORCE MANAGEMENT PLAN



Helping to achieve the 2030 Community Vision

1. Legislative Context

Coffs Harbour City Council is established under the NSW Local Government Act, 1993.

Section 8 of the Act sets out Council's charter – the reason Council exists – which is defined as the following:

- to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively
- to exercise community leadership
- to exercise its functions in a manner that is consistent with and actively promotes the principles of multiculturalism
- to promote and to provide and plan for the needs of children
- to properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development
- to have regard to the long term and cumulative effects of its decisions
- to bear in mind that it is the custodian and trustee of public assets and to effectively plan for, account for and manage the assets for which it is responsible
- to engage in long-term strategic planning on behalf of the local community
- to exercise its functions in a manner that is consistent with and promotes social justice principles of equity, access, participation and rights
- to facilitate the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and co-ordination of local government
- to raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants
- to keep the local community and the State government (and through it, the wider community) informed about its activities
- to ensure that, in the exercise of its regulatory functions, it acts consistently and without bias, particularly where an activity of the council is affected
- to be a responsible employer.

Chapter 13 of the Act asks the question “how are councils are made accountable for their actions?” Sections 402 to 407 of the Act answer this in relation to Strategic Planning, establishing what is known as the Integrated Planning and Reporting Framework.

In consultation with the community, Council has developed our Community Strategic Plan, Coffs Harbour 2030, which that identifies the main priorities and aspirations for the future of the Coffs Harbour local government area.

This Resourcing Strategy is effectively Council's response to those priorities and aspirations – the means by which Council will provide the resources required to implement the strategies established by the Community Strategic Plan that Council is responsible for.

In accordance with the Act, this Resourcing Strategy includes long-term financial planning, workforce management planning and asset management planning.

The Resourcing Strategy informs Council's Delivery Program that details the principal activities to be undertaken by Council over the next four years to implement the strategies established by the Community Strategic Plan within the resources available under the Resourcing Strategy. The Operational Plan specifies the resources and activities of the first year of the Delivery Program.

The Integrated Planning and Reporting Framework is depicted in Figure 1.



2. Background: the Road to Financial Sustainability

Council's 2013-2023 Resourcing Strategy (last year's version of this document) began with the following statement under the heading "Council's unsustainable position":

Council cannot continue to deliver the services it currently does to the current standards, let alone achieve new objectives over and above these.

How did this situation arise?

As noted in the Strategy, two key factors common to most local government were the key contributors to this unsustainable position:

- a widening gap between expenditure and revenues
- deterioration of infrastructure

The "widening gap" between expenditure and revenues arises from:

- State Government 'Rate Pegging': legislation that has, over the last 30 years, meant increases in revenue have not kept pace with inflation or CPI.
- Cost Shifting: the latest report commissioned by LG NSW found that as at 2010/11 Council was responsible for 25 extra services that were previously the responsibility of State or Federal Government and that these cost Coffs Harbour City Council \$4.4 million each year to deliver.
- Community Expectations: Council now delivers a wider range of services than it did in the past.

With regards to deterioration of infrastructure, Council is the "custodian and trustee" of public assets including transport, water, sewerage, stormwater drainage, buildings and recreation assets with a replacement value of around \$2 Billion.

The competing financial pressures noted above have led to a gradual reduction in funding for infrastructure repair and renewal over a number of years to the point where Council cannot continue to deliver the services it currently does to the current standards, let alone achieve new objectives over and above these.

Infrastructure assets are long-lived. Decisions made today can have a big impact on the future.

Council's Infrastructure Investments

Water supply and sewerage infrastructure makes up \$995M (around half) of the replacement value of Council assets. Under the NSW Local Government Act, 1993 these services are funded by specific charges and accounted for distinct from "general" activities funded by ordinary rates.

Over the past decade, Council has made substantial investments in the provision of new water and sewerage infrastructure including the construction of a \$60M Water Treatment Plant at Karangi, a \$90M Water Reclamation Plant at Coffs Harbour and (with our neighbours, Clarence Valley Council) the \$180M Shannon Creek Dam and Regional Water Supply Scheme.

These investment decisions will underpin the social, environmental and economic future of the City, ensuring the expected level of service can be delivered. The decisions were supported by 30 year financial plans demonstrating that Council could repay the substantial loans required via water and sewerage charges (initially requiring an increase, but then held

to around CPI).

The same approach is clearly required to address the “other half” of Council’s infrastructure portfolio – transport, stormwater drainage, buildings and recreation assets together valued at around \$1 Billion – which similarly underpin the future of the City, ensuring that current services can be provided into the future.

Coming to grips with Asset and Financial Management Challenges

In 2010 Council engaged consultants to undertake an Asset Management Gap Analysis which led to the preparation of “first cut” Asset Management Plans (AMPs), completed in March 2011, which identified the funds required for infrastructure repair and renewal.

