

# Fit for the Future

## Improvement Proposal

June 2015



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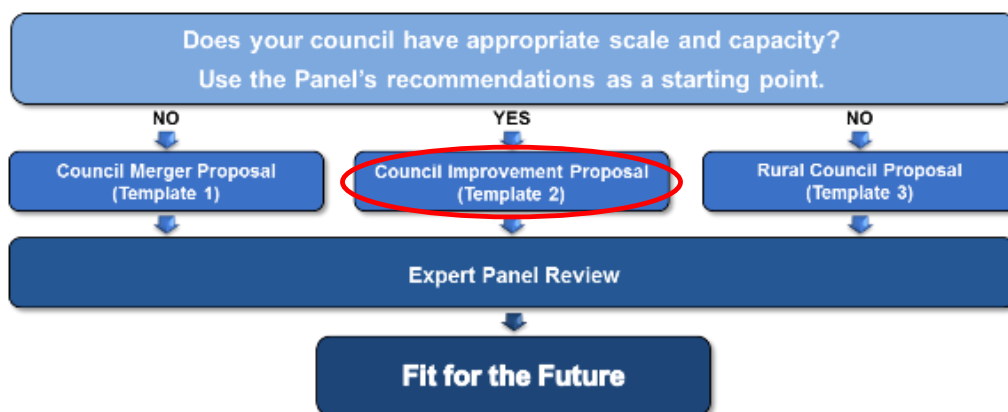
## Section 1: About Fit for Future

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 program in response to the findings of the independent review. The program includes benchmarks to help councils assess their performance and give communities further assurance that their councils' finances are being well managed.

The NSW Government also adopted the ILGRP's assessment in regard to all Councils' 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 the South East Joint Organisation.

In line with these recommendations, Council is required to complete a Council Improvement Proposal (Template 2):



**Source:** OLG, *Fit for the Future Guidance material*, October 2014

The Fit for the Future program 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 identified as having scale and capacity do not have to meet all benchmarks immediately, but they must show in a Council Improvement Proposal how they plan to achieve the benchmarks in a reasonable timeframe.

The Independent Pricing and Regulatory Tribunal (IPART) has been appointed as the independent advisory panel to assess Council's Improvement Proposal and released the Methodology for Assessment of Council Fit for the Future Proposals in June 2015.

The assessment of each council will be released by IPART on 16 October 2015.

## 1.1 Executive Summary

Eurobodalla Shire 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<sup>1</sup>.

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 the Infrastructure Backlog Ratios.

Council will meet all seven Fit for the Future benchmarks through phased improvement within 10 years. This aligns with Council's Integrated Planning and Reporting framework and Long Term Financial Plan and ensures that community benefits are balanced and maintained into the future.

How our community will benefit from what we will deliver in a financially responsible way has been considered in every step of our Fit for the Future proposal, building 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 of the benchmarks without significant cuts to services and infrastructure whilst maximising community benefit.

Fit for the Future is also an opportunity to review our operations and how we consult and engage with our community in determining our future. Collaboration will be key to achieving quality infrastructure and services for our community now and into the future.

We will collaborate with our community to review services as part of the Integrated Planning and Reporting process to achieve a clear and agreed plan for how Council will meet the needs of the community in a financially responsible way.

We will 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 addressing the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios.

We will implement a prioritised renewals funding strategy to improve our performance against the Building and Infrastructure Asset Renewal and Infrastructure Backlog ratios, including redirecting surplus funds into a new restricted infrastructure renewals fund and an increased, targeted renewals program.

We will further increase our capacity and focus on long term planning and organisational sustainability and invest in enhanced community relationships through a robust community engagement framework.

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<sup>1</sup> Revitalising Local Government, Final Report of the NSW Independent Local Government Review Panel, October 2013 pp. 116; and Fit for the Future guidance material: <http://www.fitforthefuture.nsw.gov.au/sites/fftf/files/What-does-this-mean-for-my-council.pdf>

We will continue to advocate for improved funding and financing arrangements, to meet community service and infrastructure needs which will help grow the Eurobodalla economy.

We will support economic growth and development through a new Integrated Economic Growth and Development Strategy to increase the regional focus on economic and population growth and development, with an emphasis on supporting business and tourism.

Council's Improvement Action Plan (Section 3.4) 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. It will realise efficiency savings and productivity improvements and redirect funds to address the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios. This will ensure improvement in performance within five years to meet all benchmarks within 10 years.

In many areas, Council's Improvement Proposal will not be a significant change in direction for our community. Many of the strategies already in place are consistent 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 the Fit for the Future assessment criteria as shown in the table below.

*Table 1: Summary of Council's performance against IPART's assessment criteria after the implementation of Council's Improvement Action Plan.*

Measure Assessment Criteria	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Meets Criteria?
<b>Operating Performance Ratio</b> Must meet within 5 years	-0.02	-0.02	-0.02	0.01	0.02	0.02	✓ Meet
<b>Own Source Revenue Ratio</b> Meet or improve within 5 years	69.25%	69.72%	69.51%	70.87%	72.90%	74.99%	✓ Meet
<b>Building and Infrastructure Asset Renewal Ratio</b> Meet or improve within 5 years	64.11%	98.77%	108.50%	121.03%	93.44%	93.55%	✓ Improving
<b>Infrastructure Backlog Ratio</b> Meet or improve/inform within 5 years	15.34%	14.16%	13.15%	12.26%	11.55%	9.82%	✓ Improving
<b>Asset Maintenance Ratio</b> Meet or improve/inform within 5 years	83.87%	85.84%	100.00%	100.00%	100.00%	100.00%	✓ Meet
<b>Debt Service Ratio</b> Meet within 5 years	6.93%	7.49%	8.14%	8.93%	9.65%	10.15%	✓ Meet
<b>Real Operating Expenditure per capita</b> 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



## 1.2 Scale and Capacity

### Overview

The NSW Independent Local Government Review Panel (ILGRP) final report identified that Council has sufficient scale and capacity to operate as a stand alone council in the South East Region<sup>2</sup>. Council was included in Group G, larger rural and regional councils (excluding Hunter, Central Coast and Illawarra). Councils in Group G were deemed likely to be sustainable in their current form for several decades. This grouping was accompanied by the following summary review of Eurobodalla:

*Table 2: ILGRP's Options for Non-Metropolitan Councils*

Population 2011	Population 2031	TCorp Financial Sustainability rating (April 2013)	TCorp Outlook (April 2013)	DLG Infrastructure Audit (May 2013)	Merger Potential	Options
36,993	43,400	Moderate	Neutral	Weak	Low	Council in South East Joint Organisation

Source: ILGRP Final Report, pp 114-116

### Council's Ongoing Sustainability Improvements

Following this assessment Council has reviewed its Resourcing Strategy (Long Term Financial Plan, Workforce Strategy and Asset Management Plans). This enabled Council to assess its current financial position and asset conditions. As a result, Council applied to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation of 6.5% to the general rate, including rate peg, cumulative for a three year period. Council's successful 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, meet community needs, support the strategic direction of the organisation and avoid any duplication of services with other service providers. The reviews consider:

- the current position of each service
- resources required to deliver each service
- assessment of statutory obligations
- emerging trends
- efficiency opportunities
- alternate service delivery methods

Outcomes of the completed reviews and other continuous improvement programs and strategies have informed Council's Delivery Program 2013-17 and Operational Plan and Budget 2015-16.

Council also has an internal audit program to monitor ongoing efficiencies and implementation of the Long Term Financial Plan. The committee will play a key role in monitoring the implementation of Council's rate variation. Council's audit committee is independently chaired and includes highly qualified and experienced community members.

<sup>2</sup> Revitalising Local Government, Final Report of the NSW Independent Local Government Review Panel, October 2013 pp. 116

Council has also participated in a range of benchmarking programs such as comparative data surveys coordinated by Office of Local Government, the 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. These programs provide benchmarking comparisons for the following areas of Council:

- workforce
- finance
- operations
- risk management
- corporate leadership

Participation in these benchmarking programs along with the conduct of independent statistically reliable community surveys provide the following key indicators of Council's current position:

- 82% of residents are very satisfied to somewhat satisfied with Council's performance. This result is significantly higher than the NSW Regional Benchmark<sup>3</sup>.
- 89% of residents are very satisfied to somewhat satisfied with the level of service and facilities provided by Council<sup>4</sup>.
- Over 70% of councils in NSW have higher employee costs, as a percentage of total expenditure, than Eurobodalla<sup>5</sup>.
- Council is below NSW and Group 4 average for employee costs as a percentage of total expenditure<sup>6</sup>.
- The NSW Department of Planning Development performance monitoring showed that the Eurobodalla's volume and value of development was higher than the Group 4 average for similar sized councils<sup>7</sup>.
- Council's average determination time for development approvals 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<sup>8</sup>.

Based on this independent data, it is evident that Council is operating at a standard that will see it continue as a stand alone, Fit for the Future council. Therefore, Council supports the ILGRP's assessment of Council's scale and capacity.

To support Council's Improvement Proposal and in line with IPART methodology that councils should first assess their scale and capacity, the following outlines Council's assessment against the Office of Local Government (OLG) Guidelines, scale and capacity criteria.

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

A consistently strong own source revenue ratio of greater than 69% indicates a robust and reliable revenue base that provides fiscal security in funding essential services. While

<sup>3</sup> Micromex Research, Special Rate Variation, November 2014, pp 7

<sup>4</sup> Micromex Research, Special Rate Variation, November 2014, pp 8

<sup>5</sup> QON14/011 Benchmarking Group 4 Employee Costs, Eurobodalla Shire Council, Ordinary Meeting 9 December 2014

<sup>6</sup> QON14/011 Benchmarking Group 4 Employee Costs, Eurobodalla Shire Council, Ordinary Meeting 9 December 2014

<sup>7</sup> PSR15/010 Local Development Performance Monitoring, Eurobodalla Shire Council, Ordinary Meeting 24 March 2015

<sup>8</sup> PSR15/010 Local Development Performance Monitoring, Eurobodalla Shire Council, Ordinary Meeting 24 March 2015

Council is very successful in obtaining grant funds (16% of total revenue)<sup>9</sup> we are not reliant on grants to continue to provide ongoing services for the community.

While Council has reported deficits in the General Fund in recent years, a return to modest surplus<sup>9</sup> is forecast in future years as a result of the following initiatives:

- productivity savings targets
- zero base budgeting
- rate variation
- land sales and asset rationalisation
- recruitment freeze and other workforce measures
- Organisational Service Review Program
- streamlining and improving procurement
- improved fleet management
- Greenhouse Action Plan
- Water Meter Replacement Program

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

Council has a history of undertaking new functions and major projects. This has been demonstrated by Council's success in completing the following major projects in recent years:

- Moruya to Deep Creek Dam pipeline (\$31.47 million)
- Northern Water Treatment Plant (\$22.34 million)
- Batemans Bay Sewage Treatment Plant Augmentation (\$17.88 million)
- Narooma Streetscaping (\$4.8 million)
- Bay Link Road – Stage one (\$1.8 million)

Council has also successfully partnered with the NSW Government to deliver significant works including:

- Kings Highway upgrades, maintenance and road safety campaigns
- Princes Highway intersection, highway and service road upgrades
- Traffic safety facilities
- Shared pathways
- Marine infrastructure upgrades such as boat ramps, car parks and pontoons
- Recreation facilities

Whilst Council's focus is on addressing its infrastructure renewal and backlog, Council remains committed to meeting current and emerging community needs with the provision of new infrastructure.

In 2013-14 Council undertook \$27.1 million of capital works and in 2014-15 is scheduled to undertake capital works to the value of \$28.9 million.

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<sup>9</sup> Eurobodalla Shire Council, Delivery Program 2013-17 and Operational Plan and Budget 2015-16, pp 18



In 2015-16 Council will implement a capital works program valued at over \$50 million. The following table identifies the total capital works spend per service:

*Table 3: 2015-16 Capital Works*

Service	Total
Transport	\$14.62 million
Sewer Services	\$11.55 million
Waste Management	\$7.71 million
Organisation Support	\$5.94 million
Community Spaces	\$5.12 million
Water Services	\$3.29 million
Business Development and Events	\$1.88 million
Library, Arts and Culture	\$374,000
Public and Environment Health and Safety	\$110,000
Social Inclusion	\$50,000

**Source:** Eurobodalla Shire Council Delivery Program 2013-17 and Operational Plan and Budget 2015-16, pp 12

Major projects planned for 2015-16 and included in the above table include two new small town sewerage schemes and significant waste cell works.

Council has been considering ways to develop the Moruya Airport site to increase employment opportunities and to ensure its long term viability. A key milestone was the endorsement of a Master Plan in May 2015, which outlines future development opportunities for the airport in eight phases, including fly-in tourism accommodation at the airport and expanding the commercial space.

Council has expanded its Supported Accommodation program, which encourages people with disability to live independently in the community. Council now supports one 24 hour group home, one 24 hour villa complex and provides drop in support to people living in supported units and in private rentals throughout the community. This program is fully funded by the Australian and NSW Government's, including ownership of the group facilities, resulting in clear benefits at no financial cost to the community.

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

Council's Workforce Management Plan is a strategic approach to workforce planning to ensure Council has employees with the right skills to deliver the services required by the community, both now and into the future.

Council currently employs 437<sup>10</sup> equivalent full time staff across 18 services. Due to the size of the Eurobodalla (110km coastline), the diversity of functions performed, training and development opportunities and the reputation as a leading Local Government organisation, contributes to Council's ability to employ and retain a range of skilled staff. This is demonstrated by a turnover rate of 7.41% in 2013-14 which is below the NSW average of 8.1%<sup>11</sup>. A low turnover rate benefits Council through the retention of corporate knowledge and specific skill sets.

To address the national ageing workforce trend, Council has introduced a number of initiatives, including a focus on attracting and retaining younger workers.

<sup>10</sup> Eurobodalla Shire Council General Purpose Financial Statements, 30 June 2014 pp. 30

<sup>11</sup> 2013-14 NSW Local Government HR Metric Benchmark council standard report.

For a number of years Council has provided one year youth traineeships, via the Youth Employment Traineeship Scheme (YETS) which is restricted to youth living within the Shire and who are under 21. This scheme has enabled Council to place on average seven young residents per annum. Council also provides two to four year operational traineeships as well as a considerable number of apprenticeships and cadetships. The approach to youth traineeships has evolved over the years to allow for retention of the trainees as employees on completion of the traineeship. This has been a conscious decision to achieve a more balanced workforce profile and to allow for younger people to gain the experience and skills required to replace the generally ageing workforce.

In 2005, Council was recognised for its work in training and succession planning by being awarded the NSW Employer of the Year and the National Employer of the Year category at the Australian Training Awards. Eurobodalla was the first Local Government organisation to win this prestigious National award. More recently, in 2011 a staff member was recognised as the NSW and National Public Works Leader of the Year, and in 2013-14 three staff members were recognised at the Local Government Management Excellence Awards.

Council has been able to recruit successfully both internally and externally for professional staff at all levels of the organisation.

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

Council is committed to overseeing continued community connectedness as articulated in our Community Strategic Plan – ‘One Community’. The aspirations of a community that is friendly, responsible, thriving and proud is incorporated in the following focus areas:

- Liveable communities
- Sustainable communities
- Productive communities
- Collaborative communities

Council fosters an innovative and collaborative environment that allows new ideas and efficiencies to be realised. Examples of recent and ongoing initiatives include:

- introduction of zero base budgeting framework
- development of ePlanning services
- implementation of a broad range of risk management measures in the areas of property and public liability insurance that resulted in annual savings
- introduction of in-field technologies for roads, pathways, recreation, water and sewer maintenance management, operation and construction activities
- implementation of recovery and recycling of glass at waste stations for use on construction jobs
- collaboration and resource sharing with Regional Council partners
- development of online staff recruitment process
- implementation of Council’s Business Continuity Plan.

Council has also received awards to acknowledge and recognise achievements in the areas of Tourism, Youth, Environment, Infrastructure Innovation, Heritage, Water Conservation, Coastal Management, Aboriginal Heritage, Occupational Health and Safety, Training and Development, Infrastructure Development, Economic Development, Community and Cultural Services and Development.

In 2002, after four years of planning, Eurobodalla and Shoalhaven councils and other regional partners formed the Southern Phone Company, a regional telecommunications company, to create a more competitive and attractive business environment in regional NSW. Currently, 41 councils across the south east hold shares in Southern Phone and receive dividends, on behalf of their communities. In 2014, Council received a \$423,500 dividend from its initial \$2 investment.

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

Council has a commitment and capacity to provide a high standard of strategic planning and policy development. This is supported by a flexible matrix based approach and enables Council to call upon expertise in a range of professional areas. This approach has assisted Council to continue to deliver high quality products, such as Council's Integrated Planning and Reporting documents, which direct and guide Council's operations and support for the local community, in response to the Community Strategic Plan.

Council's focus on a strategic and sound policy basis to its operations and statutory responsibilities is supported by strategic planning staff who have expert skills and experience across a wide range of disciplines including land use, natural resource management, heritage, economic development and flood and coastal planning. This capacity is supported by the ability to call upon other professional expertise within the organisation such as engineering, transport planning, finance and communications.

The overall high level of advanced skills and experience has enabled Council to maintain, across all operational areas, a high quality process and product that ensures consideration and integration, where required, of Australian and NSW Government strategy and policy relevant to Council's operational responsibilities and community. Similarly, via this level of skill and capacity, Council has been able to actively engage and contribute to the reform activities of the NSW Government across a range of areas including local government, planning, biodiversity and coastal management.

Council has also partnered with other councils in the region to develop policy responses to significant issues impacting our community, such as sea level rise. Where necessary these same skills and experiences have enabled Council to advocate strongly on behalf of the community, to address issues of concern.

Examples of Council's successful strategic planning and policy development include Council's Sea Level Rise Planning and Policy Response Framework developed with Shoalhaven City Council as a regional climate change response. The framework was adopted by Council and provides sea level rise projections and a comprehensive policy framework to guide decision making. Council, along with Shoalhaven City Council, achieved a joint Climate Change Action Award at this year's Australian Coastal Awards for this policy.

Council endorsed the Broulee Biodiversity Certification Strategy after three years of collaboration between Council, local property owners and the Office of Environment and Heritage so that greater certainty for development in the area and support for economic growth could be achieved. This strategy won the Natural Environment Policies and Decision Making Award. The project was developed as a strategic solution to facilitate economic development and manage biodiversity issues.

### ***Effective Regional Collaboration***

In 2010 Eurobodalla was instrumental in establishing the South East Regional Organisation of Councils (SEROC). SEROC includes the councils of Bombala, Boorowa, Cooma-Monaro, Eurobodalla, Goulburn-Mulwaree, Harden, Palerang, Queanbeyan, Snowy River, Upper Lachlan, Yass Valley and Young.

In May 2012, the ACT Government became an official member of SEROC, a testament to the important relationship between the ACT Government and the surrounding NSW South East Region. Underpinning this was a Memorandum of Understanding on Regional Collaboration, signed in December 2011, between the Australian Capital Territory and the NSW Government.

In 2015, collectively with the ACT Government, SEROC was rebranded the Canberra Region Joint Organisation (CBRJO) to enhance economic development opportunities with the Canberra Region brand.

Projects undertaken by SEROC/CBRJO included:

- appointment of a Regional Legal Services Panel
- establishment of a Regional Panel of Conduct Reviewers
- joint Asset Revaluation Process
- regional application under the Community Energy Efficiency
- HR Professional Support Group resulting in a common tender for training
- South East Resource Recovery Group (SERRG)

Council has played a leading role in SEROC initiatives in particular with providing expertise, support and advice with information technology.

Council also partners with the following regional organisations:

- South East Australian Transport Strategy Inc (SEATS)
- South Coast Co-operative Library Service
- Southern Councils Group (SCG)
- South Coast Regional Tourism Organisation (SCRTO)
- Southern Regional Illegal Dumping (RID)

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

Council advocates to the NSW and Australian government both directly and through regional, NSW and Australia wide organisations for improved infrastructure and services to drive the economy and provide social equity.

Council has developed an advocacy plan titled '*Eurobodalla Shire Council – Infrastructure – Driving the NSW Economy*'<sup>12</sup>, which links with Council's Community Strategic Plan and other strategies and plans. This advocacy plan seeks to align, where possible with NSW Government strategies.

