

Template 2

Fit for the **Future**

Council Improvement Proposal

(Existing structure)



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: Ballina Shire Council

Date of Council resolution endorsing this submission: 25 June 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

The Tcorp Financial Assessment of Ballina Shire Council in 2012 stated that Council's financial position was 'moderate' and outlook 'neutral'. TCorp indicated that our operating deficit position is the weakest forecast ratio and that Council could face financial sustainability issues in the long term. Council concurs with the Tcorp position and the major focus of our improvement strategy is to eliminate the operating deficit.

Council is currently operating with a comparatively low average rate income per property, however our overall asset base is in a reasonable condition. Council has been able to achieve this outcome through the raising of non-standard revenues from property development activities since the mid 1970s. Council has a property portfolio consisting of three major commercial buildings and residential and industrial land stocks. The land stock has a finite life which means it is important that Council identifies sustainable revenue streams in the medium to long term.

In respect to the Fit for the Future Indicators, as at 30 June 2014, Council was meeting the benchmark for all three "Effective Infrastructure and Service Management" measures however the benchmarks were not being met for the "Efficiency" and "Sustainability" benchmarks.

In respect to improvement strategies even though Council has not met the one efficiency benchmark, as at 30 June 2014, this ratio is susceptible to fluctuations due to service levels or changes in works programs. Council has met the benchmark for three of the five years measured to 2014 and we anticipate that we will meet this benchmark into the future. On a comparative basis Council is operating efficiently as demonstrated by the latest Office of Local Government comparative data; i.e.

Item	Ballina Shire	Group 4 councils	NSW Average
FTE	265	317	294
Ratio of Population FTE	154	126	127
Average Cost per FTE	\$70,981	\$76,263	\$75,736
Employee Costs as % Operating Expenditure	24.1	37.1	37.1
Consultancy / contactor expenses (\$m)	0.2	6.1	7.8
Consultancy / contractor expenses as % operating expenditure	0.2	7.6	10.3

The fact that Council is already below a number of comparative cost benchmarks limits our ability to further reduce costs however efforts will continue to be placed on ensuring that future cost increases are minimised.

Council has not met the three benchmarks for the Sustainability criteria and our focus for improvement is primarily in this area (i.e. Own Source Revenue Ratio, Building and Infrastructure Asset Renewal Ratio and Operating Performance Ratio)

In respect to the Own Source Revenue Ratio this figure can vary from year to year and with Council easily meeting this benchmark in 2013/14 we anticipate this trend to continue.

For the Building and Infrastructure Asset Renewal Ratio, Council has reviewed its depreciation assumptions resulting in the building and infrastructure depreciation expense reducing by in excess of \$2m for 2014/15 as compared to 2013/14. This reduction combined with increased revenue generation that is being applied fully to capital expenditure will result in the benchmark being met.

For the Operating Performance Ratio the review of depreciation expenditure along with improved capitalisation of expenditure that was previously expensed means that Council is now forecasting operating deficits of, on average, around \$1m to \$2m. Therefore our focus is on eliminating this operating deficit.

Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(ie, the Panel did not recommend your council needed to merge or become a Rural Council).

Yes

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

As identified in our Community Strategic Plan the Ballina Shire is a wonderful place to live and work with many natural assets including the coast and the hinterland, modern facilities and services and in close proximity to major population centres such as the Gold Coast and Brisbane. Of those that live in Ballina Shire 76% work in the Shire and a clear majority of residents travel to work by car (85%). Options for public transport remain limited.

Most residents either own their home or have a mortgage with this figure remaining static at 65% between the 2001 and 2011 census. Similarly, rental properties have remained static at approximately 29%. Housing affordability remains a critical issue, particularly as it affects both younger and older people.

Our main commercial centre is Ballina, with other major population centres including Lennox Head, Alstonville and Wardell. There are also a number of small villages along the coast and throughout the hinterland. The coast, the river, the escarpment, and the plateau are four of the standout features for our Shire. These locations, with their associated waterways, natural habitats, farming landscape and cultural and heritage values, along with the beaches and ocean, help to define our place.

Our Community Strategic Plan identifies that by 2023 we want to see a more diversified economy, attractive and comparatively affordable housing and our transportation networks, road and air, working well. The new growth centres of Pacific Pines / Skennars Head, Wollongbar and Cumbalum will also provide new shopping experiences through small scale local stores. New sporting fields will be in place at each of these three locations to cater for the growing residential populations.

As a growing coastal Council we will need to carefully manage our continued population growth and an ageing population, while at the same time maintaining and expanding our existing and future infrastructure.

The Ballina township is located on the mouth of the Richmond River and on a floodplain, with coastal erosion, sea level rise and flood plain management measures representing potentially significant risks and costs for Council.