Whilst the need to engage with the community regarding the levels of service they would like from their assets was noted, the starting point adopted in formulating the AMPs was maintaining current levels of service. This decision is critical in that it influences the cost of providing asset-related services.

Limitations arising from lack of asset-related data (quantity, current condition, deterioration behaviour, current costs to maintain and renew) meant that the analysis undertaken was at a fairly high level however it was clear that current funding for infrastructure maintenance and renewal was inadequate. Asset condition is deteriorating over time. The current situation is unsustainable in that current services cannot be maintained. An update on Asset Management Planning was reported to Council on 25 August, 2011.

Along with a “first cut” AMP, a “first cut” Long-Term Financial Plan (LTFP) was prepared that identified the full extent of Council's financial sustainability challenges: expenditure was increasing faster than its revenues (the “underlying operating deficit”). Considered together, the clear picture from the AMP and LTFP was that Council does not have the resources to continue to deliver the services it currently does to the current standards, let alone pursue new service objectives.

Service Review

At its meeting of 28 April, 2011 Council noted the proposed objectives and program for a comprehensive Service Review project examining all services, the outcomes of which were reported back to Council on 15 December, 2011.

A total of 43 services (which were utilised as the basis for restructuring Council’s 2012-2016 Delivery Program) were defined:

- 26 external services (provided to the community) and
- 17 internal services (enabling these external services to be delivered)

Each was examined from three perspectives, the “3Rs”, namely:

- **reason:** why the service is delivered (Community Strategic Plan, legislation, risk)
- **resources:** the human, financial and infrastructure resources required to deliver the service
- **results:** the service outcomes achieved and how these compared to stated objectives.

Service Leaders (those responsible for delivering the service) presented information on their service using standard templates to an independent Review Panel made up of a Director not responsible for the service delivery and managers from elsewhere in the organisation.

At “gate 1” the Review Panels reviewed, challenged and refined the definition of the service (based on the 3Rs) and identified opportunities for improvement and levels of service options to be explored by the Service Leaders for “gate 2”.

At “gate 2” the Review Panels reviewed, challenged and refined opportunities for improvement and levels of service options.

Whilst some opportunities for improvement were actioned, a number required changes to organisational structure and many required further investigation and validation. Whilst options to develop a ‘continuous improvement program’ for Council as a whole were explored, resource constraints and competing demands have prevented these from moving forward until the Transformation to Sustainability project, discussed below, was resourced.

Levels of service options provided valuable analysis of the implications of changing service levels in terms of impacts on service users, budget implications, risk, etc. that was utilised in the Community Engagement regarding levels of service, discussed below.

The outcomes of the Service Review were reported to Council on 15 December 2011, with Council resolving to undertake a community survey to gain a clearer understanding of community priorities for service provision.

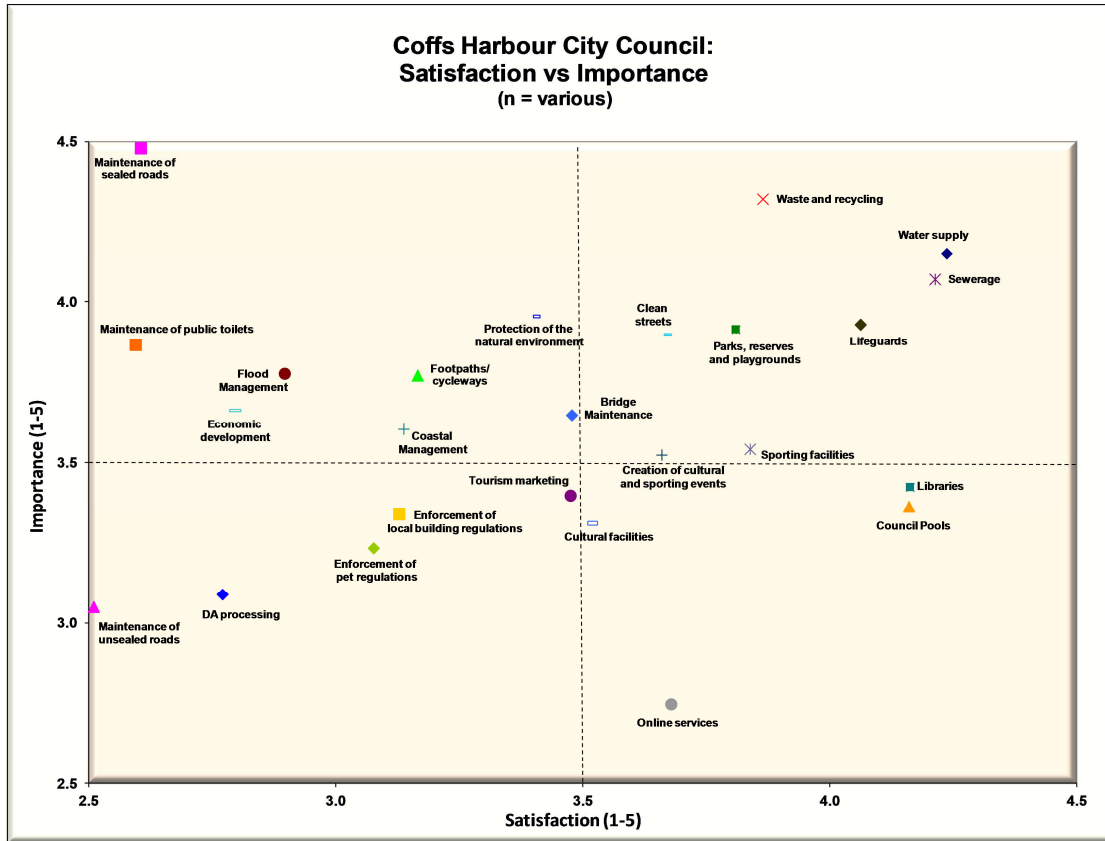
Community Survey regarding Levels of Service 2012