Council advocates strategically on a regional basis through the South East Australian Transport Strategy Inc (SEATS) and the South East Regional Organisation of Councils (SEROC).

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<sup>12</sup> Attachment

At a State level Council advocates via Local Government NSW, Country Mayors' Association, the NSW Roads and Transport Directorate (RTD) and the Institute of Public Works Engineering Australasia (IPWEA).

At an Australian level, Council works actively in supporting the Australian Local Government Association including contributing to the National Assembly, National Roads Congress, Department of Social Services and National Disabilities Services (NDS).

Council is also an active partner in converting advocacy into tangible on the ground solutions. Recent examples of this include:

- Kings Highway Roads Safety Alliance (Roads and Maritime Services, Eurobodalla Shire Council, Palerang Shire Council and Centre for Road Safety)
- Kings Highway Road Safety Partnership (Roads and Maritime Services, Eurobodalla Shire Council, Palerang Shire Council and Queanbeyan City Council)
- South Batemans Bay Link Road Alliance (Roads and Maritime Services and Eurobodalla Shire Council).

Council also actively advocates on behalf of its community on a range of reforms proposed by the NSW Government including in the areas of planning, biodiversity and coastal management. This advocacy role often sees Council working closely with other councils on common issues such as the benefits of a NSW Government policy on sea level rise, and the management of community impacts arising from Grey-Headed Flying fox camps.

Council's effective advocacy work has been recognised through recent successful funding for important economic and social transport links. These include a commitment of \$10 million from the NSW Government for the South Batemans Bay Link Road and \$500,000 from the Roads and Maritime Service for upgrades to the Kings Highway. An additional \$25 million was secured for the Kings Highway road safety project, including \$5 million for works around Nelligen. \$560,000 of black spot funding will improve parts of the Kings Highway, George Bass Drive and Tomakin Road.

Other grant funding Council was successful in securing through the year includes \$370,000 for shared pathways and pedestrian facilities, \$42,000 for boat ramps and \$75,000 for road safety audits.

Council provides a comprehensive mix of community service and community development programs, with over 40 grants acquitted annually and revenue of over \$6 million<sup>13</sup> providing over 6,000 occasions of service per week.

Council secured \$90,000 to develop the Involve Social Enterprise project which provides meaningful paid employment for people living with disability in our community. Council has also received \$800,000 grant funds to deliver supported play groups for the next five years.

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

Council is frequently successful in receiving State and Federal grant funds which demonstrates that Council has the necessary structures, systems, resources and capability to deliver key initiatives and infrastructure projects for the community.

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<sup>13</sup> 2013-14



Council has worked in close collaboration with the NSW Roads and Maritime Services (RMS) to deliver strategic route planning, design, construction, maintenance, emergency response and road safety campaigns for the Kings Highway. Council has also collaborated with the RMS on Princes Highway strategies, shared pathways, traffic safety improvements, road safety education and regional boating planning and delivery.

Examples of best practice collaboration include:

- Eurobodalla Pathway Strategy
- Pedestrian Access Mobility Plans
- Detailed submission to the Regional Boating Plan
- Detailed submissions to the NSW Regional Transport Plans

Council in partnership with Transport for NSW formed the Eurobodalla Passenger Transport Working Group. This group consists of representatives from local bus and taxi operators, Transport for NSW and Council. A detailed review of Council's public bus facilities was undertaken to identify and prioritise actions needed to upgrade these facilities to improve accessibility. As a result of this review, Council will achieve 55% accessibility compliance in 2014-15, with 90% expected to be achieved by the end of 2015-16. Council obtained grant funding through the Transport for NSW's Country Passenger Transport Infrastructure Grant Scheme.

Council worked with the NSW Government to develop a strategic solution to facilitate economic development and manage biodiversity issues, resulting in Broulee Biodiversity Certification. This is an alternate assessment pathway for Council to provide for the protection of biodiversity under the Threatened Species Conservation Act 1995.

Council works effectively with Local Land Services and the Office of Environment and Heritage to coordinate on the ground environment management initiatives. Council has been recognised as a leader in noxious weed management and environmental rehabilitation.

Council has recently partnered with the Department of Premier and Cabinet to deliver the Wallaga Lake cemetery project. The site is on one of the oldest and largest Aboriginal cemetery in NSW, with significant cultural value.

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

Council has a strong history of effective collaboration with emergency services and other providers to respond to natural disaster events. This includes effective participation at both a local and regional level including:

- Local Emergency Management Committee (multi-agency committee chaired by Director Infrastructure Services)
- Local Rescue Committee (multi-agency committee chaired by the Local Emergency Operations Controller)
- Regional Emergency Management Committee (Eurobodalla Shire Council's Local Emergency Management Officer is a member)
- Eurobodalla Bushfire Risk Management Committee (multi-agency committee under the NSW Rural Fire Service – Eurobodalla Shire Council provides representation with both elected Council and staff.

Council effectively responded to declared natural disasters during 2010, 2011, 2012 and 2014 working collaboratively through the emergency management arrangements. The resulting works were effectively managed including where necessary, reprioritisation of projects to respond to matters of public safety, access and infrastructure sustainability.

Council has adopted a comprehensive and integrated approach to the development of a Business Continuity Plan. The purpose of this plan is to build organisational capabilities to support the continued achievement of critical business objectives in the face of uncertainty or disruption. The Business Continuity Plan identifies the required actions, facilities, technical infrastructure, key responsibilities, and processes that will be required to allow Council to effectively respond to and recover from a business interruption event.

The objective of the business continuity framework is to provide a mechanism that enables Council and its officers to:

- identify business functions that are critical to Council in meeting its core business objectives
- develop resumption plans based on criticality of business functions rather than geographic location
- build resilience within Council's operational framework
- identify and document roles and responsibilities for key staff positions
- minimise the impact of function loss on stakeholders and the community.

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

Council has nine Councillors including a popularly elected Mayor. The organisation has five operational directorates responsible for the implementation of Council's Delivery Program and Operational Plan.

Eurobodalla's Councillors come from a diverse range of backgrounds and provide strategic input for the enhancement of the community. Councillors have represented Eurobodalla on the following external organisations:

- Batemans Bay Marine Park Advisory Committee
- Executive member of South East Australian Transport Strategy (SEATS)
- Gulaga National Park Board of Management
- Floodplain Management Association of NSW
- Executive member of Sea Change Taskforce
- Local Government NSW
- Far South Coast Regional Development Australia (RDA)
- Deputy Chair Country Mayors Association.

Councillors have been instrumental in developing the following advocacy and business plans:

- Eurobodalla Shire Council – Infrastructure – Driving the NSW Economy
- Southern Marine Gateway
- Regional Equine Centre.

Council's executive leadership team comprises of highly qualified staff with in excess of 100 years experience in Local Government. This level of experience and stability within an

organisation is a valuable asset and comes with a high level of ownership and commitment to achieving the goals for the community in which they live.

Council's executive also make considerable contribution to the region and state with the General Manager and directors being involved in alliance such as South Coast Regional Tourism Organisation, NSW Roads and Transport Directorate (Chair), Institute of Public Works Engineering Australasia (IPWEA) (NSW President and Australasian Board member), South East Australian Transport Strategy Inc (Executive Member), National Respite for Carers (NSW Chair), Local Emergency Management Committee (Chair), NSW Water Directorate and Local Government Professional Mentor program.

## Section 2: Council's current position

### 2.1 About Eurobodalla

Eurobodalla's 110km coastline extends north of Batemans Bay to south of Narooma. More than three-quarters of the 3,400 square km land area is national park or state forest and within its borders are 83 beaches, 4 major river systems, 10 national parks and 15 state forests.

The major towns of Batemans Bay, Moruya and Narooma are connected by villages and hamlets that are central to Eurobodalla's strong rural, coastal, heritage and indigenous culture. The local industry, once based on dairying, forestry and fishing, is now a diverse economy built around tourism, agriculture, aquaculture, retail, property and health services.

Eurobodalla's unique natural environment is both an opportunity and a challenge. There is a mix of urban and rural land uses along the coastline and development is influenced by environmental constraints such as threatened species, flooding, coastal hazards, steep topography, water quality and bushfire. Council maintains over 115km of urban bushland interface to mitigate fire risk.

Eurobodalla experienced strong subdivision growth in the 1960s and 70s. The infrastructure constructed during this period no longer meets current standards in terms of roads, stormwater drainage, pathways and accessibility, and will require significant upgrades.

Our population and development is spread along a 110km coastline, with concentrations in the three main town centres of Batemans Bay, Moruya and Narooma. This has led to multiple major community facilities such as three swimming pools, three libraries, and many halls and sports fields. Along with the spread of community and transport infrastructure, Council manages five sewage treatment plants, three waste facilities, two water treatment plants with three water sources and an extensive distribution network.

Eurobodalla's estimated resident population is 37,643<sup>14</sup> and this is projected to reach more than 40,000 by 2031. In addition, Eurobodalla attracts around 1.26 million<sup>15</sup> visitors annually with visitation at its peak in summer. On average, there is an estimated additional daily population of over 13,000<sup>16</sup> people which is more than one-third of the estimated resident population. 38% of property owners have their principal address outside of Eurobodalla and 31% of dwellings are not permanently occupied. Based on these estimates, in 2031 Eurobodalla can expect an average daily population of 55,000 and a peak population of more than 100,000.

The high variation in population due to tourism creates both opportunities and challenges for local businesses with seasonal variations. It also results in a need to provide infrastructure capable of handling peak loadings, paid for by our ratepayers, and a lower ability to collect fees and charges relative to the scale of the infrastructure needed to service peak periods.

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<sup>14</sup> ABS 2014 NSW State and LGA Population Projections: 2014 Final

<sup>15</sup> Destination NSW LGA Profile, September 2014

<sup>16</sup> National Sea Change Taskforce (based on 2011 data, Hugo and Harris, 2013)

When compared to the Australian average, Eurobodalla's population has the following characteristics:

- significantly older with the average age increasing at a faster rate
- higher proportion of Indigenous residents
- higher proportion of people needing assistance with core activities
- higher unemployment and lower income levels.

These population characteristics impact Council's operations and service delivery through:

- an increasing number of pensioner rebates resulting in a reduced rate base
- size, design and cost of essential services and infrastructure such as water, sewer, roads and footpaths which must meet accessibility requirements and seasonal population peaks
- delivery of an expanded mix of community, transport and recreation infrastructure valued at \$1.9 billion<sup>17</sup>.

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<sup>17</sup> Current Replacement Cost of Council's **consolidated** assets as per Note 9a of Council's 2013-14 Financial Statements. Written down value is \$1.29 billion. Note 21 identifies the General Fund (incl. Waste and Environment) current replacement cost to be \$1.069 billion with a written down value \$0.76 billion.



## 2.2 Key challenges and opportunities

### Strengths

- Eurobodalla Shire Council has the scale and capacity to continue as an independent organisation without amalgamation or boundary adjustment, as recommended by the Independent Local Government Review Panel (ILGRP)<sup>18</sup>.
- NSW Treasury Corporation (TCorp) 2013 assessment<sup>19</sup> of Eurobodalla's Financial Sustainability rating was 'Moderate' and its Outlook assessed as 'Neutral'<sup>20</sup>. This shows that Council has the necessary financial scale and capacity required to be a stand alone council, as well as being able to manage its finances in a sound manner.
- Organisational focus on building a sustainable future was established and actioned prior to the release of the Fit for the Future program.
- Sound fiscal flexibility as stated in the TCorp 2012 report<sup>21</sup> and evidenced by a strong historical and forecast Own Source Revenue Ratio performance.
- Strong balance sheet and sound liquidity position allowing adequate servicing of all short term liabilities and scheduled capital expenditure programs.
- Satisfactory levels of debt and sound borrowing management policy and strategies. Council is able to meet repayment commitments as and when they fall due.
- A robust budgeting review system borne from Zero Base Budgeting in 2013-14 supported by subsequent annual line-by-line revision and assessment of department budgets.
- A forecast break even Operating Performance is projected within the short term for Council's General Fund.
- A rate variation from 2015-16 will deliver identified infrastructure needs and address infrastructure renewal and economic growth. The rate variation will generate an additional \$27.7 million over 10 years<sup>22</sup> to renew and improve local roads, sportsgrounds, parks and public spaces and to further upgrade Batemans Bay CBD and the Moruya Airport. The rate variation will also provide an increase

<sup>18</sup> Revitalising Local Government, Final Report of the NSW Independent Local Government Review Panel, October 2013, pp. 116.

<sup>19</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp), pp 17.

<sup>20</sup> Consolidated position including General, Environment, Waste, Sewer and Water Funds.

<sup>21</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, April 2012, pp 5

<sup>22</sup> Independent Pricing and Regulatory Tribunal (IPART) Local Government Determination, May 2015, pp. 4. Amounts are in nominal (2015) dollars.

in infrastructure renewals when the community and transport infrastructure program is delivered.

- Council operates strong water supply and sewerage businesses which meet best practice and achieve consistent surplus performances. This enables a dividend to be paid to Council's General Fund.
- Sound history of successful grants outcomes that allow Council to diversify and leverage its delivery of services and assist in funding key infrastructure for the community. This is evidenced by the delivery of a successful suite of community services which meet gaps in service provision within the Eurobodalla and provides Council with additional scale and capacity.
- Ongoing organisation-wide annual productivity savings target of minimum \$250,000 built into annual budget process.
- A robust Internal Audit committee that is independently chaired and includes highly qualified and experienced community members.
- Long term infrastructure strategies and plans in place with the underlying principle of optimisation to meet defined community needs.
- Strong network of infrastructure in place allowing Council to focus on infrastructure renewal and limiting new capital works to meet community need and support growth.
- Sound strategy of prioritising expenditure on maintenance, infrastructure renewal and upgrade of existing infrastructure to meet community needs, legislative requirements while effectively managing risk and facilitating growth.
- Recent significant streetscaping works, upgrades to parking, traffic and pedestrian facilities in town centres to encourage local economic development, local shopping and employment and the tourism industry.
- Ongoing advocacy outcomes realised, particularly in the transport area, supporting significant NSW Government investment and substantial upgrades to the Princes Highway and Kings Highway, and the provision of the South Batemans Bay Link Road in accordance with 'Eurobodalla Shire Council Infrastructure – Driving the NSW Economy' advocacy plan.
- Independent statistically reliable community surveys are conducted as part of the Integrated Planning and Reporting process. The most recent results<sup>23</sup> 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.

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<sup>23</sup> Micromex Research, Special Rate Variation, November 2014, pp 7-8

- A comprehensive, award winning suite of Integrated Planning and Reporting documents developed in collaboration with the community is driving Council operations and service delivery.
- Strong local environmental planning documents underpinned by sound policy frameworks consistent with NSW Government legislation to encourage development.
- A comprehensive Greenhouse Action Plan delivering ongoing savings and efficiencies across the organisation and community.
- Highly skilled and experienced workforce to effectively plan and deliver works.
- A growing use of smart technology to support asset management and the delivery of infrastructure services.
- An established rolling program of organisational service reviews ensuring innovative and efficient service delivery outcomes.
- A robust local economy providing a sound rating base. The Gross Regional Product is estimated at \$1.23 billion a year.
- A strong tourism industry with approximately 1.26 million visitors a year contributing to an estimated \$379 million economic spend within the Eurobodalla<sup>24</sup>.
- Proximity to Canberra and link to the Australian Capital Territory economy and international airport.
- A strong sense of local identity and high social cohesion within the community with over 40% of residents identifying as a volunteer.
- Significant upgrades and expansion of health facilities at Moruya Hospital as well as expanded General Practice facilities such as the Oncology Unit at Moruya Hospital.
- Access to primary, secondary and tertiary education options including two local TAFEs and the University of Wollongong campus in Batemans Bay.
- Successful advocacy and strong partnerships across Council service streams resulting in improved service and infrastructure outcomes for the community.

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<sup>24</sup> Destination NSW LGA Profile, September 2014.

## Weaknesses

- Council has limited ability to ensure growth in rate revenue keeps pace with service delivery expectations due to rate pegging increases which have not been in line with Local Government Cost Index increases and the current loss of indexation of Financial Assistance Grants.
- An extensive open space network of 1,550Ha compared to the Group 4 average of 891Ha<sup>25</sup> and a NSW average of 991Ha, resulting in higher associated maintenance costs.
- Council's General Fund has a history of operating deficits as noted by TCorp<sup>26</sup>.
- The Eurobodalla local government area covers a large geographic area, 3,400 square kilometres, relative to population base 37,643, which is population density of 10.81 residents per square kilometre compared to the 59.81 Group 4 average.
- Geographically dispersed settlements, with 3 major towns and 13 smaller villages and hamlets, requiring duplication and long lengths of infrastructure, resulting in increased costs for Council to provide, maintain and renew a large portfolio of assets.
- Council service delivery streams have increased to compensate for ongoing cost shifting from other levels of government and to ensure service delivery 'gaps' are met within our community.
- Relatively low population growth rate over past five years associated with the current economic cycle. Eurobodalla has 2.6% growth, compared to Group 4 average of 4.6% and NSW average of 4.1%<sup>27</sup>.
- Lower socio economic status and an ageing population places pressure on existing services and increases the demand for services such as aged care and community health facilities. TCorp noted that Eurobodalla had the highest percentage of population over 85 years in NSW and second highest over 65 years<sup>28</sup>.
- Lower average household income of residents compared to Group 4 and NSW<sup>29</sup>.
- Limited available industrial land with 72% of all land in Eurobodalla being national park or state forest.

<sup>25</sup> Comparative Information on NSW Local Government, Measuring Local Government Performance 2012-13, NSW Office of Local Government, June 2014, pp.130

<sup>26</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, April 2012, pp 5

<sup>27</sup> Comparative Information on NSW Local Government, Measuring Local Government Performance 2012-13, NSW Office of Local Government, June 2014, pp.130

<sup>28</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, April 2012, pp 18

<sup>29</sup> 2011 Census Data

- Limited public transport and freight options. Limitations to higher freight productivity due to the lack of large B-Double access to the Eurobodalla via the Princes and Kings Highways.
- Limited access to low-cost air travel.
- Higher unemployment with the main employment industries being tourism and related industries of retail, construction and healthcare, which makes the Eurobodalla vulnerable to external economic and seasonal fluctuations.
- Local Government Infrastructure Audit 2013<sup>30</sup> assessed Council asset management position as 'weak' due to its low Building and Infrastructure Renewal Ratio performance.
- Historic underspending on asset renewal, as noted by TCorp, which has contributed to Council's current infrastructure backlog of \$78.6 million<sup>31</sup>.
- Current Infrastructure Backlog Ratio calculation based on past revaluation and condition data which potentially negatively affects the result.
- Increased infrastructure renewal needs anticipated beyond 10 years as existing infrastructure ages and moves toward the end of its useful life.
- Increased need for investment in adaptation of existing infrastructure to meet new legislation and emerging markets such as accessible tourism and higher productivity transport.

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<sup>30</sup> Local Government Infrastructure Audit, NSW Division of Local Government, June 2013, pp. 142

<sup>31</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, April 2012, pp 31



## Opportunities

- Development of an Integrated Economic Growth and Development Strategy in collaboration with key stakeholders will allow Council to stimulate and facilitate economic growth within Eurobodalla.
- Continuing to meet and exceed Fit for the Future benchmarks will attract benefits including favourable finance options, simplified reporting requirements and priority access to NSW Government funding and grants.
- Collaboration with Office of Local Government and peak industry groups to establish a more reliable and consistent methodology for the calculation of 'cost to bring to satisfactory' and 'Infrastructure Backlog Ratio' which will improve forecasting.
- Fit for the Future provides an opportunity to recalibrate our range of strategies and reset the community engagement framework with our community.
- Operating as an effective member of the South East Joint Organisation.
- Participation in the proposed NSW Government's independent review of the rating system to achieve better outcomes for Council and the community.
- Ongoing advocacy through peak bodies for improved funding models and finance arrangements for Local Governments.
- Development and implementation of community engagement framework will improve relationships with our community and assist in agreeing service levels going forward.
- Ongoing review of budgeting methodologies will further improve forecasting.
- Capacity to use cash and internally restricted reserves to fund increased renewal works and address the infrastructure backlog whilst still maintaining appropriate liquidity levels.
- Ability to take advantage of relatively small to moderate levels of debt to finance any funding shortfalls in addressing the Infrastructure Renewal and Backlog ratios.
- Continued targeted grant applications to fund increased renewal works and address the infrastructure backlog.
- Strategic infrastructure development will strengthen tourism services, experiences and business opportunities.
- Organisational service reviews will achieve productivity improvements, efficiency gains and innovative service delivery models.