In respect to socio-economic factors our annual income is lower than the State average and the Group 4 council average as per the following summary.

Socio-economic / capacity to pay indicators	Ballina	Group 4	NSW Average
Average annual income for individuals	40,734	44,351	49,070
Growth in average annual income (2006-2011)	3.9	4.5	5.2
Average residential rates to average annual income (2011 %)	1.9	2.0	1.5
SEIFA (2011)	99		
Outstanding rates and charges ratio (General Fund %)	6.2	5.3	6.0

Therefore we must consider the impacts of all our decisions on the most vulnerable in our community.

Our challenges will include ensuring that our infrastructure matches population growth whilst protecting the amenity, both natural and social, of our community. The ageing population and the continued loss of younger persons to the more urbanised capital cities, means that we must improve the resilience of our economy and encourage opportunities for younger persons to remain in our community.

Our close proximity to south east Queensland, and improved freeway access, is resulting in increased visitations to our Shire. It is important that we take advantage of opportunities that arise from this increased visitation, whilst again protecting the amenity for our residents.

2.2 Key challenges and opportunities

<p>Strengths</p> <ul style="list-style-type: none"> • Sound infrastructure • Natural environment • Proximity to south east Queensland • Regional Airport • Adequately zoned land • Adequate water and wastewater infrastructure • Access to health services and educational facilities 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Ageing population • Loss of young people • Drift to cities • Housing affordability • Limited economy • River health • Comparatively low rate base • Ballina located on a flood plain
<p>Opportunities</p> <ul style="list-style-type: none"> • Attractive area to invest • Ballina township identified as an emerging regional centre by the NSW State Government • Experienced and educated semi-retired population looking to contribute to the wider community • Close proximity to Byron Bay 	<p>Threats</p> <ul style="list-style-type: none"> • Climate change • Coastal erosion • State Government directives • Revenue limitations • Reductions in Federal Government funding • Section 94 cap • Population growth and impact on amenity and environment

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-12.5%	No	-8.4%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.7%	No	76.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	77.5%	No	115.1%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria

Operating Performance Ratio
 As mentioned in the overview section of this report Council has a comparatively low rate base and low operating expenditure. This limits our opportunities to reduce costs and given that Council commenced an improvement strategy from a very low rate base improvement has been gradual.

Council has long recognised that it is essential that the operating performance of the organisation must be strengthened. The primary strategies have been to carefully manage costs whilst seeking approval for special variations to the general rate notional yield and generating non-standard revenues from investments such as commercial property.

To this end Council has received special variations for seven of the last nine years which has greatly assisted our operating performance although there remains more to be done. The fact that Council still has one of lowest average residential rates in our Group after a decade of above average rises indicates just how low the rate base was some years ago.

Council has recently received approval for special variations for the 2015/16 and 2016/17 financial years, which amounts to special variation approvals for nine out of eleven years. The majority of the additional revenue received from past special variations has been applied to the maintenance and renewal of existing infrastructure. The income from the 2015/17 special variations will be used to repay loans taken out to upgrade existing assets (i.e. Ballina and Alstonville swimming pools). The special variations for the next two years, together with the fine tuning of the depreciation expense and capitalisation processes will see Council go close to achieving this benchmark going forward.

Importantly Council has also pursued revenue opportunities other than rate increases by increasing fees where possible and generating commercial property revenues. The development of two commercial properties has added almost \$1m in extra revenue to assist with improving our bottom line.

Own Source Revenue

The three year average to 2013/14 does not meet the benchmark however the outlook is that it will be achieved in 2016/17. This ratio is highly influenced by the amount of grants and contributions that are received in any given year. To cite but one example the three year average to 2013/14 is influenced heavily by the 2012/13 financial year which recorded a result of 43%. In that year Council received road dedications valued at \$24.3 million due to the transfer of roads to Council following the completion of major highway bypasses. These represent one-off events. Hence the ratio is heavily distorted by non-cash transactions. By way of comparison the 2013/14 result was 70% which easily achieves the benchmark. Based on a normal level of grants and contributions (if there is such a thing) it is anticipated that Council will constantly achieve this benchmark, subject to any abnormal transactions such as the example provided for the highway bypass dedication.

Building and Infrastructure Asset Renewal

The benchmark was not achieved in 2013/14 as insufficient revenue has been allocated to infrastructure renewal. Also the estimations used for depreciation left room for improvement and Council's asset team have been doing a lot of work to improve this forecast. The 2016/17 forecast does meet the benchmark due to a combination of actions. Principally the additional rates funds that have been received in the recent past and those that will be received for special variations in 2015/16 and 2016/17 will be applied to asset renewal. Add to this refined depreciation calculations and improved asset management processes (capitalisation judgement amongst other things) and the outlook is that this benchmark will be achieved on a regular basis going forward.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	0.27%	Yes	0.26%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103.0%	Yes	102.7%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	8.1%	Yes	11.0%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

N/A

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.08	No	0.96	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

The ratio assumes that service levels will remain relatively static so that real time expenditure will fall as population increases. This is a very difficult ratio for a growing Council to achieve as the provision of new infrastructure for population growth can be “lumpy” in nature.