Council commissioned a telephone survey of 500 residents selected so as to be a statistically significant sample of the community (people were recruited based on age and where they lived).

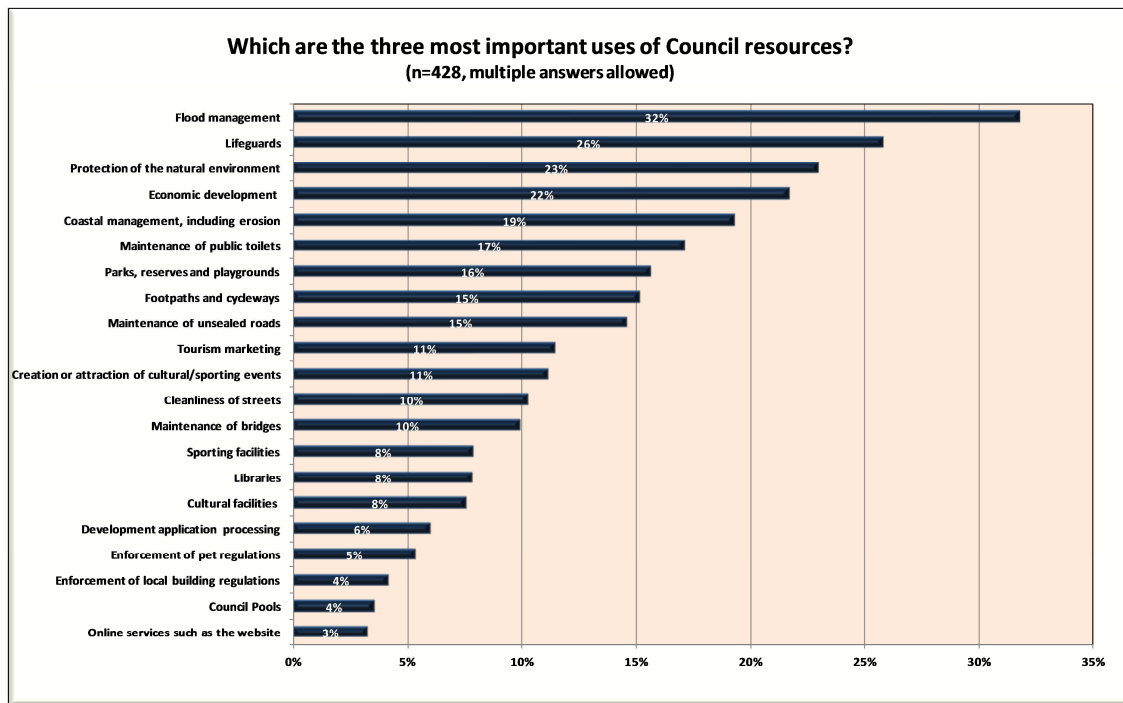
Respondents were asked to rate each of the external services defined by the Service Review from 1 (low) to 5 (high) regarding the following, the outcomes of which are presented below