- Improved procurement and contract processes through development of procurement strategy and training programs.
- Enhanced information technology systems will provide improved quality of information for strategic decision making and planning, reduce manual processing time and create further organisation efficiencies.
- Reinvigoration of the Moruya Airport, as outlined in the draft Moruya Airport Master Plan, including new industries, targeted tourism development, greater infrastructure capacity and potential growing revenue source.
- Eurobodalla will continue to be marketed as an area of choice to live, visit, work and invest, which will result in increased growth.

## Threats

- Australian and NSW Government budget cuts impacting grants such as loss or further diminishing of Financial Assistance Grants.
- Further cost shifting from Australian and NSW Government without consultation with Council or appropriate financial recompense.
- Potential removal or reduction of subsidisation of the Pensioner Rebate from Australian and NSW Government.
- Limited ability to increase Council revenue streams. Main revenue stream constrained by rate pegging environment which does not keep pace with Local Government Cost Index or market increases for staff, materials and contracts.
- Increasing legislative requirements and standards for community infrastructure and service delivery such as the Civil Liability Act 2002.
- The increasing complexity and costs associated with Australian and NSW Government environmental and land management legislation.
- The cost of addressing coastal hazards and the impact on planning, development and the type and size of infrastructure.
- Ongoing ability to fund infrastructure with current budget constraints to not only maintain current infrastructure network but to meet increasing community expectations, increasing safety and environmental regulations and changes outside of Council's control such as contributions to emergency services.
- Increasing demand for expanded and diversified services and infrastructure which places pressure on Council's budget and resources.
- Tourism spend and investment is sometimes constrained due to external factors. It is also seasonal with populations of major towns and villages expanding up to five times in peak periods.
- Access to and lack of high quality and diverse health services and infrastructure to meet the needs of the ageing population.
- External economic forces impacting adversely on the local economy, growth and development such as changes to retail practices, for example online shopping.

## 2.3 Council's Starting Position

In accordance with Fit for the Future guidelines, this section provides Council's starting position as at 2013-14 and forecast performance at 2016-17 against the Fit for the Future benchmarks.

These results show the position **prior** to the application of the strategies and actions as outlined in Section 3.1 – 3.4 of Council's Fit for the Future Improvement Proposal.

As per the table below:

- council met three of the seven Fit for the Future benchmarks in 2013-14
- council would have met five of the seven Fit for the Future benchmarks in 2016-17.

This progressive improvement is a result of Council's continued focus on financial sustainability, continuous improvements and productivity savings.

Council's Fit for the Future Improvement Proposal builds on these strengths and will see Council meet all seven Fit for the Future benchmarks as detailed in Section 4.

Table 4: Council's 2013-14 and 2016-17 performance **prior** to the implementation of Council's Improvement Action Plan

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

## Sustainability

Table 5: Operating Performance Ratio

<b>Measure</b>	Operating Performance Ratio
<b>Definition</b>	Indicates Council's capacity to meet ongoing operating expenditure requirements.
<b>Ratio</b>	$\frac{\text{Net continuing operating result (excl. capital grants and contributions)}}{\text{Total continuing operating revenue (excl. capital grants and contributions)}}$
<b>Benchmark</b>	Greater than or equal to break-even average over three years
<b>Assessment criteria</b>	Must meet within five years

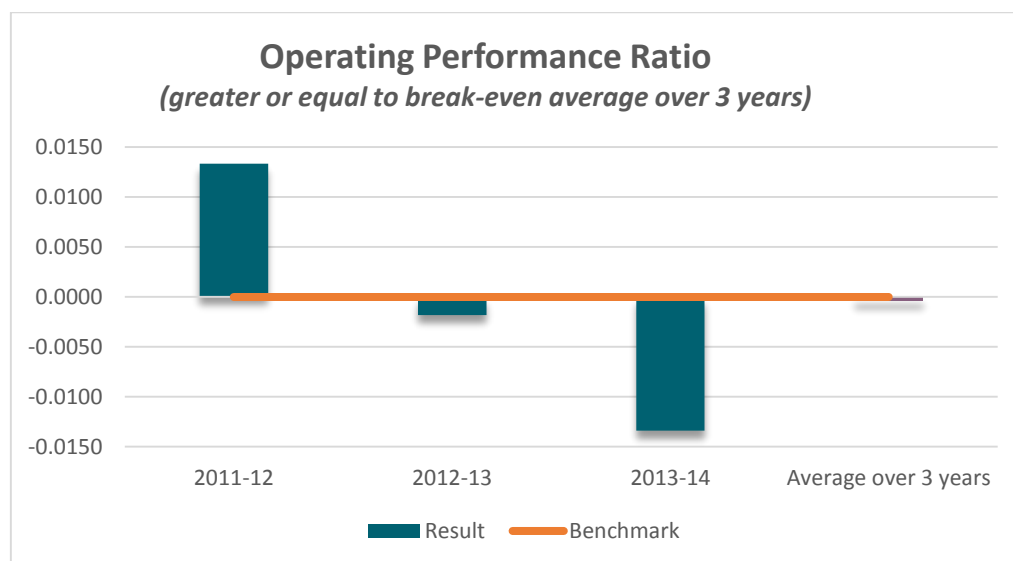
Council does not meet the Operating Performance Ratio in 2013-14 and is not expected to meet it in 2016-17, although it is only marginally below the benchmark. Council's Improvement Proposal, as outlined in Sections 3 and 4 will show Council meeting this benchmark within the required timeframe.

Table 6: Council's Operating Performance Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Operating Performance Ratio	-0.0004	✗	-0.02	✗

### 2013-14 Performance

The Operating Performance Ratio rolling three year average of -0.0004 for 2013-14 does not meet the benchmark of greater than or equal to break-even. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 1: Council's 2013-14 Operating Performance Ratio result

Council notes the OLG Self Assessment tool excludes loss on disposal of infrastructure assets from this calculation. Similar to all other NSW councils, Council's Operating Performance Ratio during this period shows the impact of the adjusted timing of the Financial Assistance



Grants (FAGs). In 2011-12 Council received more instalments which resulted in the operating performance surplus compared to 2012-13 and 2013-14.

Historically, the General Fund has reported ongoing operating deficits. Council's 2012 Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme<sup>32</sup> observed that the General Fund forecast shows deficit positions are expected in all 10 years and noted Council could face financial sustainability issues in the future. Council's response to the TCorp assessment resulted in the implementation of cost containment and revenue raising initiatives, the most recent being the successful rate variation.

The Environment Fund was established as a result of a rate variation in 1996-97 and has historically operated in a deficit position. These deficits are approximately \$0.2 million per year and are a result of allowable rate increases not meeting the increasing cost and community expectation of service delivery.

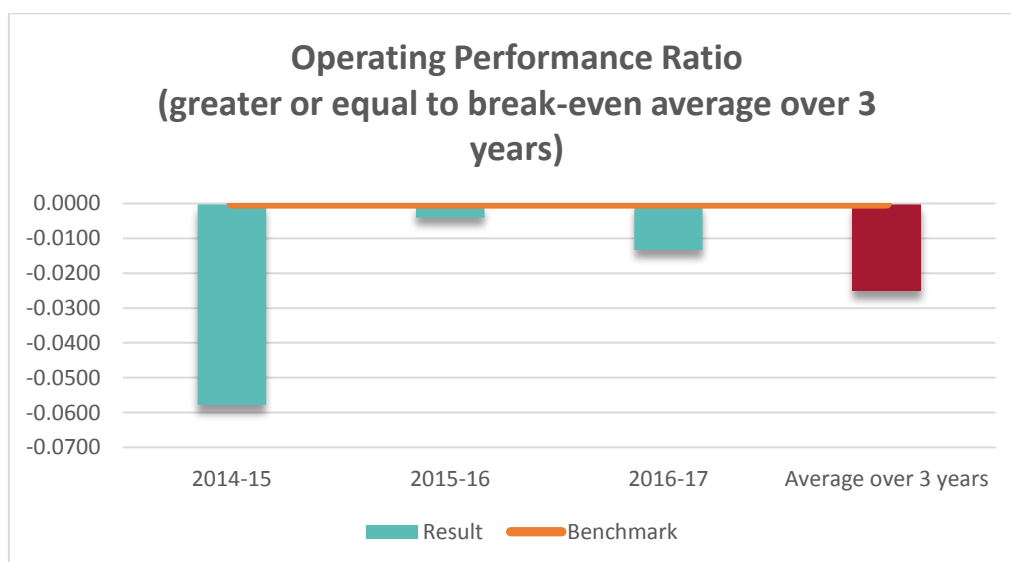
The Waste Fund has historically returned surpluses due to:

- increased landfill revenue as a result of higher than expected volumes primarily related to large development projects
- savings in the waste collection contract
- cyclical low capital investment resulting in low depreciation and financing costs.

### 2016-17 Forecast Performance

The Operating Performance Ratio rolling three year average of -0.02 for 2016-17 does not meet the benchmark of greater than or equal to break-even.

The graph below shows the three years making up the forecast average result for 2016-17.



Graph 2: Council's 2016-17 Operating Performance Ratio forecast

<sup>32</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, October 2012, pp. 5

The 2016-17 three year rolling average forecast period includes recent and ongoing financial sustainability initiatives such as the rate variation commencing in 2015-16, the revision of the depreciation model and additional savings of \$0.58 million through Council's 2015-16 budgeting process. However, the forecast compares unfavourably to the 2013-14 result as calculated by the OLG Self Assessment tool. This is due to:

- the General Fund is forecast to remain in deficit for this period due to the ongoing challenge of balancing available revenue sources with the cost of expected service delivery
- the Environment Fund is forecast to remain in deficit
- the Waste Fund is forecast to return small surpluses in 2014-15 and 2015-16. An increased loan funded capital program in 2016-17 impacts depreciation and borrowing costs resulting in a small deficit.

The full impact of the additional revenue generated by the rate variation is not evident in the 2016-17 forecast, however it will improve the operating position of the General Fund each year and enable Council to meet the Operating Performance Ratio benchmark by 2019-20 as required.

Table 7: Own Source Revenue Ratio

<b>Measure</b>	Own Source Revenue Ratio
<b>Definition</b>	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.
<b>Ratio</b>	$\frac{\text{Net continuing operating revenue (excl. all grants and contributions)}}{\text{Total continuing operating revenue (incl. capital grants and contributions)}}$
<b>Benchmark</b>	Greater than 60% average over three years
<b>Assessment criteria</b>	Must meet within five years

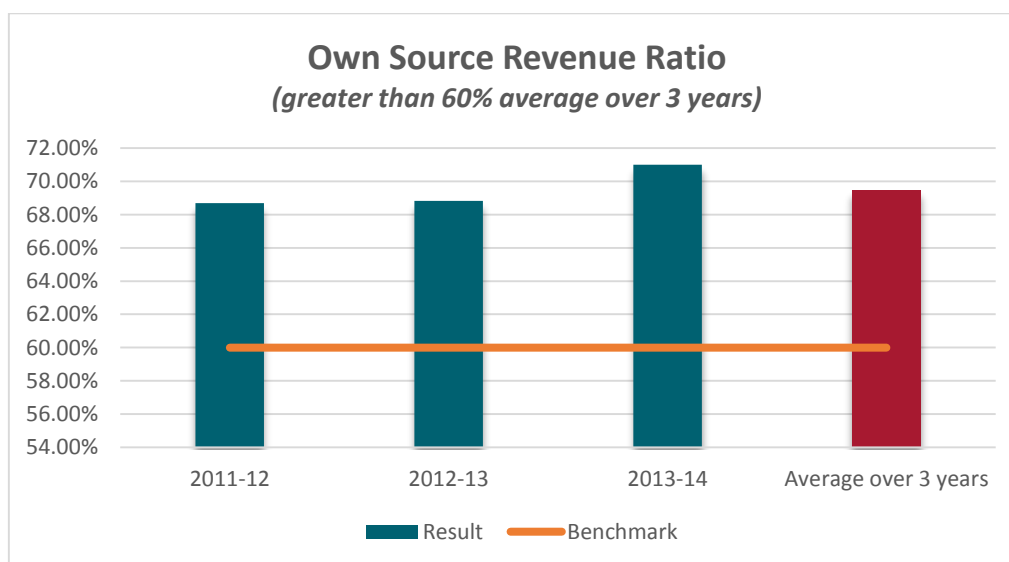
Council meets the Own Source Revenue Ratio in 2013-14 and is expected to meet it in 2016-17.

Table 8: Council's Own Source Revenue Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
<b>Own Source Revenue Ratio</b>	69.49%	✓	69.45%	✓

### 2013-14 Performance

The Own Source Revenue Ratio rolling three year average of 69.49% for 2013-14 meets the benchmark of greater than 60%. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 3: Council's 2013-14 Own Source Revenue Ratio result

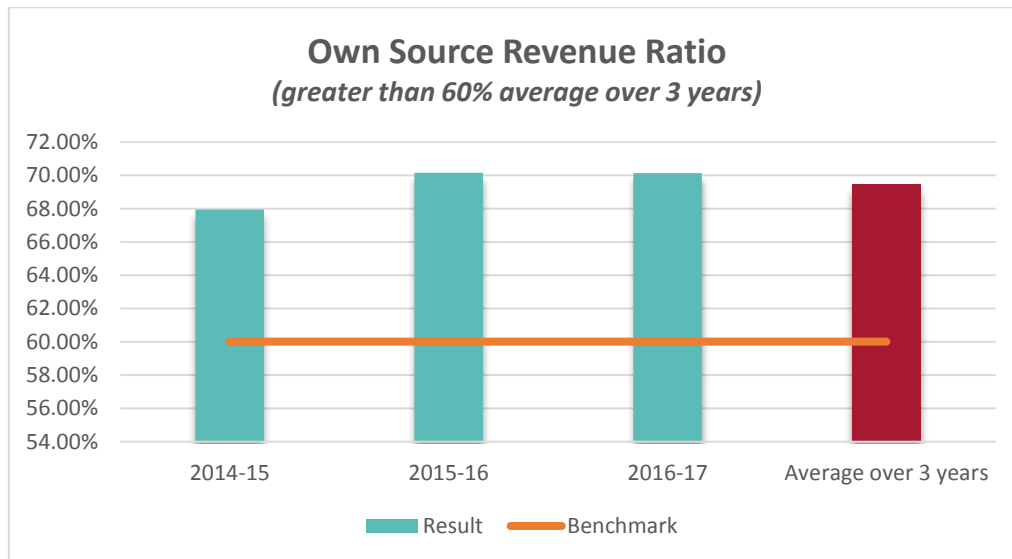
This result indicates Council has a robust and reliable revenue base. Council can rely on its own source revenue to provide fiscal security in funding its essential service programs. This is supported by TCorp's Financial Assessment which states Council's overall fiscal flexibility is sound<sup>33</sup>.

<sup>33</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, October 2012, pp. 5

## 2016-17 Forecast Performance

The Own Source Revenue Ratio rolling three year average of 69.45% for 2016-17 meets the benchmark of greater than 60%.

Forecasts show that Council will continue to consistently meet the benchmark and maintain fiscal security. Council's recent rate variation assists in sustaining this result.



Graph 4: Council's 2016-17 Own Source Revenue Ration forecast

Table 9: Building and Infrastructure Asset Renewal Ratio

<b>Measure</b>	Building and Infrastructure Asset Renewal Ratio
<b>Definition</b>	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.
<b>Ratio</b>	$\frac{\text{Asset renewal (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$
<b>Benchmark</b>	Greater than 100% average over three years
<b>Assessment criteria</b>	Meet or improve within five years

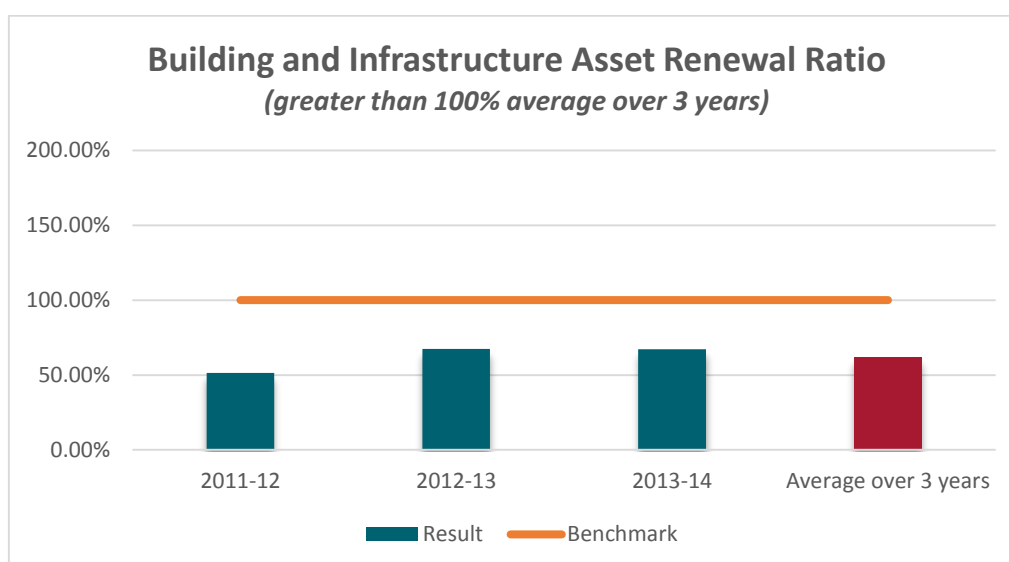
Council did not meet the Building and Infrastructure Asset Renewal Ratio in 2013-14. Council will meet the ratio in 2016-17 due to a spike in renewal works funded by the recent rate variation as explained in detail below. This result is prior to the implementation of Council's Improvement Proposal.

Table 10: Council's Building and Infrastructure Asset Renewal Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Building and Infrastructure Asset Renewal Ratio	62.4%	✗	108.50%	✓

### 2013-14 Performance

The Building and Infrastructure Asset Renewal Ratio rolling three year average of 62.4% for 2013-14 does not meet the benchmark of 100%. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 5: Council's 2013-14 Building and Infrastructure Asset Renewal Ratio result

Council's performance against the Building and Infrastructure Asset Renewal Ratio has been affected by the following historic constraints:

- dispersed settlement patterns requiring the duplication of infrastructure and resulting in a large infrastructure network to maintain, valued at \$1.9 billion<sup>34</sup>
- rate base that is constrained by rate pegging environment
- the long-lived nature of many council assets means the need for ongoing renewal can be 'lumpy'.

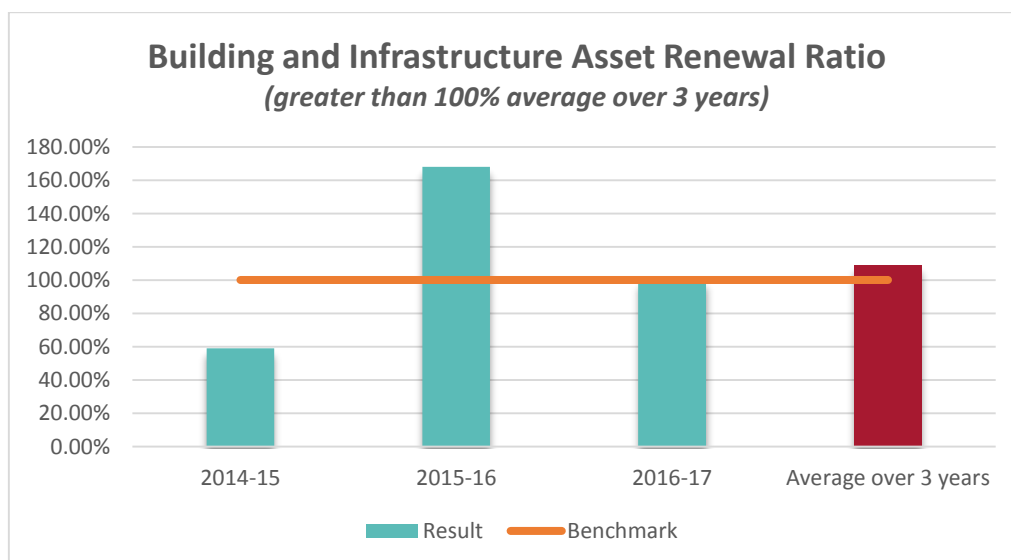
In recent years, Council has increased its focus on infrastructure renewal works through a targeted renewal program on short lived assets and a loan funded program to address high risk assets such as replacement of bridges in poor condition. Council has also increased the proportion of Roads to Recovery funding allocated to renewals.