For example in recent years Council has provided major infrastructure such as a new Ballina Surf Club, a new \$9m road to the Ballina Heights Residential Area and new community centres in Ballina and Lennox Head. These extra facilities will provide services for the next 20 to 50 years as the population grows. The ratio penalises these improved service levels as the extra or improved services generate costs that are additional to costs in previous years. Also as they are catering for future growth there will be a time lag between the provision of the facility and the future population growth.

Council has endeavoured to meet community expectations by providing these improved services as early as possible (funded from a combination of grants and reserves built up from property sales) and this has resulted in the ratio not being achieved in 2013/14. Going forward it is predicted that there will be a gradual decline in real costs per person as the focus is on renewing and maintaining existing assets rather than providing new assets and services.

2.4 Water utility performance

NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

Water No

Sewer Yes

If NO, please explain the factors that influence your performance against the Framework.

Water

Council achieves 90% compliance with the NSW Government Best Practice framework. The non-compliance is because approximately 65% of our revenue from our annual residential charges is derived from water consumption and the guidelines require 75%. This has been a policy decision of Council to minimise fluctuations in revenue due to Rous Water imposing consistently higher than CPI charges for bulk water on Council in recent years. Refer to the section of this response in respect to 'Does Council manage its Water operations on a break even basis?' for further information.

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

Water

In 2013/14 the Water infrastructure backlog was \$356,000. The carrying value of the infrastructure is \$106 million so the backlog represents just 0.3% of the asset base.

Sewer

In 2013/14 the Sewer infrastructure backlog was \$241,000. The carrying value of the infrastructure is \$195 million so the backlog represents just 0.1% of the asset base.

2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Water			
Distribution Main – Pine Avenue	2016/17	2,314,000	Section 64 and Water funds
Distribution Mains - North Ballina	2017/18	1,975,000	Section 64 and Water funds
Reservoir Upgrade - Pacific Pines	2019/20	1,077,000	Section 64 and Water funds
Sewer			
Gravity Main – Wollongbar	2016/17	1,747,000	Section 64 and Water funds
Gravity Main – Alstonville	2017/18	1,137,000	Section 64 and Water funds
Gravity Main – Transfer	2017/18	1,498,000	Section 64 and Water funds
Pumping Station - North Ballina	2018/19	1,364,000	Section 64 and Water funds
Pumping Station – Lennox Head	2018/19	1,091,000	Section 64 and Water funds

2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

No

If No, please explain the factors that influence your performance.

Water

Council is responsible for water reticulation to our residents, excluding Wardell where we provide reticulation and bulk water. The bulk water for the remainder of the Shire is provided by the Rous Water County Council. Ballina is one of four constituent councils that pay an annual contribution for the operations of Rous Water.

The contribution paid to Rous represents approximately 50% of total operating costs including depreciation and 60% exclusive of depreciation.

The operating performance of Ballina's Water business is heavily influenced by the strategies of Rous Water. Rous increased the bulk water charge for the constituent councils by 15% each year for five years, expiring in 2012/13.

During this period Council was forced to increase tariffs by approximately 10% solely to keep pace with costs (7% to 8% increase to pay Rous water plus cost of living). This reduced our ability to rectify the operating deficit.

Also residents have responded to the incessant price hikes by consuming less water, which in many respects is a positive outcome, however it has made the financial management of the business that bit more difficult.

These circumstances have made it difficult for Council to impose even higher price increases to improve the operating result of the business.

Fortunately the business is in a part of the life cycle where it has no debt and infrastructure remains in a reasonable condition which means we have been able to operate effectively even with an operating deficit.

The following table outlines the recent operating results as sourced from Council's Special Purpose Financial Reports.

Water - Actual Operating Performance - Recent History

Item	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
Operating Revenue	8,613	9,633	11,058
Operating Expense	10,582	10,967	11,113
Operating Result before Capital	(1,969)	(1,334)	(55)

As per this table the operating result has been rapidly improving and our Long Term Financial Plan anticipates that an operating surplus will be achieved in 2015/16 as per the following table. We also anticipate that the actual results for 2014/15 will achieve an operating surplus based on latest income and expenditure trends.

Water - Estimated Operating Performance

Item	2014/15 (\$'000)	2015/16 (\$'000)	2016/17 (\$'000)
Operating Revenue	10,737	10,996	11,499
Operating Expense	10,902	10,867	11,087
Operating Result before Capital	(165)	129	412

As per the above table the forecast is for the operating performance to improve based on minimising increases to expenditure and a steady growth in prices until the operating surplus is achieved on a recurrent basis.