- importance of the service
- satisfaction with the current service

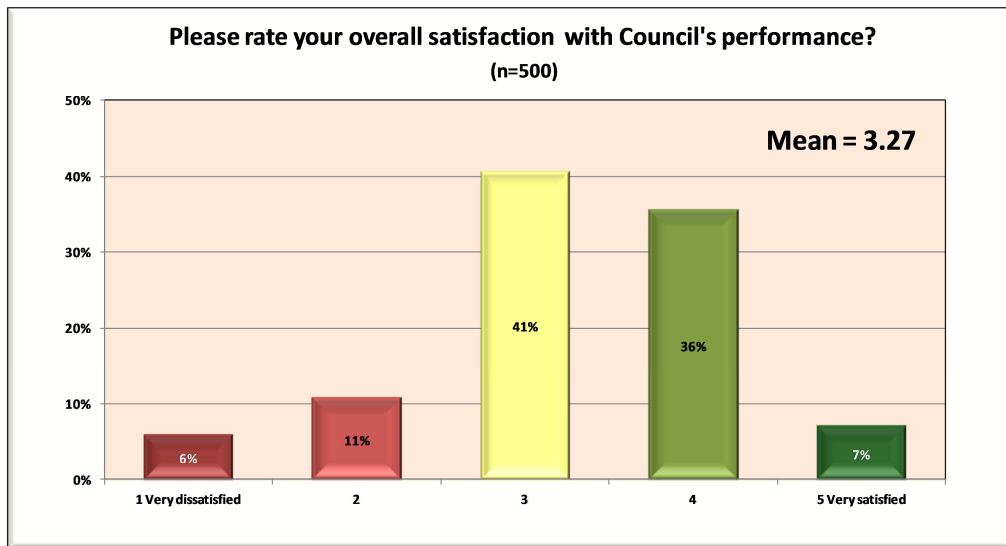
Those services which scored high in importance and low in satisfaction (the most notable by far being maintenance of sealed roads) were potentially those that the community would most like to see more funds allocated to, while those services of low importance and high satisfaction were potentially those that Council could consider reducing (bearing in mind that some services, such as the library or pools, are highly valued by users, but only used by a portion of the community).



Survey participants were also asked to identify which (if any) services provided by Council were considered critical (noting that “known criticals” of road maintenance and water supply were removed).



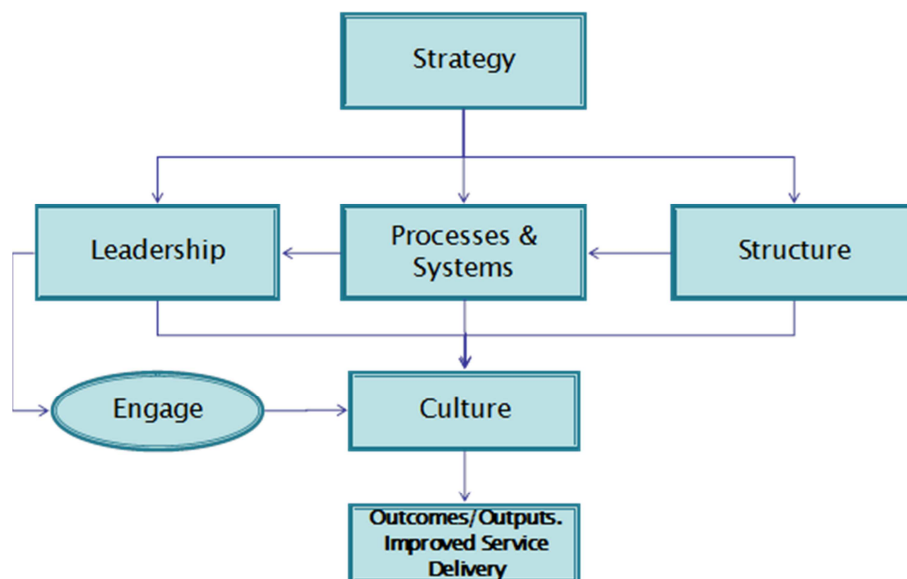
Finally, the survey also asked respondents to rate their overall satisfaction with Council. 43% of respondents declared themselves satisfied, 17% dissatisfied, and the balance neither satisfied nor dissatisfied.



The outcomes of the Survey were reported to Council's 26 July meeting, with Council noting the initiatives that were then underway to address Council's challenges around sustainable service provision, particularly the development of a Long Term Financial Plan and Asset Management Plans, and that this would provide the incoming Council with a good foundation to tackle this issue with far better information than existed previously.

Addressing Council's Biggest Strategic Challenge

The Service Review and a number of other organisational initiatives identified substantial barriers preventing Council from effectively addressing its unsustainable financial position. During 2011 and 2012, staff worked on addressing this, arguably Council's biggest strategic challenge, utilising the following model.



Whilst a range of opportunities could be pursued at an operational level, many were contingent on policy decisions by the elected Council.

Review of Council's Integrated Planning and Reporting Framework in 2012

Following the Local Government elections in September 2012, a series of briefing sessions with the incoming Council communicated the issues around Council's sustainability challenge and the options available to address it.

In accordance with the Act, the incoming Council reviewed and adopted a new Community Strategic Plan in May 2013 that identified the main priorities and aspirations for the future of the local government area, which were generally consistent with the earlier Coffs Harbour 2030 Plan.

Council also adopted a new long-term Resourcing Strategy setting out the means by which Council will provide the resources (financial, workforce and assets) required to implement the strategies established by the Community Strategic Plan that Council is responsible for.