Council has balanced its renewal program with the modest provision of new assets to address network deficiencies such as shared pathways in accordance with the Eurobodalla Pathways Strategy 2010 and accessibility needs under the Disability Action Plan 2012-17. To service growth, Council has a measured program of providing matching contributions for infrastructure such as rural roads, recreation and community facilities. Council's key infrastructure and land use strategies focus on consolidating and optimising existing facilities wherever possible, in preference to providing new facilities.

While Council did not meet the Building and Infrastructure Asset Renewal Ratio benchmark for 2013-14, Council has shown consistent improvement over time through these strategies.

### **2016-17 Forecast Performance**

The Building and Infrastructure Asset Renewal Ratio rolling three year average of 108.50% for 2016-17 meets the benchmark of greater than 100%.



Graph 6: Council's 2016-17 Building and Infrastructure Asset Renewal Ratio forecast

<sup>34</sup> Current Replacement Cost of Council's **consolidated** assets as per Note 9a of Council's 2013-14 Financial Statements. Written down value is \$1.29 billion. Note 21 identifies the General Fund (incl. Waste and Environment) current replacement cost to be \$1.069 billion with a written down value \$0.76 billion.



The primary driver for the 2016-17 result is due to an increase in asset renewals from \$8.22 million in 2013-14 to \$14.1 million in 2016-17. This is due to an increase in available revenue resulting from the rate variation, which will allow high priority renewal projects to be delivered through a mix of direct cash funding and loans. In 2015-16 this additional revenue enables Council to fund large scale renewal works including bridges and waste cells, resulting in a single year renewal ratio of 168%.

In addition to the rate variation, on-going grants such as Roads to Recovery are also being directed to renewal works.

This focus on infrastructure asset renewals assists to improve both the Building and Infrastructure Asset Renewal Ratio and the Infrastructure Backlog Ratio.

## Infrastructure and service management

Table 11: Infrastructure Backlog Ratio

<b>Measure</b>	Infrastructure Backlog Ratio
<b>Definition</b>	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.
<b>Ratio</b>	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures, depreciable land and improvement assets}}$
<b>Benchmark</b>	Less than 2%
<b>Assessment criteria</b>	Meet or improve/inform within five years

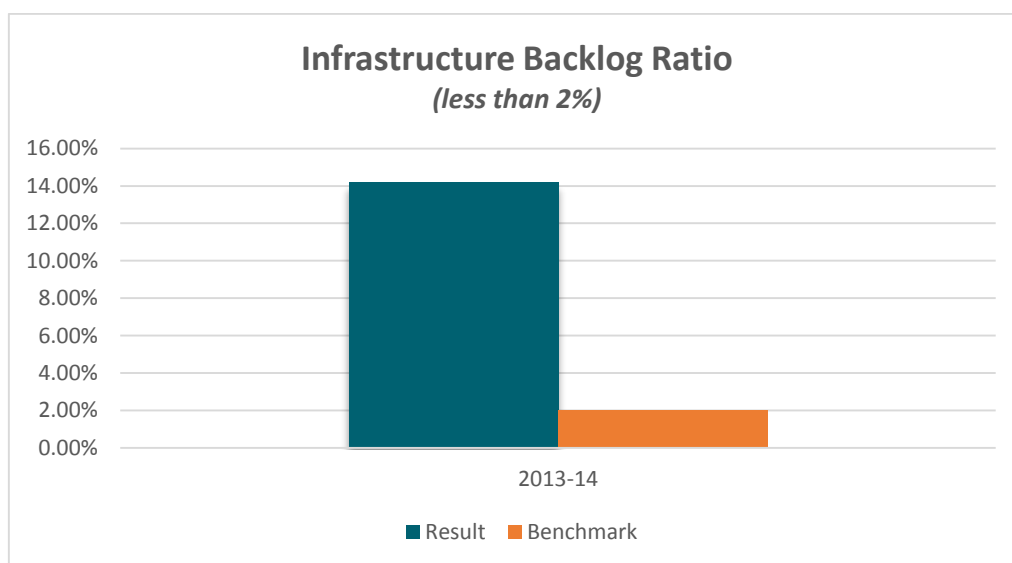
Council does not meet the Infrastructure Backlog Ratio in 2013-14 and is not expected to meet it in 2016-17. Council's Improvement Proposal, as outlined in Sections 3 and 4, will show Council improving this result over the next five years and meeting the benchmark within 10 years.

Table 12: Council Infrastructure Backlog Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Infrastructure Backlog Ratio	14.62%	✗	13.15%	✗

### 2013-14 Performance

The Infrastructure Backlog Ratio of 14.62% for 2013-14 does not meet the benchmark of less than 2%. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 7: Council's 2013-14 Infrastructure Backlog Ratio result

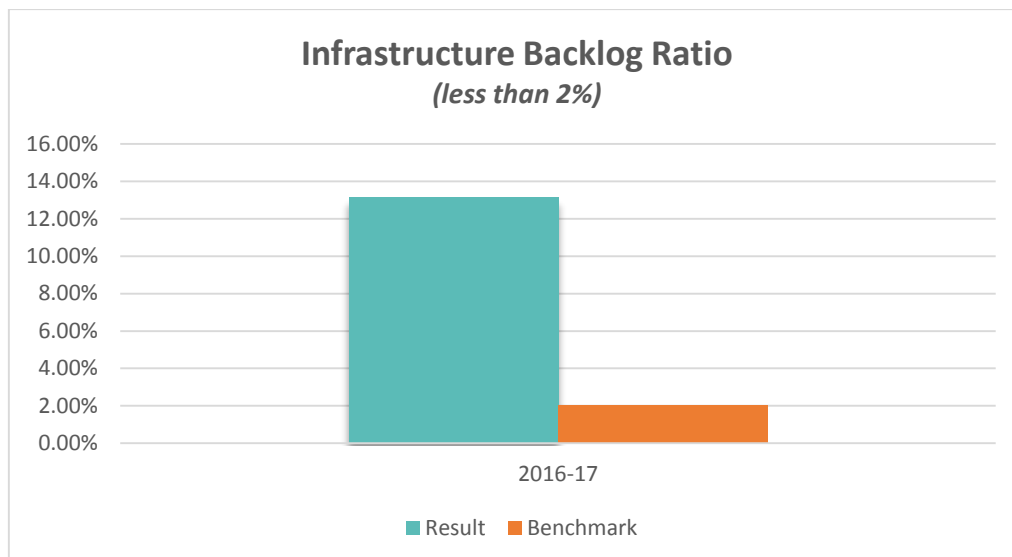
As at 2013-14 Council's infrastructure backlog was \$78.6 million. This is a result of infrastructure renewal funding being below the required amount to sustain assets in the long term due to the following historic constraints:

- dispersed settlement patterns requiring the duplication of infrastructure and resulting in a large infrastructure network to maintain, valued at \$1.9 billion<sup>35</sup>
- rate base that is constrained by rate pegging environment
- the long-lived nature of many council assets means the need for ongoing infrastructure renewal can be 'lumpy'.

In recent years, Council's increased focus on infrastructure renewals works has assisted in improving performance against the Infrastructure Backlog Ratio over time.

### 2016-17 Forecast Performance

The Infrastructure Backlog Ratio of 13.15% for 2016-17 does not meet the benchmark of less than 2%.



Graph 8: Council's 2016-17 Infrastructure Backlog Ratio forecast

The improvement from 2013-14 result is due to an increase in available revenue from the re-direction of grant funds and the rate variation which will allow high priority infrastructure renewal projects to be delivered through a mix of direct funding and loans.

<sup>35</sup> Current Replacement Cost of Council's **consolidated** assets as per Note 9a of Council's 2013-14 Financial Statements. Written down value is \$1.29 billion. Note 21 identifies the General Fund (incl. Waste and Environment) current replacement cost to be \$1.069 billion with a written down value \$0.76 billion.

Table 13: Asset Maintenance Ratio

<b>Measure</b>	Asset Maintenance Ratio
<b>Definition</b>	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.
<b>Ratio</b>	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$
<b>Benchmark</b>	Great than 100% average over three years
<b>Assessment criteria</b>	Meet or improve/inform within five years

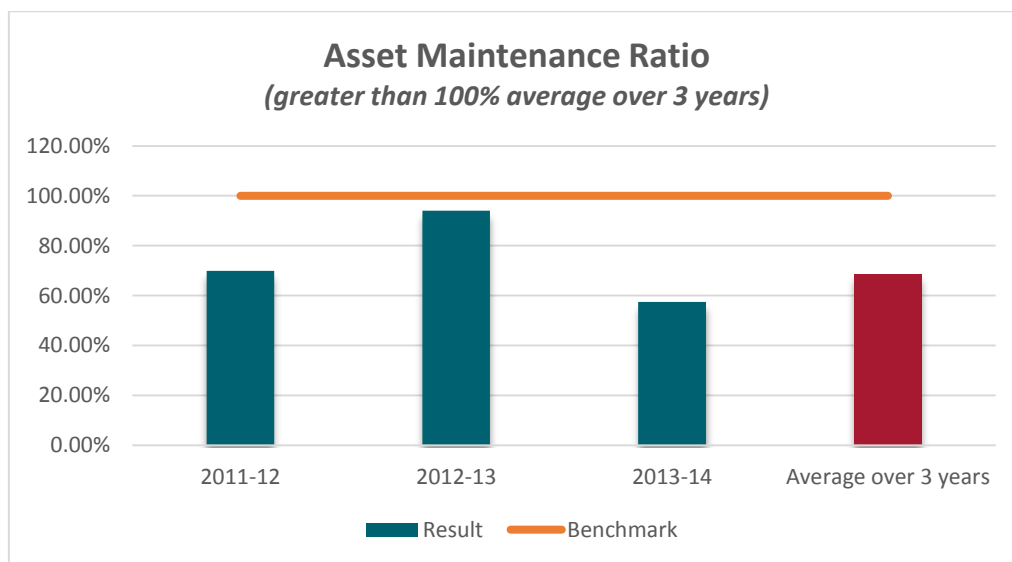
Council does not meet the Asset Maintenance Ratio in 2013-14. Council will meet the ratio in 2016-17.

Table 14: Council's Asset Maintenance Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Asset Maintenance Ratio	68.58%	✗	100.00%	✓

### 2013-14 Performance

The Asset Maintenance Ratio rolling three year average of 68.58% for 2013-14 does not meet the benchmark of greater than 100%. Council's performance as calculated by the OLG Self Assessment tool is shown below.



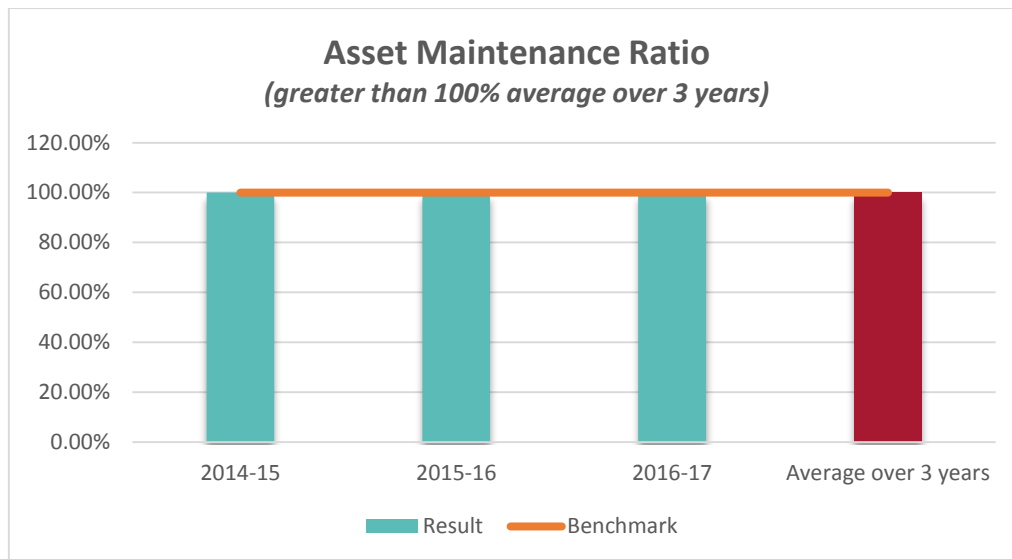
Graph 9: Council's 2013-14 Asset Maintenance Ratio result

Council's asset maintenance program has been focused on undertaking routine maintenance as it falls due to mitigate risk, ensure safety and maintain service levels.

Council has also made strategic decisions in utilisation of asset maintenance funding where one off renewal works, rather than regular ongoing maintenance of an asset would be more appropriate to improve outcomes and extend useful life.

## 2016-17 Forecast Performance

The Asset Maintenance Ratio rolling three year average of 100.00% for 2016-17 meets the benchmark of greater than 100%.



Graph 10: Council's 2016-17 Asset Maintenance Ration forecast

The Office of Local Government has verified the definition for the Asset Maintenance Ratio relates only to routine maintenance activities. Council currently undertakes all routine maintenance activities and will continue to so into the future. Therefore, Council's performance against the Asset Maintenance Ratio is calculated at 100% in future years.

Table 15: Debt Service Ratio

<b>Measure</b>	Debt Service Ratio
<b>Definition</b>	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.
<b>Ratio</b>	$\frac{\text{Cost of debt services (interest expense and principle repayments)}}{\text{Total continuing operating revenue (excl. capital grants and contributions)}}$
<b>Benchmark</b>	Greater than 0% and less than or equal to 20% average over three years
<b>Assessment criteria</b>	Meet within five years

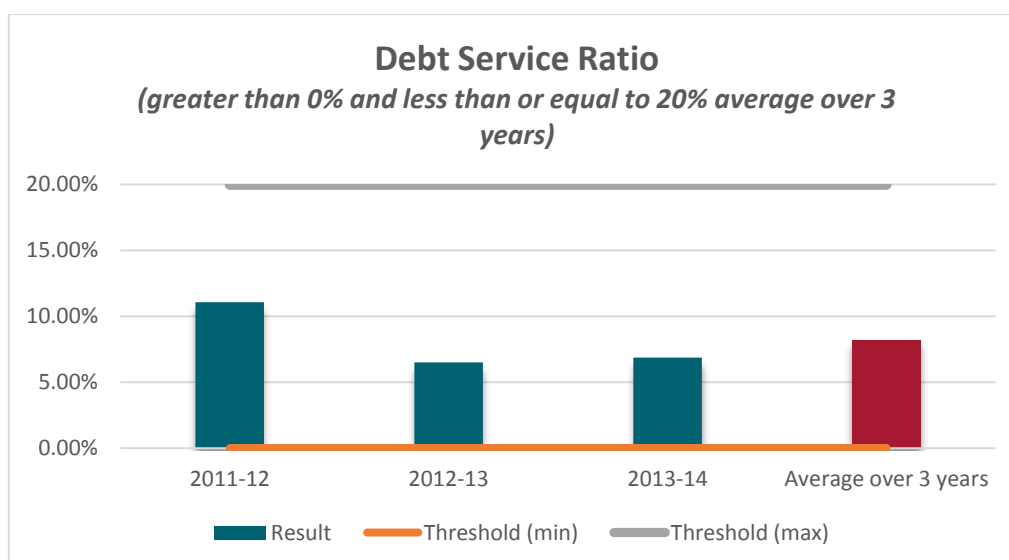
Council meets the Debt Service Ratio in 2013-14 and will continue to meet it in 2016-17.

Table 16: Council's Debt Service Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Debt Service Ratio	8.21%	✓	8.36%	✓

### 2013-14 Performance

The Debt Service Ratio rolling three year average of 8.21% for 2013-14 meets the benchmark of greater than 0% and less than or equal to 20%. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 11: Council's 2013-14 Debt Service Ratio result

The Debt Service Ratio considers the financial capacity of Council to service its debt from its revenue sources. TCorp assessed Council's debt servicing capacity as 'sound'<sup>36</sup>.

Council's borrowing policy is relatively conservative with low borrowings in 2013-14 of \$34.3 million in the General Fund<sup>37</sup>. Intergenerational equity is a key consideration in

<sup>36</sup> Financial Assessment and Benchmarking Report prepared by New South Wales Treasury Corporation (TCorp) as part of the Local Infrastructure Renewal Scheme, October 2012, pp. 5

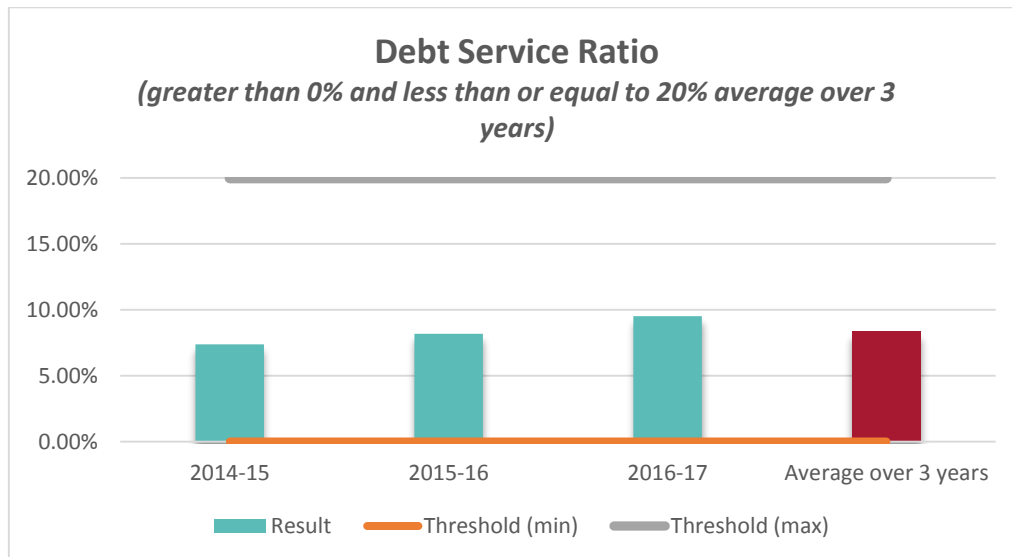
<sup>37</sup> Excluding borrowings in the Water and Sewer Funds.



Council's borrowing policy with loans typically funding large capital work projects and cash funding renewals.

### 2016-17 Forecast Performance

The Debt Service Ratio rolling three year average of 8.36% for 2016-17 meets the benchmark of greater than 0% and less than or equal to 20% average.



Graph 12: Council's 2016-17 Debt Service Ratio forecast

The rate variation funds a community and transport infrastructure program of \$26.7 million<sup>38</sup> over 10 years, with borrowings of \$11.6 million in the first four years. Whilst this is a significant increase in additional borrowings, the rate variation is structured such that ongoing additional rate revenue will fund the borrowing costs.

The forecast amount of borrowing and the current low financing of the infrastructure renewal program provides scope to finance required increases in renewal works to meet the Building and Infrastructure Renewal and Infrastructure Backlog Ratios. The forecast operating performance also allows a significant increase in borrowings without over committing operating revenue to debt servicing.

<sup>38</sup> Independent Pricing and Regulatory Tribunal (IPART) Local Government Determination, May 2015, pp. 4. Amounts are in nominal (2015) dollars.