The 2013-2023 Resourcing Strategy acknowledged Council's unsustainable position and the fact that Council could not continue to deliver current services into the future. Options to address the issue (none of which was a "silver bullet"), included:

- Productivity improvements (changing the way services are delivered)
- New revenue opportunities (e.g. commercialisation of council services)
- Reductions in current levels of service delivery
- Additional rate income.

The Strategy went on to identify a number of actions to be taken in order to pursue these options.

Community Engagement regarding Levels of Service 2013

Action 1 from the Strategy, development of a program to identify, evaluate and implement opportunities for improvement, was actioned by Council at its meeting of 14 November, 2013 in approving phase 1 of the Transformation to Sustainability project.

The remainder of the actions (actions 2 to 6) identified in the 2013-2023 Resourcing Strategy were tied up in the Community Engagement regarding Levels of Service that Council has undertaken in the latter part of 2013 and early 2014.

At its meeting of 26 September 2013, Council noted its annual financial gap and endorsed the principles of the Level of Service Community Engagement Process, adopting a Community Engagement Strategy for Levels of Service.

What differentiated this process from the 2012 Community Survey is that the community was enabled to understand the cost of service delivery, and thus to provide feedback on not only their priorities, but also their willingness to pay for service delivery.

In accordance with the Community Engagement Strategy, the "Budget Allocator" tool was utilized to gather community feedback on all services funded by the ordinary rate (i.e. excluding water, sewerage and domestic waste which are separately funded as required by legislation).

The tool included a number of Level of Service (LoS) options for each operational service:

- ⤴ Increase LoS
- ⤴ Maintain current LoS
- ⤴ Mid-range decrease to LoS
- ⤴ Minimum LoS

Given the need to increase funding for repair and renewal of infrastructure, only two LoS options were offered for infrastructure:

1. Enhanced LoS
2. Sustainable LoS

To enable people to make informed choices, the tool included a description of what each LoS option would actually look like.

Participants could also provide comments on particular services, service options and the process overall.

The cost of selections, including the impact on the average residential rate, were displayed as they progressed, enabling participants to balance their service priorities against what they were willing to pay for them.

A “screen shot” from the Budget Allocator showing the LoS description (in the box showing the “Maintain Current LoS” for Lifeguards), the options and budgets for several services and the box (on the right hand side) that helped participants track the impact of their choices in terms of the overall budget and also the average household rate.

The screenshot displays the CHCC Budget Allocator interface. It features three main sections for service allocation:

- COMMUNITY, CULTURAL & SPORTING EVENTS:** Offers four LoS options: Increase LoS (\$550k), Maintain Current LoS (\$480k) (selected), Mid-Range Decrease to LoS (\$240k), and Minimum LoS (\$0). The current spend is \$480k, matching the budget.
- LIFEGUARDS:** Offers four LoS options: Increase LoS (\$670k), Maintain Current LoS (\$600k) (selected), Mid-Range Decrease to LoS (\$350k), and Minimum LoS (\$100k). The current spend is \$410k, which is below the budget of \$410k. A tooltip for the selected option describes: "Maintain Current LoS: Beach Patrols at Park Beach 12 months, Sawtell 7 months, Woolgoolga 2.5 months, other beaches Christmas Holidays".
- ENVIRONMENTAL MANAGEMENT:** Offers two LoS options: Increase LoS (\$450k) and Maintain Current LoS (\$440k) (selected). The current spend is \$410k, which is below the budget of \$440k.

On the right side, a summary box titled "THE ALLOCATOR" shows:

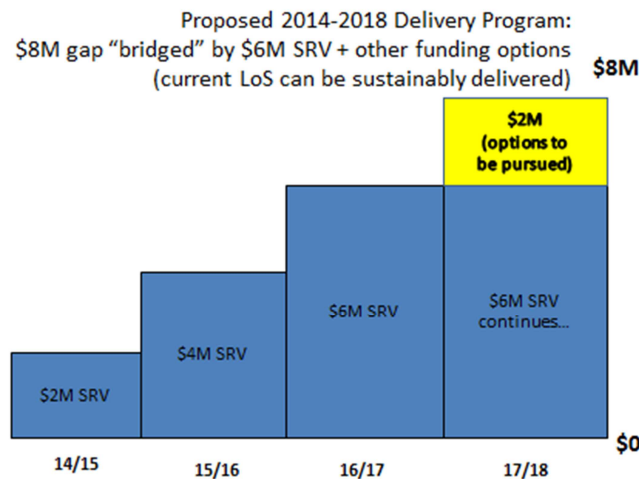
- Budget:** \$27.25m
- Your Spend:** \$33.45m
- Over Budget:** \$6.2m

A warning message states: "You're over budget! You are over budget and based on your current selections, Council may still have to increase ordinary rates above the State Government Rate Peg by 18.8%. Typically a 1% increase in average household rates equates to 18 cents a week or \$9.32 annually. You are over budget and may like to review and select other budget options."