## Efficiency

Table 17: Real Operating Expenditure Ratio

<b>Measure</b>	Real Operating Expenditure
<b>Definition</b>	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.
<b>Ratio</b>	$\frac{\text{Operating expenditure}}{\text{Population}}$
<b>Benchmark</b>	A decrease in Real Operating Expenditure per capita over time
<b>Assessment criteria</b>	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years

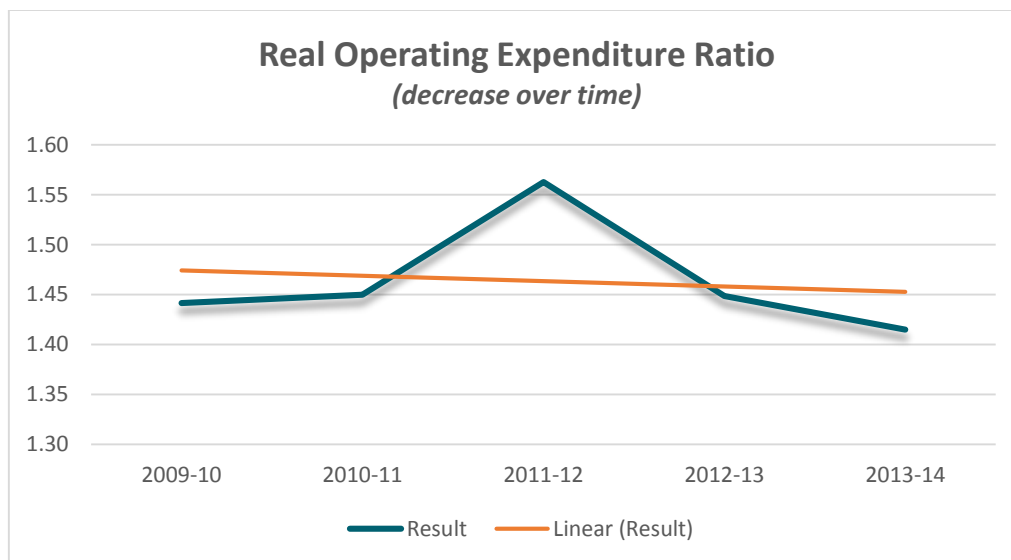
Council meets the Real Operating Expenditure per capita Ratio in 2013-14 and will continue to meet it in 2016-17.

Table 18: Council's Real Operating Expenditure Ratio 2013-14 result and 2016-17 forecast prior to the implementation of the Improvement Action Plan

Measure	2013-14 Result	Meets benchmark?	2016-17 Forecast	Meets benchmark?
Real Operating Expenditure per capita	1.41 Decreasing	✓	1.38 Decreasing	✓

### 2013-14 Performance

The Real Operating Expenditure per capita Ratio of 1.41 for 2013-14 meets the benchmark of decrease over time. Council's performance as calculated by the OLG Self Assessment tool is shown below.



Graph 13: Council's 2013-14 Real Operating Expenditure Ratio result

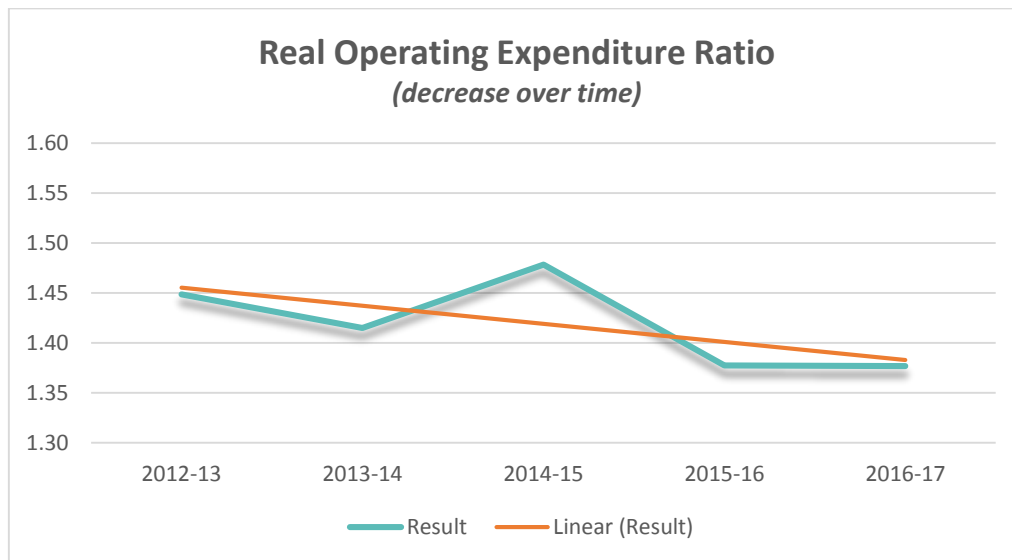
Council has implemented various efficiency initiatives that have provided cost savings or improvements in productivity.

The 2013-14 Real Operating Expenditure per capita Ratio is the result of previous initiatives such as zero base budgeting, line by line budgeting approach, energy efficiency initiatives,

recruitment freeze, continuous improvement programs, technological advancements and procurement savings.

### **2016-17 Forecast Performance**

The Real Operating Expenditure per capita Ratio of 1.38 for 2016-17 meets the benchmark to decrease over time.



*Graph 14: Council's 2016-17 Real Operating Expenditure Ratio forecast*

Further productivity savings realised in the 2015-16 budget process will assist Council to achieve this result without reducing services. Forecasts show Council will continue to meet the benchmark over time, however this is assuming Council maintains existing levels of service. Council's position is that an increase in this indicator linked to an increase in service delivery is justifiable as an acceptable outcome, provided a reasonable operating result is maintained. This is supported by the Improvement Proposal criteria.

## Key Assumptions

The following assumptions underpin calculations for Section 2.3 for both the 2013-14 starting position and 2016-17 forecast position. These assumptions also relate to further forecasts outlined in Sections 3.1-3.3 and Section 4 and support the additional assumptions specific to those Sections.

As per the OLG Guidelines, all measures are based on General Fund data and exclude the water and sewer funds.

### Budget forecasting assumptions

The following assumptions underpin Council's forecast performance throughout this Improvement Proposal.

#### General

- Conservative approach to budgeting and modelling, with only reliable estimates included.
- Current levels of service maintained in all future years.
- Population growth of 0.02%.
- 2013-14 actuals reflect audited year end accounts (Note 21) and underlying accounting records.
- Compliance with Australian Accounting standards and the Local Government Code of Accounting Practice and Financial Reporting Update 22 June 2014.

#### Revenue

##### Rates

- Indexed by 2.4% for all years based on the 2015-16 Independent Pricing and Regulatory Tribunal (IPART) rate peg amount.
- 0.2% growth in rate base. This is a conservative estimate based on historic trends.

##### User Charges

- Indexed by 2.4%. Fees and charges generally increase by whichever is higher, the IPART rate peg amount or CPI.

##### Interest on investments

- Projected return of between 3% and 5%.
- Investment revenues are forecast to be relatively stable, based on cash balances remaining unchanged.

##### Grants and contributions

- Only known grant funds included.
- Ongoing recurrent grant funds from Financial Assistance Grants and Roads to Recovery program included.
- Financial Assistance Grants indexation has been paused until 2017-18 as per the Federal Government budget decision. 2.4% indexation in line with the IPART rate peg amount assumed thereafter.

##### Other Revenues

- Indexed by 2.4%. Assumed to be recurrent and applied consistently over the projected period. Known specific items are also included.

##### Net Gain on Disposal of Assets

- Disposal of plant and investments assumed to be for nil gain.
- No write-off of the remaining book value of renewed infrastructure assets.
- No land sales have been budgeted.

### **Borrowings**

- 20 year loan periods are used except for Waste Fund cell works which are 10 years.
- Borrowing costs are forecast using the actual interest rates on existing loans and 6% for future loans.

### **Expenditure**

#### **Employee costs**

- Salary and wages costs estimated based on organisational chart and applicable rates of pay.
- 2.7% award increases assumed. Annual performance grade and step increases are also considered.
- Based on full capacity. Typically, there are vacancy savings due to staff turnover.

#### **Materials, contracts and other operating costs**

- Maintenance programs are indexed for growth in the relevant asset class.
- Indexed by 2.47% based on the Local Government Cost Index (LGCI).

### **Depreciation**

- Depreciation is estimated based on current infrastructure and projected asset expenditure and takes into account the expected asset value at the end of its useful life where applicable.
- The straight line basis is used over the estimated useful life of the asset.
- It is assumed that when assets are renewed they will have been fully depreciated to their salvage value. As a result there is no write-off of the book value required.
- Depreciation is indexed by the LGCI and hence the effect of revaluations which update assets values to current replacement cost is taken into account.

### **Infrastructure**

#### **Asset Renewals**

- Asset renewals are all costs associated with restoring, rehabilitating or replacing an existing asset to its original capacity or its equivalent modern standard.
- Costs associated with renewing an asset are based upon adopted unit rates. These are reviewed annually and in accordance with industry standards.
- Those assets considered for inclusion for renewal are those that are in condition state 4 or 5. Condition state is in accordance with Council's adopted 0 – 5 condition index based upon the IPWEA International Infrastructure Management Manual.

#### **Calculation of the estimated cost to bring assets to a satisfactory standard**

- An asset is considered to be satisfactory if it is in condition state 3 or better in accordance with Council's adopted condition index. Condition state 3 can be defined as routine or ongoing maintenance is required for an asset.
- Council identify all assets that are in condition state 4 or worse based upon condition assessments or those assets that have exceeded their estimated useful life.
- The *estimated useful life* is the estimated time the asset can maintain its level of service.
- Costs to bring an asset to a satisfactory standard are based upon adopted unit rates which are reviewed annually and in accordance with industry standards.

#### **Total Written Down Value**

- The *total written down value* is the current replacement cost of the asset less the depreciated amount due to accumulated physical deterioration.
- The *current replacement cost* is the cost to replace the asset with a technologically modern equivalent asset.

- The *accumulated depreciation* for an asset is the accumulated cost to reflect the already consumed or expired future economic benefits of the asset.

#### **Asset Maintenance**

- *Asset maintenance* is the annual amount spent on routine maintenance not including operational costs.
- *Routine maintenance* are all actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day-to-day work necessary to keep assets functioning.
- *Required asset maintenance* is the identified, required annual amount to be spent on routine maintenance not including operational costs.



## 2.4 Water utility performance

Eurobodalla Shire Council achieves the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework.

Council completed its Integrated Water Cycle Management Strategy in 2003, which was the first strategy developed in NSW. Council prepared a Drought Management Strategy in 2003 and a Strategic Business Plan in 2005, and reviewed these documents in 2011. Council implemented best practice water pricing in 2010-11 and best practice sewer pricing in 2011-12 which was implemented in stages over three years. Council is audited annually for compliance with the Best Practice Management Framework and since 2012-13 the water and/or sewer businesses have paid a dividend from the surplus of these funds.

Council's 2013-14 water and sewerage infrastructure backlog was valued at **\$3.4 million**<sup>39</sup>. The cost to bring water and sewer infrastructure to a satisfactory level is less than 0.5% of the current replacement value. Council has implemented asset renewal programs, such as water meter and valve replacement programs and investigations of water treatment plant sludge management and sewage treatment plant capacity assessments to address the infrastructure backlog.

Council currently manages its water and sewer operations on at least a break-even basis. The Economic Real Rate of Return (ERRR) for the Water Supply and Sewerage Businesses in 2013-14 was 0.4% and 1.0% respectively. An ERRR of >0 indicates full cost recovery.

Council's strong performance in the water supply and sewerage businesses evident by compliance with the best practice management framework and financial performance, demonstrates its capacity to effectively manage a business not constrained by rate pegging.

The following table identifies the significant capital works (>\$1 million) proposed for Council's water and sewer operations during 2016-17 to 2019-20 including proposed grants or external funding to support these works.

Table 19: Proposed Water and Sewer capital works 2015-20

Proposed works	Timeframe	Cost	Grants or external funding
New southern dam	2015-21	\$64 million (\$30.5 million 2016-20)	Section 64 \$20 million Grant \$30 million
Tomakin sewage treatment plant augmentation	2016-20	\$15.75 million	Section 64 \$15.75 million
Bodalla new town sewerage scheme	2015-18	\$8 million (\$7.8 million from 2016)	\$2.1 million
Rosedale/Guerrilla Bay new town sewerage scheme	2015-17	\$7 million (\$2 million from 2016)	\$2.8 million
Batemans Bay sewage treatment plant augmentation	2016-17	\$5 million	Section 64 \$5 million
Water main and meter replacement program	2015-20	\$1.8 million per annum ongoing	Nil

<sup>39</sup> 0.4% current replacement costs.

Proposed works	Timeframe	Cost	Grants or external funding
Sewage pumping station upgrade	2015-20	\$1.5 million per annum ongoing (except 17/18 \$0.5 million only)	Nil
Bingie sewage treatment plant augmentation	2016-18	\$1.15 million	Section 64 \$0.575 million
Sewer relining program	2015-20	\$0.8 million per annum ongoing	Nil

The following table identifies some of Council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Table 20: Council's Water and Sewer Improvement Strategies

Strategy	Timeframe	Anticipated outcome
<b>Asset renewals programs</b> Renewal programs have been developed to address the infrastructure backlog.	Ongoing	Improved financial sustainability, reduced infrastructure backlog. Improved productivity and customer service. Improved equity of charging through metering.
<b>Water loss management system</b> Data management system improvements, in line with industry practice to continue to reduce unbilled water (e.g. underperforming water meters, water supply system leakage) and to establish water leakage triggers for discrete service areas to optimise leakage reduction programs.	Ongoing	Identify and eliminate system leakage. Reduce operational expenditure.
<b>Sewer infiltration reduction program</b> Continuation of the Sewer CCTV program, plus data management system improvements to identify discrete areas that contribute excessive stormwater inflows and infiltration to the sewerage networks, to provide input for prioritisation of maintenance and repair, sewer relining and renewal programs.	Ongoing	Effective sewer transport system. Reduce operational expenditure and risk. Able to optimise timing of sewerage treatment plant capacity upgrades.
<b>Water and sewage treatment sludge management</b> Development of strategies to optimise water sludge and sewage biosolids handling and disposal, including investigation, negotiation and authority approval of biosolids reuse schemes.	Ongoing	Effective reuse of biosolids and sludge.
<b>Investment in human resources</b> Skilled labour resource is a robust mix of a locally developed and new to the area, dedicated team, who have gained added skills from Council and TAFE's National award winning Certified Training Program. Skills are continually assessed and modified to meet both growth and environmental challenges.	Ongoing	Dynamic training scheme. Skilled labour force delivers needs of community. Engaged and motivated workforce.

## Section 3: How Council will remain Fit for the Future

This section presents a detailed plan that outlines the strategies and integrated actions Council will implement to improve its performance and meet all seven benchmarks within 10 years.

Council's forecast has been prepared using detailed financial modelling<sup>40</sup>.

### 3.1 Sustainability

Council will meet the Fit for the Future sustainability benchmarks within 10 years.

The following objectives will assist Council to retain scale and capacity, strengthen sustainability and deliver best value for money for the community:

- **Balance the cost of service delivery with income levels**

We will collaborate with our community to review services as part of the Integrated Planning and Reporting process to achieve a clear plan for how Council will meet the needs of the community in a financially responsible way.

We will strengthen and diversify Council's revenue streams through a review of commercial operations, fees and charges and dividends, and ensure growth in rate revenue matches service delivery expectations.

- **Optimise infrastructure financing**

We will develop a finance strategy and implement a prioritised infrastructure renewals funding plan which will redirect surpluses into a new restricted infrastructure renewals fund to deliver an increased, targeted infrastructure renewals program.

- **Increase capacity and focus on long term planning and sustainability**

We will support economic growth and development through a new Integrated Economic Growth and Development Strategy to increase regional focus on supporting population, business and tourism growth.

We will ensure collaborative, informed decision making and invest in better community relationships through a robust community engagement framework and organisational sustainability policy.

The following outlines the forecast position for each sustainability ratio and the detailed strategies Council will implement to support the ongoing achievement of the Fit for the Future sustainability benchmarks.

#### **Operating Performance Ratio**

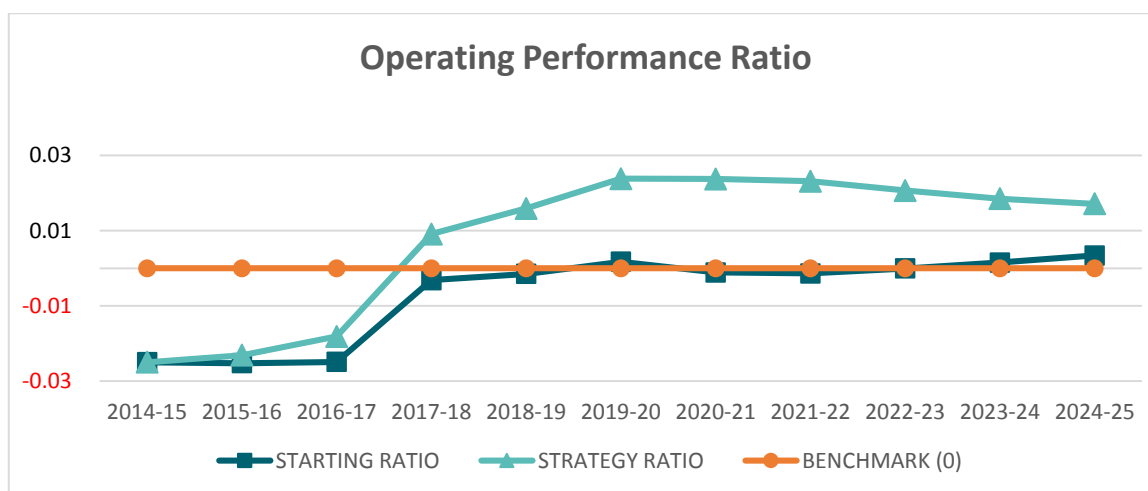
Council will meet the Operating Performance Ratio by 2019-20 without the need to employ further strategies. This has been achieved through the implementation of a number of current strategies resulting in increased productivity savings and the recent rate variation.

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<sup>40</sup> Attachment

However, to assist in meeting and maintaining the Building and Infrastructure Renewal and Infrastructure Backlog Ratios, Council will implement strategies that will maintain and improve modest operating surpluses. These surpluses will be redirected into infrastructure renewals and assist in improving the Building and Infrastructure Renewal and Infrastructure Backlog Ratios by 2019-20 and meeting all Fit for the Future ratio benchmarks by 2024-25.

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:



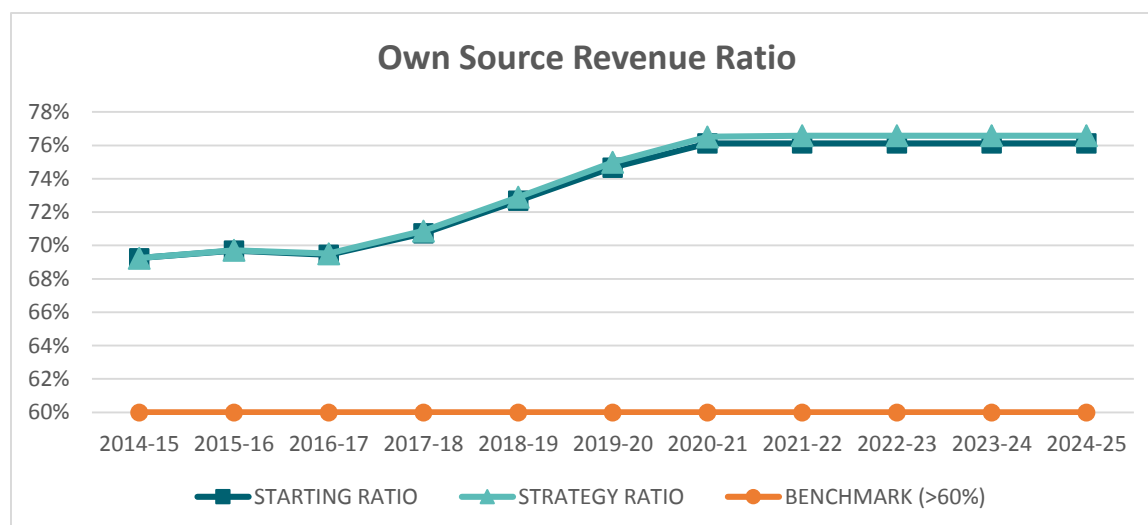
Graph 15: Council's Operating Performance Ratio forecast

### 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.

No specific strategies are directed at addressing this ratio. Some proposed strategies may impact this ratio but it is forecast to remain above the benchmark.

The graph below highlights Council's forecast after implementation of its Improvement Action Plan (strategy ratio):



Graph 16: Council's Own Source Revenue Ratio forecast

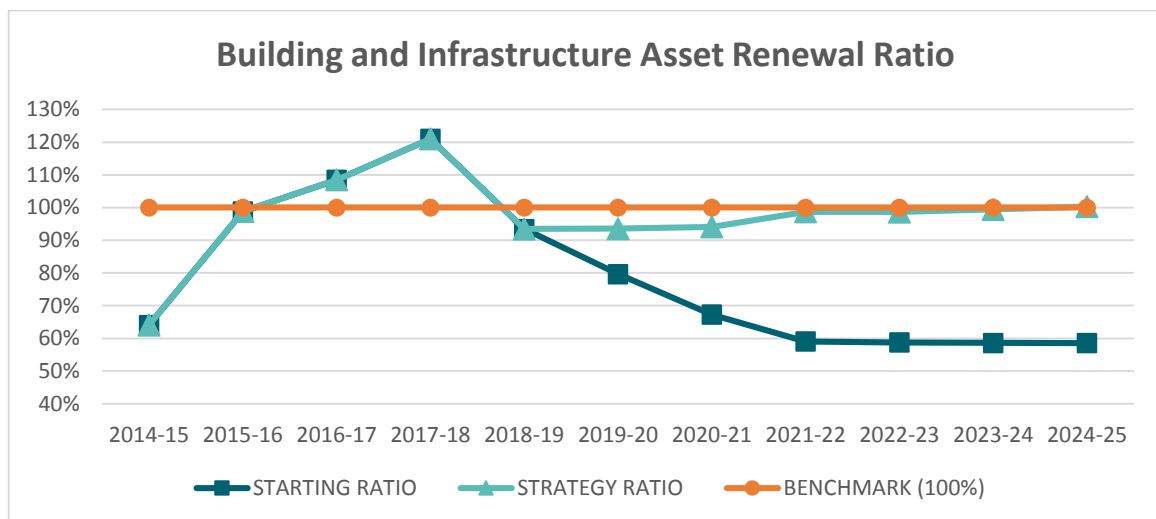
### Building and Infrastructure Renewal Ratio

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

This increased focus on renewals sees a spike above 100% in years 2016-17 and 2017-18 (average over three years) and then drops back to 93% and 94% for 2018-19 and 2019-20. While Council does not meet the ratio in 2019-20, it does show progressive improvement and meets the improvement proposal assessment criteria which is to meet or improve within five 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:



Graph 17: Council's Building and Infrastructure Asset Renewal Ratio forecast

### Key Sustainability Strategies

Council's key strategies to retain scale and capacity, strengthen sustainability and deliver best value for money for the community as well as support the ongoing achievement of the Fit for the Future sustainability benchmarks include:

#### **Review service delivery and levels of service as part of the Integrated Planning and Reporting process**

In 2015-16 Council will commence a review of our suite of Integrated Planning and Reporting Documents including the Community Strategic Plan, Resourcing Strategy and four year Delivery Program which will align with the new Council term.

This process, which will be guided by an adopted community engagement strategy, is expected to progress over a 12 month period and will involve extensive community engagement to determine vision, priorities and expectations for the future. The engagement will address current service delivery streams and levels compared to

community vision and expectation, and seek agreement on the types of services Council will focus on delivering in the future.

The engagement process will be an opportunity for Council to have further conversations with the community about financial sustainability challenges in the context of service and infrastructure delivery, and to seek input and ideas on how best to balance agreed service delivery with available resources.

This is a key strategy that will establish a clear and agreed community and organisation direction and a strong foundation for maintaining performance against Fit for the Future criteria. It has the potential to impact all of Council's Fit for the Future ratios depending on how agreed outcomes are balanced and resourced. It will also assist in building relationships with the community and further refine Council's road map to remain Fit for the Future.

### ***Strengthen and diversify Council's revenue streams***

For sustainable councils, rate income is the primary revenue stream. A historic and ongoing issue for councils is that allowable increases in rates do not keep pace with the rising costs of service delivery and infrastructure construction. To ensure Council maintains a strong Own Source Revenue Ratio and is able to deliver the suite of services our community expects, Council will support and provide input into the independent review of the rating system and continue to advocate that rate pegging amounts should keep pace with the Local Government Cost Index as a minimum.

As Council meets all of the Fit for the Future criteria, it will be able to take advantage of the benefits offered by the NSW Government such as subsidised loan funding. This will ensure that Council maintains strength and sustainability in operations and service delivery.

To ensure equitable and shared funding of service delivery, in addition to rates, Council will also actively strengthen and diversify alternate revenue streams including:

- investing in commercial and business operations such as the Moruya airport, caravan and camping grounds, leases and licences and private works
- undertake a comprehensive review of fees and charges to investigate introducing new fees and implement full cost recovery where appropriate and identify the potential for the upgrade of infrastructure to encourage maximum use.
- proactive targeted pursuit of external grant funding.

A stronger revenue base will allow Council to continue to meet the Own Source Revenue Ratio and contribute to its strategy of achieving small operating surpluses that will be redirected to addressing the Infrastructure Backlog and Renewals Ratios.

### ***Prioritise funding for infrastructure renewals***

The Building and Infrastructure Renewal and the Infrastructure Backlog Ratios are the key areas that Council needs to address in the coming years to ensure we become and remain Fit for the Future in terms of infrastructure management. The primary focus for this is to increase funding for infrastructure renewals which will improve performance against both ratios.

As outlined in Section 2.3, Council has had an increased focus on infrastructure renewal in recent years and has employed strategies to target and redirect grant funding and improve asset management practices and data to address renewal requirements.



The strategy supporting the rate variation, builds on work to date, and further increases the focus on renewal works. This will result in a Building and Infrastructure Renewal Ratio of over 100% for the next three years. Resources are being adjusted to manage the 'lumpy' nature of renewal requirements. Council will also establish a restricted infrastructure renewals fund and direct any additional funding from the following into this account:

- operating surplus' from Council's General Fund
- annual dividends from Water and Sewer businesses and Southern Phone.

From 2018-19, Council will use this renewals fund along with additional loan funding to implement an increased targeted renewals program in the order of \$5.7 to \$6.25 million per annum (average \$6.041 million). This will result in an improvement toward meeting the Building and Infrastructure Renewal Ratio by 2019-20 and meeting it in full within 10 years.

This prioritised renewals funding strategy will be supported by continuing to redirect Roads to Recovery grant funding to renewal works, as well as targeted pursuit of additional external grants to fund renewal/upgrade works to existing infrastructure, along with the following strategies, plans and policies which will be developed or revised in the coming years. These are detailed in the Improvement Action Plan:

- Organisational Financial Strategy
- revised Asset Management Strategy and Plans
- business case process for any new or expanded service or infrastructure that considers whole of life costs and impacts on Fit for the Future ratios.

### ***Ensure a collaborative, informed decision making process***

Council's revised Delivery Program 2013-17 and Operational Plan 2015-16<sup>41</sup> focuses on building a sustainable future for Eurobodalla. It details Council's response to financial sustainability challenges as presented through the Fit for the Future program, as well as broader organisational sustainability.

Council will invest in enhancing community relationships through the development and implementation of a community engagement framework. The framework will enable more meaningful conversation with the community, build trust and increase information sharing leading to better involvement and outcomes.

The combination of ongoing information, education and training, improved community engagement and involvement, and the further embedding of sustainability principles will ensure collaborative, informed financially responsible decision making and the success of Council's Fit for the Future Improvement Action Plan.

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<sup>41</sup> Eurobodalla Shire Council, Delivery Program 2013-17 and Operational Plan and Budget 2015-16.

### ***Stimulate economic growth and development***

Council will take a lead role in increasing our regional focus on economic and population growth and development, with an emphasis on supporting growth in business and tourism.

The Integrated Economic Growth and Development Strategy will be a key document and will see Council working collaboratively with business, government and the community at a local, regional, state and national level. This strategy could potentially impact all Fit for the Future ratios, depending how agreed outcomes are balanced and resourced. It will also assist in building stronger relationships with community, business and other levels of government and further refine Council's road map to remain Fit for the Future.

Working as part of an effective South East Joint Organisation and other regional partners, Council will collaborate to address growth objectives and optimise opportunities. This will include a stronger approach to marketing in Canberra, Sydney and Regional NSW to encourage visitors and ensure that land and infrastructure is available to meet and encourage growth in a manner that does not compromise Council's ability to be Fit for the Future.

#### **Assumptions**

The following assumptions relate to the Financial Sustainability strategies as outlined above and are in addition to the budget forecast assumptions provided in Section 2.3.

- Further rate variations were not assumed as a potential additional revenue source.
- Any increase in user fees and charges would not be a significant source of additional revenue.
- Depreciation estimates and forecast productivity savings from 2015-16 budget will be realised.
- Moderate operating surpluses will be acceptable going forward to allow redirection of funding to address Infrastructure Asset Renewal and Backlog Ratios.
- Fully funding depreciation will in the long term address the adequate funding of renewal requirements to maintain infrastructure at agreed levels of service.

Sustainability Strategies and Outcomes				
This table provides a detailed plan of the objectives, strategies, key milestones, outcomes and impact on Fit for the Future ratios to address the Sustainability Criteria and associated ratios.				
Objective	Strategy	Key Milestones	Outcome	Impact on Fit for the Future ratios
<b>Balance the cost of service delivery with income levels</b>	<i>Review service delivery and levels of service as part of the Integrated Planning and Reporting process</i>	Develop and implement community engagement strategy to guide the collaborative review of key Integrated Planning and Reporting documents.	Improved community engagement and relationships <sup>42</sup> ; legislative requirements met; robust engagement framework established, agreed and implemented; community expectations are voiced and heard; engagement informs development of key integrated planning and reporting documents and Council infrastructure strategies.	Assist in maintaining a balanced Operating Ratio. May have impacts on Own Source Operating Revenue and/or Efficiency Ratio dependant on engagement outcomes and service delivery needs and levels.
		Prepare, exhibit and adopt State of the Shire Report.	Current and future issues, and impacts are identified, quantified and communicated.	
		Identify and explore potential partners and partnership opportunities for service delivery.	Service delivery models are innovative, flexible and make best use of opportunities and resources.	
		Develop, exhibit and adopt Community Strategic Plan.	Community vision and expectations are established and agreed; Community Strategic Plan is supported by revised and current resourcing strategy ensuring appropriate people, assets and finances to deliver on vision.	
		Delivery Program 2017-2021 developed to reflect agreed service delivery levels.	Service delivery levels reflect engagement outcomes and resourcing constraints.	
		Prepare and implement business case process for new or expanded services.	New or expanded services or infrastructure are supported by a business case; whole of life costs are considered for new infrastructure; risk is assessed; decision making is informed, responsible and sustainable.	
		Develop, exhibit and adopt delivery program and operational plans.	Legislative requirements met; forward planning reflects engagement outcomes and resourcing constraints.	
	<i>Strengthen and diversify Council's revenue streams</i>	Support and advocate for change to the rating system.	Rate increases meet the underlying cost of service delivery as well as annual growth in expenditure <sup>43</sup> ; streamlined rate process implemented; rate pegging keeps pace with LGCI at a minimum.	Assist in maintaining a balanced Operating Ratio. Assist in maintaining Own Source Operating Revenue Ratio.
		Ensure Council is in a position to take advantage of Fit for the Future benefits.	Growth in income streams keeps pace with costs; stable pricing path is in place and maintained <sup>44</sup> ; further deterioration of financial sustainability is prevented <sup>45</sup> .	
		Review Property Strategy and portfolio with a focus on rationalisation and increased return on investment.	Council property assets are rationalised and managed responsibly and sustainably to achieve a return for the community.	Assist in maintaining a balanced Operating Ratio. Assist in maintaining Own Source Operating Revenue Ratio.
		Improve, develop and promote the Moruya Airport.	Council's key commercial venture is sustainable and produces a stable, growing revenue stream; Moruya airport is progressively upgraded to maximise development and revenue opportunities.	
		Review lease and licence terms and fees and charges.	Opportunities to increase revenue are identified and realised; commercial lease and licence agreements are appropriately charged.	
		Maximise opportunity to receive dividends.	Annual dividend is paid from water and sewer businesses and used to fund infrastructure renewals; Council's water and sewer businesses meet best practice guidelines; Shareholder relationship with Southern Phone business is fully utilised.	
		Review opportunity to develop commercial and community assets that generate a return to Council.	Opportunities to increase revenue are identified and realised; council commercial and community assets are optimised and maximum potential realised.	

<sup>42</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>43</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>44</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>45</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

Sustainability Strategies and Outcomes				
This table provides a detailed plan of the objectives, strategies, key milestones, outcomes and impact on Fit for the Future ratios to address the Sustainability Criteria and associated ratios.				
Objective	Strategy	Key Milestones	Outcome	Impact on Fit for the Future ratios
Balance the cost of service delivery with income levels cont.	<i>Strengthen and diversify Council's revenue streams cont.</i>			
		Undertake benchmarking of fees and charges.	Fees and charges are comparable, reasonable and sustainable.	Assist in maintaining a balanced Operating Ratio. Assist in maintaining Own Source Operating Revenue Ratio.
		Undertake annual review and increase of fees and charges.	Fees and charges increase in line with Local Government Cost Index opportunities for full cost recovery are explored and actioned; opportunities to introduce new fees and charges are identified.	
		Maximise opportunities to increase use of council facilities through upgrades and/or marketing.	Potential revenue from fees and charges is maximised; Council facilities are of a high standard and well marketed. Community need and affordability are balanced with sustainable fees and charges.	
		Develop a policy for donations and discounts.	Applications for donations and discounts are assessed against a set framework/criteria; donations and discounts are equitable, consistent and measureable.	
		Continued advocacy for redistribution of State and Federal funding to councils with most need.	Increased awareness of issues with current distribution of state and federal grant funding; more equitable distribution of funding from NSW and Australian Governments.	Assist in maintaining a balanced Operating Ratio. Assist in maintaining Own Source
		Continued advocacy for Financial Assistance Grants to be indexed.	Increased awareness of issues with ceasing indexation of Financial Assistance Grants; recommencement of indexation of Financial Assistance Grants.	Operating Revenue Ratio. Assist in addressing Infrastructure Renewal and Backlog Ratios to ensure council is able to improve within 5 years and meet benchmarks within the 10 year period.
Optimise infrastructure financing (see Section 3.2)	<i>Prioritise funding for infrastructure renewals</i>	Review, document and implement organisation financial strategy.	Financing sources are planned to meet investment requirements and minimise cost to the organisation; improved financial management processes; improved use of restricted and unrestricted funds <sup>46</sup> ; additional income and savings earmarked to address renewal and backlog ratios; improved use of internal loan funds; ongoing performance against the Fit for the Future ratios is monitored and achieved; regular ongoing independent review of council's financial position <sup>47</sup> .	Assist in progressively addressing infrastructure backlog and renewal ratios to ensure council is able to improve within 5 years and meet benchmarks within the 10 year period.
		Create an infrastructure renewal reserve fund.	'Lumpy' need for renewal due to significant infrastructure is addressed; provision exists for renewal to occur in most appropriate year.	
		Allocate dividends from Water and Sewer businesses and Southern Phone to infrastructure renewal.	Increased spend on infrastructure renewals.	
Increase capacity and focus on long term planning and sustainability	<i>Ensure a collaborative, informed decision making process</i>	Develop Community Engagement Framework and Toolkit.	Improved level of community involvement in decision making <sup>48</sup> ; improved management of community expectation, engagement and relationships; increased involvement and improved planning outcome.	Assist in maintaining and improving Council's performance against all 7 Fit for the Future ratios.
		Develop and circulate information on integrated planning and reporting and key asset and financial management challenges to Councillors, staff and the community.	Improved level of awareness and understanding of financial sustainability challenges and opportunities; benefits of the Integrated Planning and Reporting process are articulated <sup>49</sup> ; enhanced knowledge and skills in the area of financial and asset management <sup>50</sup> .	

<sup>46</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>47</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>48</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>49</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>50</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

Sustainability Strategies and Outcomes				
This table provides a detailed plan of the objectives, strategies, key milestones, outcomes and impact on Fit for the Future ratios to address the Sustainability Criteria and associated ratios.				
Objective	Strategy	Key Milestones	Outcome	Impact on Fit for the Future ratios
Increase capacity and focus on long term planning and sustainability (cont.)		Embed financially sustainable principles in council decision making processes.	Decision making is based on sustainability principles and linked to sound long term planning <sup>51</sup> ; decision making is informed, responsible and sustainable.	
		Integrate Fit for the Future ratios and improvement action plan in regular reporting processes.	Councillors, managers and community regularly informed about progress in meeting and maintaining Fit for the Future ratios; ongoing performance is effectively communicated to all stakeholders; legislative requirements are met; decision making is informed by historical data; increased ability to benchmark.	
	<i>Develop and implement enhanced budgetary processes and controls (TCorp)</i>	Review, document and implement organisation financial strategy.	Improved financial management processes; improved use of restricted and unrestricted funds <sup>52</sup> ; additional income and savings earmarked to address renewal and backlog ratios; improved use of internal loan funds; ongoing performance against the Fit for the Future ratios is monitored and achieved; regular ongoing independent review of council's financial position <sup>53</sup> .	Maintain and improve Council's performance against all seven Fit for the Future ratios.
		Revise fiscal responsibility policy and develop supporting code of practice.	Financially responsible decision making; improved financial management processes.	
		Review budget methodology and systems.	Enhanced efficiency, effectiveness and managerial accountability; introduction of new and improved financial and budgeting software.	
		Increase level of financial management and budgeting knowledge of managers and coordinators to advanced level.	Improved financial sustainability in decision making processes; highly skilled and knowledgeable staff.	
	<i>Stimulate economic growth and development</i>	Develop and implement an Integrated Economic Growth and Development Strategy in partnership with key stakeholders.	Council plays a key role in stimulating and driving economic growth and development in our region.	Assist in maintaining Operating Ratio and Own source revenue ratio. Assist in realising cost savings and containment and the redirection of funding to address Infrastructure Renewal and Backlog Ratios to ensure Council is able to improve within 5 years and meet benchmarks within the 10 year period.
		Work effectively as a full member of the South East Joint Organisation.	Regional collaboration occurs; improved opportunities and outcomes for community and Council; regional priorities identified and acted upon.	
		Review and update land use planning strategies to facilitate population growth.	Growth occurs in appropriate timeframes and areas through provision of available land, infrastructure and services as per planning instrument; infrastructure utilisation and expansion managed through strategies that do not result in adverse cost to the community or compromise Council's ability to be Fit for The Future.	
		Review development contributions plans and policies to ensure consistency and the equitable sharing of infrastructure costs.	The cost of key growth infrastructure is adequately shared and funded over time, supporting growth and development.	
		Promote Eurobodalla as a place to live, visit, work and invest.	Growth in residents, visitors and business is stimulated and increased over time; Eurobodalla is broadly recognised as an area of choice.	

<sup>51</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>52</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>53</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

## 3.2 Infrastructure and service management

Council will meet the Fit for the Future infrastructure and service management benchmarks within 10 years.

The following objectives will assist Council to retain scale and capacity, improve infrastructure and service management and deliver value for money for the community:

- **Optimise infrastructure to meet community need**

We will continue to undertake revaluations of assets, implement key asset and infrastructure strategies and undertake an independent audit of Council's asset management position which will provide improved ability to plan and address the Building and Infrastructure Asset Renewal and Infrastructure Backlog ratios.

We will continue to adequately fund and undertake routine maintenance in accordance with asset management plans.

- **Optimise infrastructure financing**

We will review explore opportunities for more cost effective borrowing and debt management and review supporting policy documents to allow strategic use of debt to address the Building and Infrastructure Asset Renewal and Infrastructure Backlog ratios.

The following outlines the forecast position for each infrastructure and service management ratios and the detailed strategies Council will implement to support the ongoing achievement of the Fit for the Future infrastructure and service management benchmarks.