As discussed in detail in the report on the outcomes of the process, which was reported to Council's meeting of 28 November 2013, feedback based on a statistically significant community reference group suggested that the community values the services Council

currently delivers and is willing to pay more to maintain these rather than see levels of service reduced.

The report recommended that Council apply to IPART for a rate variation that “bridged” \$6 Million of the \$8M financial sustainability gap, to be increased gradually over the next three years, whilst other means of closing the remaining \$2 Million gap such as the Transformation to Sustainability project and new revenue opportunities such as the commercialisation of CityWorks, which Council approved on 12 December 2013 were pursued.



In noting the feedback from the community regarding levels of service was generally supportive of Council continuing to deliver its current services (acknowledging that to do so requires Council to generate additional revenues) Council resolved to notify IPART of its intention to apply for a Special Rate Variation of \$6M to be staged over a period of three years at the rate of \$2M dollars per year to fund increased expenditure on infrastructure repair and renewal.

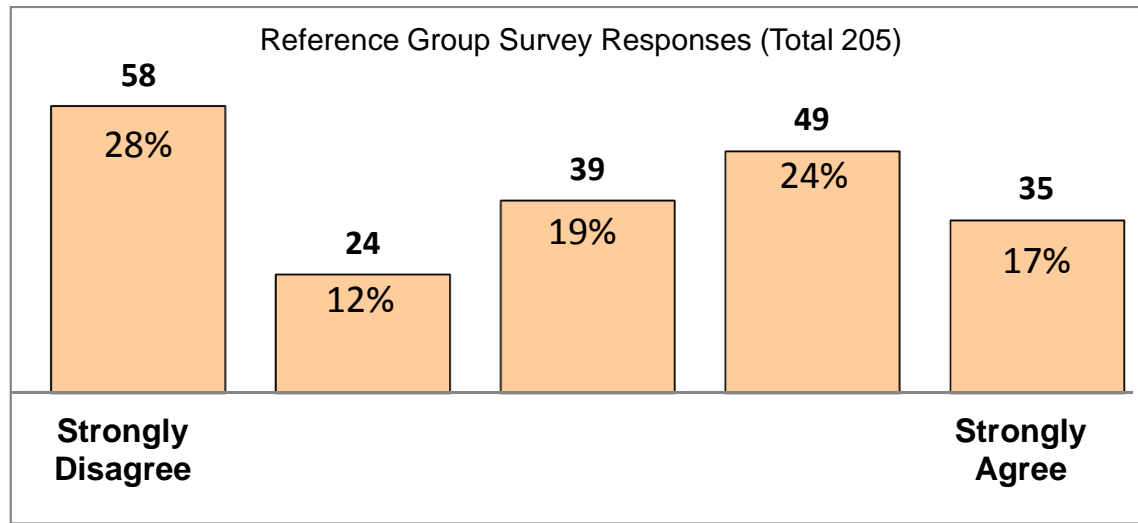
Council also resolved to acknowledge in its 2014-2018 Delivery Program the need to pursue a range of options to close the remainder of the “gap” to financial sustainability including the Transformation to Sustainability Project and continued emphasis on Asset Management, and to undertake a community engagement process regarding the proposed steps to be taken to adopt a financially sustainable position, including the application for a Special Rate Variation and options to close the remainder of the “gap” to financial sustainability.

A community engagement process was undertaken from 9 December 2013 to 24 January 2014 where participants were asked simply to respond to the following statement on a scale of 1 (strongly disagree) to 5 (strongly agree):

I understand that the current levels of Council services cannot continue without a rate rise being generated to repair and replace our ageing public infrastructure, so I would support Council applying for a rate increase over the next three years to help pay for the ongoing maintenance and renewal of the assets needed to deliver services to the community.

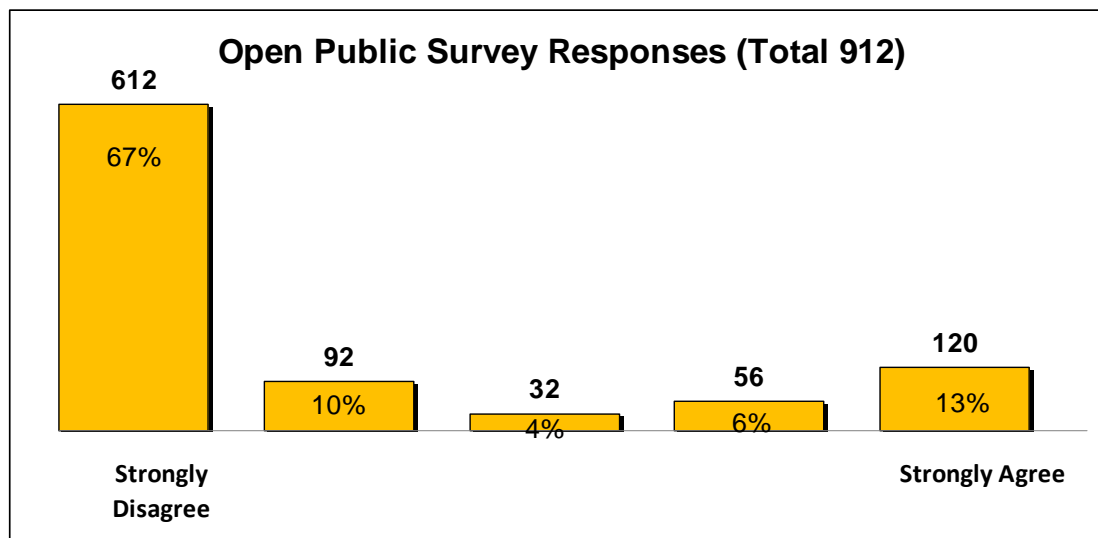
This question was asked via a survey of a statistically significant community reference group as well as process which was open to the general public. The results are outlined below.

The results of the survey of a statistically significant community reference group are presented in the graph below.



The results of the 'open to the public' survey, shown in the graph below, should be seen in relation to a number of factors including:

- The population of the local government area is approximately 73,000
- The ABS data in relation to income levels indicate that concerns about affordability are likely to play a part in the responses received
- There is no way to quantify or qualify the nature of the responses in such a survey



As discussed in the report on the outcomes of the community engagement process regarding Council's intention to apply for a Special Rate Variation, given affordability issues it is understandable that a significant portion of respondents strongly disagree with Council making an application for a Special Rate Variation, despite the need for increased funding for repair and renewal of infrastructure.

Yet the results follow a “bell curve” (an indication of statistical significance) and the peak of the curve is shifted towards the “agree” side of the graph, indicating that the majority of the community support Council's application for a Special rate Variation.

Whilst a \$2M “gap” to financial sustainability remains, plans are in place (notably the Transformation to Sustainability project) to close this through productivity gains and new revenue opportunities (other than rates). With \$6M additional funding included in long-term planning, Council has largely reached its destination on the road to financial sustainability.

3. The Purpose of this Resourcing Strategy

This 2014-2024 Resourcing Strategy has been prepared to describe the means by which Council will provide the financial, workforce and asset resources required to implement the strategies established by the Community Strategic Plan that Council is responsible for.

If “a plan without resources is just a dream” then this dream (albeit a moderate one where Council can continue to deliver current services) is now largely a reality.

In short, the Strategy describes how Council will deliver its part of the Coffs Harbour 2030 Plan.

The “sustainable case” of the Long Term Financial Plan (LTFP) includes \$8M annual funding additional to that available in the “base case” (\$6M is from the proposed Special Rate Variation and \$2M is to be funded from productivity improvements and revenue opportunities identified via the Transformation to Sustainability project over the next three years).

The “sustainable case” of the LTFP demonstrates that Council has the financial resources to deliver current services to current standards into the future.

The Workforce Management Plan demonstrates that, whilst noting several challenges, Council will have the workforce necessary to deliver current services to current standards into the future.

Of particular note in this 2014-2024 Resourcing Strategy is that the “asset management planning” component of the Resourcing Strategy (the third component required under section 403 of the NSW Local Government Act, 1993) includes Asset Management Plans Summaries (AMPs) for all general fund assets.

The 2013-2023 Resourcing Strategy, and the earlier version adopted under the previous Council, only included an Asset Management Strategy.

Whilst the Act requires that Council have a plan for the provision of (in this case) asset or infrastructure resources to implement the strategies that Council is responsible for in the Community Strategic Plan, previous Resourcing Strategies acknowledged that Council could not do so. Given the (then current) resources defined in the LTFP for repair and renewal of infrastructure, service levels would continue to decline.

AMPs have been prepared based on funding for asset repair and renewal in the “sustainable case” in the LTFP. These AMPs describe:

- the assets covered by each plan in terms of quantity, age, condition, value, etc.

- the levels of service provided by these assets now, and the level of service forecast to be required in future, based on an analysis of future demand
- lifecycle management plans detailing how these assets will be maintained and renewed (and, where necessary, new assets acquired) so as to minimise the long-term costs of service provision
- funding projections to undertake these works that integrate with the “sustainable case” in the LTFP
- an improvement plan detailing actions to improve the way Council manages its assets.

AMPs have been developed for each asset class funded by the General Fund that is proposed to be funded by the Special Rate Variation, specifically:

- transport
- buildings and
- recreational assets.