### *Infrastructure Backlog Ratio*

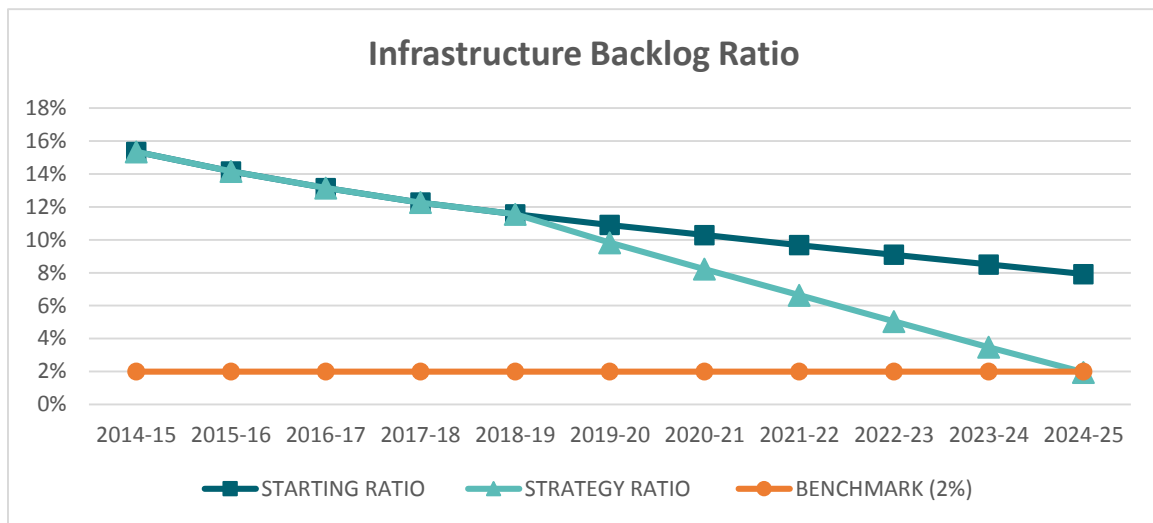
Council's program of community and transport infrastructure works to be delivered as a result of the rate variation and an ongoing increased focus on infrastructure renewal will contribute to a steady improvement in performance against this ratio in the next five years.

While Council does not meet the ratio in 2019-20, it does show progressive improvement and meets the Improvement Proposal assessment criteria of meet or improve/inform within five years.

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

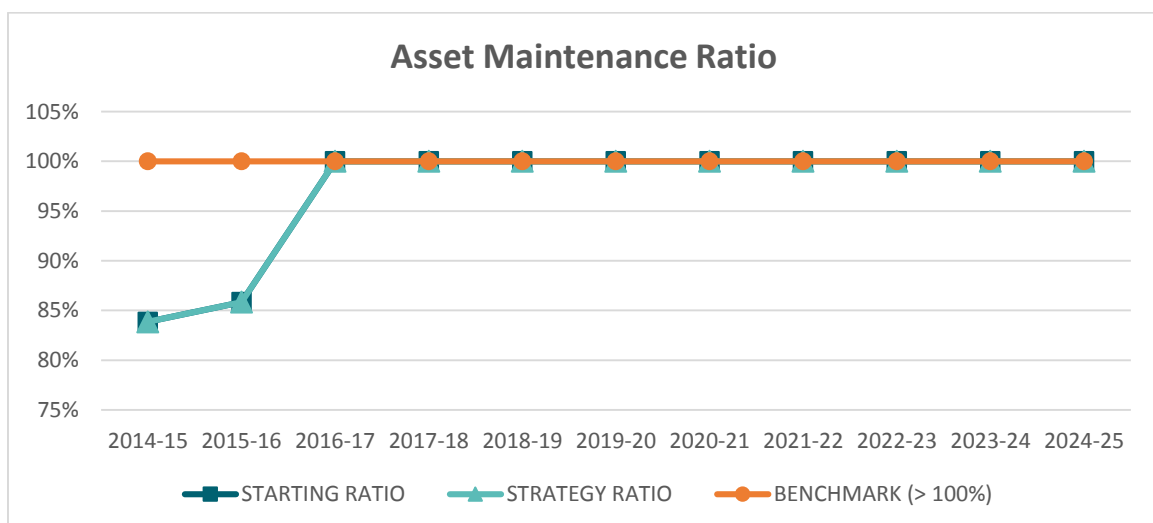


Graph 18: Council's Infrastructure Backlog Ratio forecast

### 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.

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:



Graph 19: Council's Asset Maintenance Ration forecast

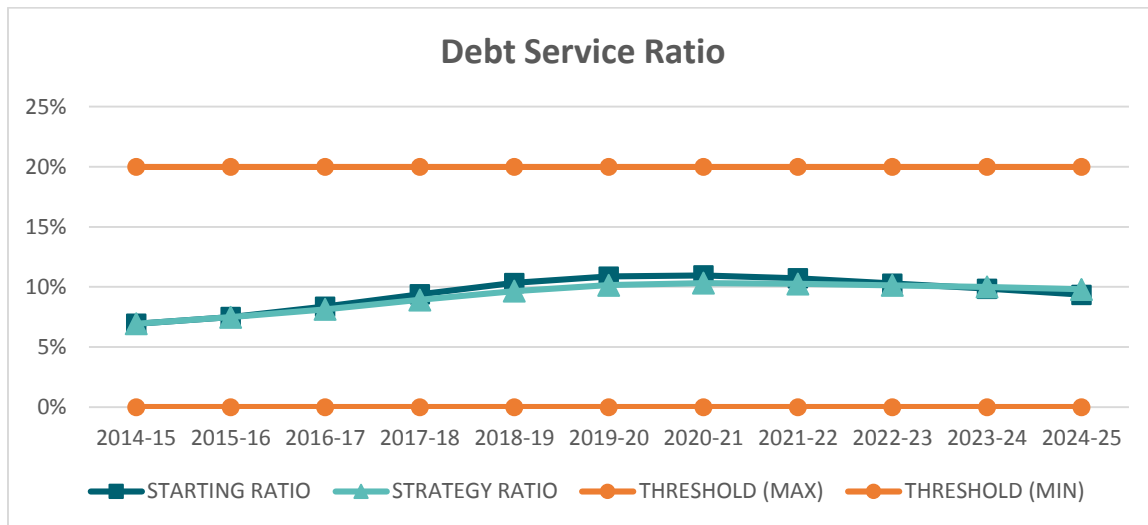


### Debt Service Ratio

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 we will continue to meet this ratio in future years.

Council will make additional use of loan funding in outer years to increase renewal infrastructure works programs. While this will have an impact on the Debt Service Ratio all forecasts show Council maintaining its performance against the benchmark into the future.

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:



Graph 20: Council's Debt Service Ratio forecast

### Key Infrastructure and Service Management Strategies

Council's key strategies to retain scale and capacity, improve infrastructure and service management and deliver value for money for the community and support the ongoing achievement of the Fit for the Future infrastructure and service management benchmarks include:

#### Further enhance Council's asset management practices

Council has made significant progress in asset management in recent years. This has contributed to a steady increase in performance against our renewal and backlog ratios.

The overall aim is to continue to improve Council's asset management practice, resulting in a move from core to advanced asset management plans. Part of this process will be the ongoing revaluations of key asset classes in line with the Office of Local Government's timetable, ensuring improved accuracy and the ongoing revision and implementation of Council's Asset Management Plans.

Council will undertake an independent analysis of asset management practices to confirm Council's current asset management position.

In coming years, the review of key infrastructure strategies such as the Recreation and Open Space Strategy, Pathways Strategy, and the Integrated Economic Growth and Development Strategy will identify, strengthen and enhance asset management and planning.

Clarification of community needs and expectation, asset management data and confirmation of Council's current asset management position including an independent review will potentially provide an improved starting point and strong foundation for the measurement of progress and performance of the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios into the future.

### ***Manage Council's borrowings responsibly***

Council's financial strategy is to take advantage of borrowing capacity and utilise debt to fund infrastructure renewal, reduce the infrastructure backlog and improve performance against the associated ratios. This allows works to be undertaken as they are required and funded over time to share costs, ensuring intergenerational equity.

Council will review its borrowings policy and program and undertake targeted renegotiation of loans where appropriate, to ensure sound financial management, reduce borrowing costs and ensure financing is available to meet infrastructure needs as identified by asset management processes.

In addition, it is anticipated that Council will have access to Fit for the Future benefits such as reduced interest and borrowing costs which will allow further renegotiation of loans, reduction in expenses and ability to maintain performance against the Debt Service Ratio while progressively addressing the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios.

### **Assumptions**

The following assumptions relate to the Infrastructure and Service Management strategies as outlined above and are in addition to the budget forecast assumptions provided in Section 2.3.

- A restricted Infrastructure Renewal fund will be developed for the purpose of renewing General Fund assets. Any operating surpluses realised will be directed to the fund as well as additional income from:
  - Dividends from Council's Water and Sewer businesses
  - Dividends from Southern Phone shareholder relationship
  - Productivity and internal efficiency savings
  - Additional revenue raised from increases in fees and charges resulting from benchmarking and review in 2015-16.
- Restricted funds will not be accessed to deliver increased renewals program until 2019-20.
- Utilisation of the fund is forecast to be 60% of the amount required for asset renewals based on allowing a minimum level in the fund by 2024-25 and subject to treasury and borrowing management outcomes.
- Where 60% of funds are to be utilised from the Infrastructure Renewal fund the remaining is to be funded with borrowings.
- It is recognised that year to year renewal of assets is somewhat 'lumpy'. In such cases the restricted Infrastructure Renewal fund will only be drawn down for the amounts required.
- Borrowings are forecast using conservative assumptions.

- Unrestricted working capital is not included as a source of financing of renewal programs. Available cash balances will be reviewed during the annual borrowing program in each year to minimise debt servicing costs.
- Fully funding depreciation in the long term allows future renewal requirements to be funded from cash. Borrowings will only be required to smooth renewal expenditure peaks and troughs.

Infrastructure and Service Management Strategies and Outcomes				
This table provides a detailed plan of the objectives, strategies, key milestones, outcomes and impact on Fit for the Future ratios to address the Infrastructure and Service Management Criteria and associated ratios.				
Objective	Strategy	Key milestones	Outcome	Impact on Fit for the Future ratios
<b>Optimise infrastructure to meet community need</b>	<i>Further enhance Council's asset management practices</i>	Independent analysis and assessment of Council's asset management practices, systems and position <sup>54</sup> .	Clarification of current position and benchmarks for improvement <sup>55</sup> ; accurate depreciation costs available <sup>56</sup> ; ability to accurately benchmark asset management practices; Independent assurance asset management process are robust and accurate; alignment with National Asset Management and Assessment Framework performance measurement; clear picture of financial status and future financial and asset requirements.	Assist in progressively addressing Infrastructure Renewal and Backlog Ratios to ensure Council is able to improve within 5 years and meet benchmarks within the 10 year period.
		Develop and implement asset management improvement plan.	Improved links between strategic plans, asset management plans and long term financial plan <sup>57</sup> ; improved data to feed into key Integrated Planning and Reporting documents.	
		Undertake continued revaluation of assets and refinement of data and plans <sup>58</sup> .	Improved ability to plan to address backlog and renewals in a sustainable systemic approach; continued update and review of data; improved knowledge and practices; improved performance against Fit for the Future ratios; technical data on condition and remaining useful life is current ; improved data on infrastructure backlog to feed into Long Term Financial Plan <sup>59</sup> .	
		Develop, review and implement key asset and infrastructure strategies.	New assets are based on community need and supported by sound business case and cater for population growth and tourism influx; appropriate input for Long Term Financial Plan and strategic planning available.	
		Undertake broad and robust community engagement on infrastructure levels of service to establish expectations.	Levels of service able to be tailored to meet community need and expectation; ability to accurately forecast future funding requirements and implement appropriate strategies <sup>60</sup> .	
	<i>Maintain assets effectively</i>	Implement asset management plans for infrastructure maintenance (AMP).	Infrastructure maintained appropriately.	Maintain performance against asset maintenance ratio. Prevent further increase in backlog ratio.
		Adequately fund routine maintenance and operations (AMP).	Optimised community investment; safety and risk mitigated; useful life of assets optimised.	
<b>Optimise infrastructure financing (see section 3.1)</b>	<i>Manage Council's borrowings responsibly</i>	Employ strategic use of debt to target infrastructure renewals and backlog <sup>61</sup> .	Intergenerational equity in distributing costs of major infrastructure; improved quality of assets and services; enhanced value for ratepayers; ability to meet ongoing infrastructure needs.	Maintain performance against debt service ratio. Assist in progressively addressing infrastructure backlog and renewal ratios to ensure Council is able to improve within 5 years and meet benchmarks within the 10 year period.
		Explore opportunities for more cost effective borrowing and debt management <sup>62</sup> .	Reduced interest and borrowing costs for Council; targeted renegotiation of loans; use of subsidised loan funding from other levels of government is maximised.	
		Review Council's borrowings policy and program.	Borrowing policy and strategies comply with sound financial management principles; planned borrowing program ensures finances are available to meet infrastructure requirements.	

<sup>54</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>55</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>56</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>57</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>58</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

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<sup>61</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

<sup>62</sup> NSW Treasury Corporation Financial Sustainability of the New South Wales Local Government Sector Findings, Recommendations and Analysis, April 2013 (TCorp).

### 3.3 Efficiency

Council meets the Fit for the Future efficiency benchmark.

The following objectives will assist Council to retain scale and capacity, enhance efficiency and continue to deliver value for money for the community:

- **Increase organisational efficiency**

We will ensure achievement and monitoring of ongoing efficiencies by developing the Information Technology Strategy and Procurement Strategy, Implementing the Greenhouse Action Plan and developing a productivity and cost containment register to track total savings over time.

We will review and implement the Workforce Management Plan and Learning and Development Plan and continue to review our organisation structure to ensure we have skilled staff in an optimal organisation configuration to deliver services to our community.

- **Ensure ratepayers receive value for money in service delivery**

We will continue to undertake organisational service reviews to ensure services are innovative, flexible, meet community need and represent value for money and work effectively as a full member of the South East Joint Organisation in partnership with NSW and Australian Government.

The following outlines the forecast position for the efficiency ratio and the detailed strategies Council will implement to support the ongoing achievement of the Fit for the Future efficiency benchmark.

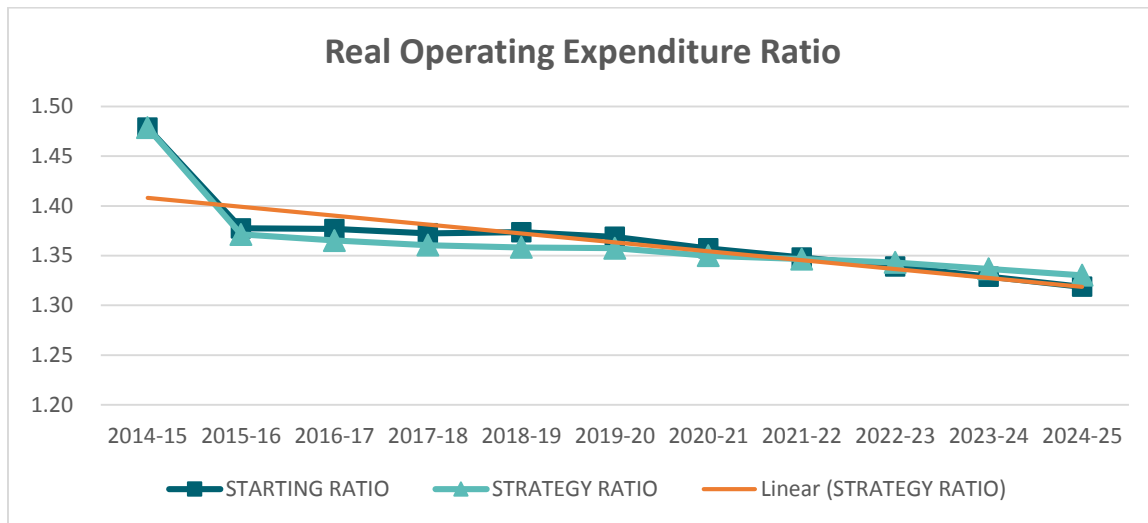
#### ***Real Operating Expenditure Ratio***

Council currently meets the Real Operating Expenditure Ratio and forecasts show we will continue to meet the benchmark in future years.

Council's review of service delivery and levels of service through the Integrated Planning and Reporting process has the potential to impact the Real Operating Expenditure Ratio depending on how agreed outcomes are balanced and resourced. Performance against the Real Operating Expenditure Ratio requires Council to continue to show a decrease in operating expenditure per capita over time. Possible increases in service delivery streams or levels may lead to an increase in operating expenditure per capita.

Council's position is that an increase in this indicator linked to an increase in service delivery is justifiable as an acceptable outcome provided a reasonable operating result is maintained. This is supported by the improvement proposal criteria.

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:



Graph 21: Council's Real Operating Expenditure Ration forecast

### Key Efficiency Strategies

Council's key strategies to retain scale and capacity, enhance efficiency and continue to deliver value for money for the community and support the ongoing achievement of the Fit for the Future efficiency benchmark include:

#### ***Continually seek productivity and efficiency gains in operations***

Council has been focused on increasing organisational efficiency for a number of years, with cost containment strategies already in place.

Council currently has in place an ongoing target of greater than \$250,000 in productivity savings in review of each annual budget. An additional stretch target has been implemented as part of the Fit for the Future financial modelling. This further saving of 0.8% in operational expenditure will provide approximately \$285,000 resulting in a minimum of \$535,000 to be saved and maintained.

The development and implementation of the Information Technology Strategy will realise productivity gains and improvements in processing and result in a decrease in manual handling.

The Procurement Strategy will realise savings in actual materials purchased, streamline procurement processes and mitigate corporate risk.

Ongoing implementation of the Greenhouse Action Plan will result in measureable energy efficiency savings.

Continued benchmarking and reporting of performance and innovative ways to improve service delivery internally and externally will be explored, with partnership opportunities actively pursued.

Council will optimise the workforce to respond to organisational service reviews and the outcomes of the Integrated Planning and Reporting process.

Council will develop more robust systems for reporting on savings, productivity and cost containment through the implementation of a corporate register. This will allow detailed tracking of efficiency gains that will be reported to the community and NSW Government, evidencing Council's ongoing response to the Fit for the Future efficiency benchmark.

#### ***Ongoing program of organisational service reviews***

The Integrated Planning and Reporting process will ensure that Council delivers the most relevant mix of services and infrastructure, identified through community engagement.

Ongoing organisational service reviews, the implementation of sustainability measures and improved corporate policies and procedures will ensure continuous improvement and value for money in service delivery.

#### ***Maintain and strengthen strategic partnerships***

Council will proactively strengthen strategic partnerships and work as an effective member of the South East Joint Organisation to maximise opportunities such as economies of scale in service delivery, operations and procurement.

Council is in a strong and sustainable position, and will meet all the Fit for the Future benchmarks within 10 years. This will enable access to benefits offered by the NSW Government such as subsidised loan funding and grant opportunities. This will assist Council as it continues to provide value for money for the community.

#### **Assumptions**

The following assumptions relate to the Efficiency strategies as outlined above and are in addition to the budget forecast assumptions provided in Section 2.3.

- Existing service levels have been used for financial modelling.
- Total expenditure includes depreciation and grant funded program expenditure.
- Total income includes Road to Recovery and Financial Assistance Grants.



Efficiency Strategies and Outcomes				
This table provides a detailed plan of the objectives, strategies, key milestones, outcomes and impact on Fit for the Future ratios to address the Efficiency Criteria and associated ratios.				
Objective	Strategy	Key milestones	Outcome	Impact on Fit for the Future ratios
Increase organisational efficiency	Continually seek productivity and efficiency gains in operations	Develop and endorse organisation Information Technology Strategy.	Streamlined processes; productivity improvements; manual processing time reduced; optimal mobile infield technologies identified and implemented; simplified internal systems; improved business processes.	Assist in maintaining and improving Council's performance against all seven Fit for the Future ratios.
		Review and strengthen Procurement Strategy.	Improved probity, streamlined processes; actual savings on items procured; accountability and transparency, sustainable procurement practices.	
		Implementation of Greenhouse Action Plan.	Increased revenue and savings from Greenhouse Action Plan projects; Council is a more efficient organisation; recurrent savings in operational budget able to be directed to address Fit for the Future ratios.	
		Continued participation in relevant sector benchmarking programs.	Ongoing comparative performance is regularly and comprehensively communicated to all stakeholders; decision making is informed by historical data; increased ability to benchmark and availability of benchmarking information.	
		Develop savings, productivity improvement and cost containment register.	Savings and efficiencies are measureable and able to be reported to relevant stakeholders; ongoing historical record of organisational efficiency gains.	
		Review and implement Council's Workforce Management Plan.	Improved linkage to Council's suite of Integrated Planning and Reporting documents; council has the right people in the right positions to deliver on community need and expectations.	Assist in maintaining and improving Council's performance against all seven Fit for the Future ratios.
		Review organisation structure.	Optimal organisational configuration to respond to service reviews and agreed levels of service; labour costs, management tiers, staff numbers and reporting lines are appropriate and sustainable; improved and innovated contracting options are investigated.	
		Implement the Learning and Development Plan.	Council staff are skilled and able to best deliver services to the community.	
		Benchmark and review corporate functions.	Attributions reflect level of use of corporate functions and are fair and equitable; corporate performance measures are established and implemented; efficiency gains and productivity savings are made.	
Ensure ratepayers receive value for money in service delivery	Ongoing program of organisational service reviews	Review mix and level of services delivered by Council in line with key Integrated Planning and Reporting documents.	Council services meet community need and represent value for money; opportunities to reduce cost of service delivery are explored and implemented; new and innovative revenue generation ideas are identified; staff productivity gains are identified; continuous improvement of service delivery and cost savings.	Assist in maintaining a balanced Operating Ratio. May have impacts on Own Source Operating Revenue and/or Efficiency Ratio dependant on engagement outcomes and service delivery needs and levels.
		Undertake broad and robust community engagement on service delivery levels and methods to establish expectation.	Service delivery models are innovative, flexible and make best use of opportunities and resources; service delivery models reflect community engagement outcomes.	
	Maintain and strengthen strategic partnerships	Work effectively as a full member of the South East Joint Organisation.	Regional collaboration occurs; improved opportunities and outcomes for community and council; increased efficiency and reduced costs in service delivery.	Assist in maintaining a balanced Operating Ratio. May have impacts on Efficiency Ratio dependant on advocacy outcomes, partnership outcomes and final details of Fit for the Future benefits.
		Advocate to rationalise and redistribute costing for emergency services in regional areas.	Increased awareness of Council's funding of emergency services in regional areas; rationalisation of services and reduction in cost to Council and the community.	
		Ensure Council is in a position to take advantage of Fit for the Future benefits including streamlined process for working in partnership with State and Federal Governments.	Increased funding and assistance from other levels of government; maintained scale and capacity and ability to work as a positive partner with NSW and Australian Governments.	

### 3.4 Improvement Action Plan

Council has developed a comprehensive Improvement Action Plan that can be undertaken within current resourcing and maximises community benefit through phased implementation.

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

- ensure community benefit
- work collaboratively with community and key stakeholders
- 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.

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

The outcomes and information developed through the above processes will underpin Council's next cycle of Integrated Planning and Reporting documents and form the next four years of our Improvement Action Plan.

#### *How was the Improvement Action Plan developed?*

A cross Council collaborative working group was established involving Council's General Manager, Executive Leadership Team, and key staff from finance, community planning, asset management, infrastructure, environment and business development. The working group comprehensively 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 for Council's Integrated Planning and Reporting documents and key infrastructure strategy development.

Following this review the working group explored new and innovative strategies that would assist in ensuring Council's continued performance against the Fit for the Future benchmarks while maximising community benefit.

These strategies were then workshopped over a series of meetings and developed a two year Improvement Action Plan with the aim of working within current budget and

resourcing constraints to build a strong strategic policy, information base and foundation to become and remain Fit for the Future.

Council assessed its scale and capacity internally and supported the ILGRP's recommendation. External consultants were not utilised in the development of Council's Improvement Proposal.

### **How was the community involved?**

During the extensive community engagement that took place to inform the development of the Integrated Planning and Reporting documents, our community indicated that they recognise the financial sustainability challenge we face and clearly identified the services and infrastructure they need and expect both now, and in the future.

Development of the Community Strategic Plan, Delivery Program and Operational Plan has been informed and supported by the Resourcing Strategy (Long Term Financial Plan, Workforce Management Plan and Asset Management Strategy) as well as supporting strategies, such as the Recreation and Open Space Strategy, Pathways Strategy, Traffic, and transport planning studies and the Disability Action Plan, all of which included consultation processes focused on infrastructure and social planning and optimisation.

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.

This table provides a summary of the community engagement activities that has assisted Council to prepare its Improvement Proposal:

*Table 21: Community engagement activities*

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
	Community survey	1,401 responses
November 2011 to January 2012	Resourcing Options Paper and Delivery Program Information Paper	
	Long Term Resource Planning Community Survey	733 participants
	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

Timing	Community engagement method	Reach
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
	Dedicated website	1,180 visits
December 2014 to January 2015: Funding out Future phase 2, inform and consult	Revised Delivery Program 2013-17 including Special Rate Variation public exhibition	Shire wide
	Mail out	21,700 ratepayers
	Telephone hotline	<30 contacts

The outcomes and details of this engagement has informed the development of the first two years of Council's Improvement Action Plan.

In addition, Council developed a dedicated website to inform the community about the Fit for the Future program and invited interested community members to a series of information sessions about our revised Delivery Program 2013-17 and Draft Operational Plan 2015-16<sup>63</sup> where Fit for the Future was also discussed.

Council's Improvement Proposal will continue to involve conversations with our community as we work together to refine and implement Council's Improvement Action Plan to build a financially sustainable future for Eurobodalla. The 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.

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 had been followed.

<sup>63</sup> Eurobodalla Shire Council, Delivery Program 2013-17 and Operational Plan and Budget 2015-16.

### ***How Councillors were involved and approved the plan***

Since the release of the Fit for the Future program Councillors have received regular briefings outlining progress in developing Council's Fit for the Future Improvement Proposal.

Councillors were also involved in the extensive engagement exercises outlined above, the outcomes of which were the foundation for development of Council's Improvement Action Plan. Other key strategies, such as the Pathway Strategy, Disability Action Plan and the Recreation and Open Space Strategy which also underpin Council's Improvement Proposal have been adopted by Council.

At its ordinary meeting on 12 May 2015 Councillors considered a report<sup>64</sup> on Fit for the Future which outlined the process, way forward and community consultation to date to inform the development of Council's Improvement Proposal.

The development of Council's Improvement Action Plan was a comprehensive collaborative process, which made use of Council's previous engagement outcomes to deliver an informed, achievable and robust Improvement Action Plan.

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<sup>64</sup> Council report attachment XX

## Council's Improvement Action Plan

The following table outlines actions to be undertaken in the next two years. While Council is only required to outline actions for 2016-17 to satisfy Fit for the Future Improvement Proposal requirements, Council has planned to undertake a significant amount of work in 2015-16 that assists in setting and building the foundation for the success of key strategies and Council's Improvement Proposal. As such, these 2015-16 actions are also detailed in the following table.

Table 22: Council's Improvement Action Plan

Action	*Resp. <sup>65</sup>	2015-16	2016-17
<b>Balance the cost of service delivery with income levels</b>			
Develop, exhibit, adopt and commence implementation of the Community Engagement Strategy for Community Strategic Plan Review and Delivery Program development process.	CARS	✓	
Implement Community Engagement Strategy for Community Strategic Plan Review and Delivery Program development process.	CARS		✓
Undertake preliminary work to inform Community Strategic Plan development including: <ul style="list-style-type: none"> <li>Statistically reliable independent community visioning and service delivery survey</li> <li>Prepare, exhibit and adopt State of the Shire Report to establish and explore current and future issues</li> </ul>	CARS	✓	
Prepare and publish End of Term Report and Progress against the Community Strategic Plan - One Community and Delivery Program 2013-17.	CARS	✓	
Prepare, exhibit and adopt revised Community Strategic Plan.	CARS		✓
Prepare Delivery Program 2017-21 and Operational Plan 2017-18 informed by community engagement outcomes.	CARS		✓
Exhibit and adopt Delivery Program 2017-21 and Operational Plan 2017-18.	CARS		✓
Develop and endorse business case process for new or expanded services.	CARS	✓	
Develop implementation plan for property strategy.	FBD	✓	
Undertake audit of Council operational land.	FBD	✓	
Continued implementation of Moruya Airport Master Plan.	FBD	✓	✓
Review commercial lease agreements.	FBD	✓	
Undertake comprehensive benchmarking and review of Council fees and charges.	FBD	✓	
Develop, exhibit and adopt policy for donations and discounts.	FBD	✓	
Undertake audit of Council community facilities and identify opportunities for investment to increase use.	CARS	✓	✓
Implement actions from audit of Council community facilities.	CARS		✓

<sup>65</sup> \*GM – General Manager; CARS – Community Arts and Recreation; FBD – Finance and Business Development; PSS – Planning and Sustainability Services; IS – Infrastructure Services; CT – Communication and Tourism

Action	*Resp. <sup>65</sup>	2015-16	2016-17
Continued pursuit of grant opportunities for ongoing service delivery, infrastructure renewals program and new capital works.	ALL	✓	✓
Revise, exhibit and adopt Integrated Water Cycle Management Strategy.	IS	✓	
Undertake annual audit of compliance with best practice for Council Water and Sewer businesses.	IS	✓	✓
<b>Optimise infrastructure financing</b>			
Revise, document and implement a detailed financial strategy to achieve, maintain and monitor Fit for the Future ratios and ensure ongoing financial sustainability.	FBD	✓	✓
Create infrastructure renewal reserve fund.	FBD	✓	
Review Council's borrowing policy, capacity and program in conjunction with development on financial strategy.	FBD	✓	
Ongoing targeted use of debt to meet infrastructure requirements in line with financial strategy.	FBD	✓	✓
<b>Increase capacity and focus on long term planning and sustainability</b>			
Develop Community engagement framework in consultation with the community.	CT	✓	
Implement endorsed community engagement framework.	CT		✓
Develop and implement education program on Integrated Planning and Reporting and Fit for the Future for incoming councillors and new employees.	CARS		✓
Ongoing detailed reporting on Fit for the Future performance.	CARS	✓	✓
Develop revised supporting Long Term Financial Plan that reflects engagement outcomes and financial strategy.	FBD		✓
Identify and explore options for more effective enhanced financial and budgeting software as part of Information Technology Strategy development.	FBD	✓	
Review budget methodology and systems and adopt preferred budgeting approach.	FBD		✓
Revise Council's fiscal responsibility policy and develop supporting code of practice.	FBD		✓
Develop and implement training program for management staff.	PSS/FBD	✓	✓
Develop Integrated Economic Growth and Development Strategy.	GM	✓	✓
Exhibit and adopt revised Development Contributions Plan for Section 94 and 94a contributions.	PSS	✓	
Prepare, exhibit and adopt revised Developer Servicing plans for Water and Sewer section 64 contributions informed by Integrated Water Cycle Management Strategy outcomes.	IS		✓
Actively participate as an effective member of the South East Joint Organisation.	GM	✓	✓
Promote accessible tourism products and experiences to expand the visitor economy.	CT		✓



Action	*Resp. <sup>65</sup>	2015-16	2016-17
Improve and expand digital tourism marketing activities, and tourism partnerships and marketing programs with the Canberra region.	CT	✓	
Promote Eurobodalla as the place to invest and do business.	FBD	✓	✓
<b>Optimise infrastructure to meet community need</b>			
Undertake independent assessment of Council asset management practices.	IS	✓	
Review and update transport and stormwater asset management plans to take account of revaluations and condition assessments.	IS	✓	
Undertake revaluations of other structures asset class.	IS	✓	✓
Implement asset management strategy improvement plan.	IS	✓	✓
Review, exhibit and adopt the Recreation and Open Space Strategy.	CARS	✓	
Review, exhibit and adopt Pathways Strategy.	IS	✓	
Revised Asset Management Strategy and Improvement Plan developed based on independent assessment and agreed levels of service.	IS		✓
Collection of recreation and community and operational facilities assets component condition data and review of useful lives.	IS		✓
Review and update recreation facilities asset management plan incorporating recreation and open space strategy review outcome and consultation.	IS		✓
Implement routine maintenance programs in accordance with asset management plans.	IS	✓	✓
Develop long term bridge replacement program.	IS	✓	
Develop a renewal program for stormwater assets.	IS	✓	
Develop a renewal program for recreation and community and operational facilities.	IS		✓
<b>Increase organisational efficiency</b>			
Develop Information Technology Strategy.	FBD	✓	
Ongoing implementation of Information Technology Strategy.	FBD		✓
Ongoing installation of solar and battery storage on Council facilities.	IS	✓	✓
Transition of streetlights to LEDs.	IS	✓	✓
Ongoing implementation of Greenhouse Action Plan.	PSS	✓	✓
Participation in and report on benchmarking and comparative data exercises.	CARS	✓	✓
Review the Workforce Management Plan with consideration of Community Strategic Plan and Delivery Program review.	PSS		✓
Review and analyse procurement delivery models.	IS	✓	
Develop and implement internal training program on procurement code of practice.	IS	✓	
Review Procurement Strategy.	IS	✓	
Develop and implement savings, productivity improvement and cost containment register.	FBD	✓	✓
Implement Internal Audit Program.	GM	✓	✓

Action	*Resp. <sup>65</sup>	2015-16	2016-17
<b>Ensure ratepayers receive value for money in service delivery</b>			
Ongoing implementation of service reviews and recommendations according to Council's adopted program.	GM	✓	✓
Undertake advocacy in relation to emergency services in regional areas.	IS	✓	✓

### 3.5 Other actions considered

In developing its Improvement Proposal and Action Plan, Council focussed on meeting Fit for the Future requirements and maximising community benefit. As part of this, Council considered and explored some actions that were not included in the final Improvement Action Plan. These actions and the reasons for not including them in the final Proposal are outlined below:

#### ***Amalgamation***

Eurobodalla was not recommended for amalgamation by the Independent Review Panel. This recommendation was subsequently endorsed by the NSW Government.

Council approached neighbouring councils, Bega Valley and Shoalhaven, who were also recommended to continue as stand alone councils, for initial discussions regarding the potential for mergers. This was to ensure that any potential advantages were considered as part of the Fit for the Future process.

The option was not viewed as providing significant community benefit and would not improve Council's capacity to meet Fit for the Future requirements. All three councils decided not to pursue this option.

Eurobodalla Council did not include amalgamation as a possible strategy in its Improvement Proposal for the following reasons:

- Eurobodalla was not identified for amalgamation by the Independent Review Panel.
- Eurobodalla was identified as having the scale and capacity to stand alone. Council's starting position is that it meets five out of seven benchmarks prior to improvement actions being implemented.
- Council will meet all seven Fit for the Future benchmarks within 10 years.
- Eurobodalla has a strong sense of local identity and place which is important to the community and could likely be compromised if Council were to amalgamate.
- Geographic spread and topography of Eurobodalla and neighbouring councils does not support amalgamation.

#### ***Reducing service levels and staff numbers***

Council considered cutting services to find additional operating expenditure to direct to infrastructure renewals and improve the Operating Performance, Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios. Any reduction in service delivery or level was not supported by the community as evidenced through Council's previous community engagement activities.

Council did not include reduction to services as a possible strategy in its Improvement Proposal for the following reasons:

- Community consultation to date indicates current service delivery is valued with 89% of residents surveyed very satisfied to somewhat satisfied with the level of service and facilities provided by Council<sup>66</sup>.

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<sup>66</sup> Micromex Research, Special Rate Variation, November 2014, pp 7

- The action would be considered pre-emptive given an intensive community engagement process will be undertaken as part of the Integrated Planning and Reporting process to determine type and level of services to be delivered and any service reduction or expansion would occur as part of this process or Council's ongoing organisational service reviews.

Council's organisational structure is already considered as part of an ongoing, evidence based review process, which takes into account internal efficiencies, technology improvements, service delivery and community benefit outcomes. Further consideration of this action will also be undertaken as part of the Integrated Planning and Reporting process to determine type and level of services to be delivered and any service reduction or expansion would take place as part of this process.

### ***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. In determining the timeframe to improve and meet both benchmarks, Council considered financial sustainability, infrastructure asset planning and most importantly, how the timing of implementation would impact our community.

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 and Long Term Financial Plan and ensures that the community benefits are balanced and maintained into the future.

## Section 4: How will Council's plan improve performance?

Eurobodalla will be Fit for the Future and meet all seven ratios as measured against the Improvement Proposal assessment criteria by 2019-20 as per the table below.

Council's Improvement Proposal outlines the strategies and actions that will contribute to achieving five of the seven benchmarks in full and enable consistent improvement in the Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios by 2019-20.

The table below provides Council's estimated results against IPART's assessment criteria after the implementation of Council's Improvement Action Plan. This indicates that Council will meet all seven criteria by 2019-20.

*Table 23: Summary of Council's performance against IPART's assessment criteria after the implementation of Council's Improvement Action Plan.*

Measure Assessment Criteria	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Meets Criteria?
<b>Operating Performance Ratio*</b> Must meet within 5 years	-0.02	-0.02	-0.02	0.01	0.02	0.02	✓ Meet
<b>Own Source Revenue Ratio*</b> Meet or improve within 5 years	69.25%	69.72%	69.51%	70.87%	72.90%	74.99%	✓ Meet
<b>Building and Infrastructure Asset Renewal Ratio*</b> Meet or improve within 5 years	64.11%	98.77%	108.50%	121.03%	93.44%	93.55%	✓ Improving
<b>Infrastructure Backlog Ratio</b> Meet or improve/inform within 5 years	15.34%	14.16%	13.15%	12.26%	11.55%	9.82%	✓ Improving
<b>Asset Maintenance Ratio*</b> Meet or improve/inform within 5 years	83.87%	85.84%	100.00%	100.00%	100.00%	100.00%	✓ Meet
<b>Debt Service Ratio*</b> Meet within 5 years	6.93%	7.49%	8.14%	8.93%	9.65%	10.15%	✓ Meet
<b>Real Operating Expenditure per capita</b> 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 Council remains 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.
- Increase in the modelled rates growth to 0.5% from 2016-17. This is a slight increase on current conservative modelling of 0.2%.
- Ongoing annual energy efficiency savings of \$130,000 from 2018-19.
- Achieve and maintain increase in user fees and charges of \$81,000 (0.8%) from 2016-17.
- Increase in waste fees and charges to ensure full cost recovery and return approximately \$0.9 million 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. Saving \$620,000 in borrowing costs over five years.
- Additional spend on targeted infrastructure renewal program commencing 2019-20 as outlined in the table below of which will be funded through the Infrastructure Renewal Fund (60%) and additional loan funding (40%).

Table 24: Council's additional renewal spend

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 will build on this solid foundation and strengthen Council's position. The strategies that Council plans to implement will deliver improved performance over time, with quantifiable outcomes reported as part of the Integrated Planning and Reporting process.

Savings from the implementation of these additional strategies will be directed to the Infrastructure Renewals Fund, reduce the need to loan fund infrastructure renewal amounts in future years and contribute to improved performance in shorter timeframes.

Forecasts for future years are based on a conservative approach as detailed in supporting financial modelling<sup>67</sup> and assumptions and will be further improved by:

- planned land sales to the estimated value of \$4.7 million
- additional annual amount of grants average of \$3 million per year based on historic average
- revaluations giving an improved starting point for Building and Infrastructure Asset Renewal and Infrastructure Backlog Ratios
- energy efficiency project savings and further productivity gains.

Council has demonstrated it is financially sustainable and in a strong position to deliver services to the community. The immediate actions and long term strategies outlined above support this position.

<sup>67</sup> Attachment

Council's Fit for the Future submission has been developed to ensure the best outcomes for the community will be achieved with well-considered and evidence based strategies delivered within timeframes that meet Fit for the Future requirements without compromising community benefit.

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.

Table 25: Council's starting position in 2013-14 and forecast position in 2024-25 **after** the implementation of the Improvement Action Plan

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



## Section 5: Putting Council's plan into action

Overall responsibility for the implementation of this Improvement Proposal and Action Plan rests with Council and the Executive Leadership Team.

Improvement Action Plan items are integrated into Council's Delivery Program 2013-17 and Operational Plans and Budget 2015-16<sup>68</sup> and 2016-17. Responsible officers for each item are identified in these documents to ensure accountability in delivery.

Council's Improvement Action Plan items will be reported on in Council's six monthly progress reports and Annual Report as part of current legislated Integrated Planning and Reporting process. Council's Internal Audit Committee will monitor the financial outcomes including progress towards achieving the benchmarks within the required time.

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<sup>68</sup> Eurobodalla Shire Council, Delivery Program 2013-17 and Operational Plan and Budget 2015-16, pp 4-10