Note that Council adopted a 30 year Water and Sewerage Strategic Business Plan (which include asset management as well as a range of other issues, as required by the NSW Government Best Practice Guidelines) in 2013.

An AMPs for stormwater drainage assets will be prepared in conjunction with the presentation of the Delivery Plan.

In addition to the AMPs (which include improvement plans for individual asset classes), the Resourcing Strategy includes an Asset Management Strategy, updated from the 2013-2023 version, that sets out the actions to be taken at a corporate level to improve asset management capacity and capability across Council.

The Strategy also includes Council's Asset Management Policy, which establishes Council's commitment to Asset Management.

4. Improvement Plan

The focus of actions identified in Council's Resourcing Strategy has, for last year and this 2014-2024 Strategy, been on the "road to financial sustainability".

As noted in the background section of this strategy, financial sustainability will only be achieved through the implementation of continuous improvement processes, commencing at this stage with the Transformation to Sustainability project and also examining the opportunities for income generation.

So ACTION 1 of this Strategy is to undertake phase 1 of the Transformation to Sustainability project, to engage a suitable consulting firm to conduct an organisational diagnostic and prepare a detailed business case and proposed implementation plan.

Following on from this, ACTION 2 will be Council's consideration of opportunities for improvement and adoption of a list of those to be implemented, and resolving to commence phase 2 of the project. This is "gate 2" in the process detailed in the report recommending the project as reported to Council's meeting of 14 November 2013. *The target of this project is to identify approximately \$2M worth improvements in the processes of Council's delivery of service. This is likely to involve a range of actions beyond those outlined above.*

Council will continue to face the financial pressures in fulfilling the vision outlined in the Coffs Harbour 2030 Plan. Those pressures which have contributed to the unsustainable financial position in the past will continue to need to be effectively addressed. The community aspires to not only maintain current services, current infrastructure, but to new objectives set out in the Community Strategic Plan.

Given that another full review of the Community Strategic Plan will be undertaken with the incoming Council in 2016, it is vital that Council continue to improve the ways in which it is able to present levels of service options and the cost of delivering these. This objective is identified in the Asset Management Plans as a central issue: the adopted level of service is fundamental in determining the cost of service provision (i.e. of repairing and renewing infrastructure).

Action 2 outlined above will have a significant influence and impact on future actions in relation to financial sustainability. It is likely therefore that ACTION 3 will be a continued refining of the definitions of levels of service for each service Council delivers, including the cost of service delivery i.e. understanding the current level of service and what it costs to deliver.

Subject to the outcomes of the above actions, ACTION 4 is likely to begin development of a range of levels of service options for each service in anticipation of these being utilised as part of community engagement around levels of service that will inform the objectives and strategies as part of the review of the Community Strategic Plan. Whilst this may also include levels of service options for services that Council does not currently deliver, the life-cycle costs of providing this service will need to be made clear so that an informed decision can be made on the desirability of this.

As noted in the report to Council's 26 September 2013 meeting regarding the proposed Community Engagement Process utilising the budget allocator tool, that process only considered Council's external services.

Council's budget includes significant expenditure on internal services (such as human resources, finance, information technology, etc.) that enable external services to be

delivered. Opportunities for productivity improvements in these areas is a focus of the Transformation to Sustainability project (noting that external services will also be examined).

At the commencement of the Transformation to Sustainability project it is expected that ACTION 5 is to develop Service Level Agreements for these internal services that set out levels of service and the costs of service delivery to those other areas of Council who rely on these internal services to deliver services directly to the community.

It is important to recognise that services delivered to the community cannot be delivered without these internal services. It is also important to note that the way in which they are delivered can ensure the best service delivery to the community, and thus enable Council to better implement the strategies contained in the Community Strategic Plan.

These five improvement actions are summarised in the table below and at the time of writing this section of the Resourcing Strategy, the Transformation to Sustainability project is in its early stage. The outcomes of this project will inform future action by Council in relation to both internal and external service delivery. Therefore the below table is subject to change/amendment dependent on the outcomes of the Transformation to Sustainability project.

Action	Description	Who	When
1	Phase 1 of the Transformation to Sustainability project: detailed organisational diagnostic and development of a business case	Consultant	Early 2014
2	Consideration of opportunities for improvement and approval of a list of those desired to be pursued (“gate 2” in the project) and resolution to proceed with “phase 2” of the project.	Council	Mid 2014
3	Subject to the outcomes of Action 1 & 2 above a continued refining of levels of service – defining current levels of service and costs of delivery	Leadership Team	Ongoing
4	Depending on work to this point, begin development of a range of levels of service options, including costs, as support for community engagement regarding levels of service as part of the review of Coffs Harbour 2030 following the 2016 local government elections	Leadership Team	Review of initial list of options late 2014
5	Service Level Agreements for internal services are expected to be developed	Service Providers and internal customers	Late 2014