Sewer

Council is responsible for the entire sewerage service. This business has been impacted by a major capital works program that has seen Council renew and expand the treatment facilities at Ballina and Lennox Head, introduce recycled water for dual reticulation and expand and renew the pipe network.

This major capital works program, which has seen total expenditure close to \$100m, has been taking place since 2010/11. The primary funding source for the works has been external borrowings and total borrowings in recent years have amounted to over \$70 million. This has had a profound impact on the financial performance and position of the business. The annual loan repayments are now in the order of \$7.1 million.

Council was aware of the impending capital expenditure program and commenced raising prices beyond CPI for approximately five years before the works began. Despite this approach, such is the extent of the loan repayments that there remains at least a further three years of above CPI price increases needed to ensure that the business can fully fund all loan repayments, operations and essential capital works.

The following table outlines the recent operating results as sourced from Council's Special Purpose Financial Reports.

Sewer - Actual Operating Performance - Recent History

Item	2011/12 (\$'000)	2012/13 (\$'000)	2013/14 (\$'000)
Operating Revenue	12,601	13,780	14,442
Operating Expense	15,986	18,110	17,708
Operating Result before Capital	(3,385)	(4,330)	(3,266)

The plan going forward is to minimise expense increases and increment the annual charge, which is the main revenue source, until such time as the business is on a more sustainable footing. The forecast operating result for the business is shown in the following table.

Sewer - Estimated Operating Performance

Item	2014/15 (\$'000)	2015/16 (\$'000)	2016/17 (\$'000)
Operating Revenue	15,354	16,267	17,168
Operating Expense	17,050	16,831	16,492
Operating Result before Capital	(1,696)	(564)	676

It is estimated that by 2016/17 the business will have achieved an operating surplus and also the cash surplus will be sufficient to repay the capital portion of the loan repayment. At this point the business will be tracking towards being sustainable.

Due to this extensive infrastructure program undertaken the community now has a sewer treatment network in place that is state of the art and can cope with population growth for at least the next generation.

2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
Review strategic business plans.	2016/17	Amended capital works program and reduction in costs.
Implementation of new Developer Contribution Plans.	2015/16	New development contributing equitably towards growth related infrastructure.
Implementing a pressure and demand management scheme to reduce water loss and improve leak detection.	On-going	Reduced water loss and significant savings in operating expenses for water.
Increasing focus on focus on asset management.	2015/16 and on-going	Improved use of capital and assets to improve service outcomes and reduce costs.
Increases to annual charges above CPI primarily for sewer to offset increased loan repayments.	2017/18	A financially sustainable business for both water and sewer.
Minimise operating expense increases	On-going	More efficient operations.

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

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Council expects to meet all benchmarks going forward. Forecasting ratios, which include numerous variables, has an element of risk however the trends that are emerging from past strategies coupled with some fine tuning should see the benchmarks achieved.

Council has had in place 'Fit for the Future Strategies' for over a decade. It was mentioned earlier in this document that Council will have achieved special variations for nine of the last eleven years. The strategy to grow the rate base together with minimising operating expenses, improved asset management and the use of low interest loans have seen Council gradually improving its financial sustainability.

This means a lot of the heavy lifting has been done and the strategies going forward are in many respects a continuation of what has been happening for quite some time.

The key strategies are:

- Council has approval for rate variations of 5.41% in 2015/16 and 5.34% in 2016/17. The majority of this revenue is committed to meeting new loan repayments. The loans will be taken out to finance renewal of the Ballina and Alstonville pools. Depending on the actual amount of capital expenditure required and loan interest rates there may be opportunities for any surplus funds to be applied to other asset renewal projects.
- The forward forecast is that the special variations for 2015/16 and 2016/17 will increase operating revenue by approximately \$1 million (excluding the standard rate pegging increase) and operating expenses by approximately \$400,000 (excludes capital portion of the loan repayment). Therefore the operating result, asset renewal and own source revenue ratios will all benefit.

- Subject to other revenue opportunities Council will consider applying for special rate variations of 2.9% plus the rate pegging limit (assumed to be 3%) for 2017/18, 2018/19 and 2019/20. The additional revenue derived from these special variations will be fully allocated to asset renewal. Again this process will assist all of the sustainability ratios. This is considered to be a last resort option if additional revenues, savings in expenditures or a combination of both, do not achieve the desired results to be compliant with the Fit for the Future Program.
- Future loans are minimised and in 2018/19 major existing loans associated with waste infrastructure are repaid in full. The finalisation of these loans will result in an improved operating surplus for the waste management program of approximately \$1.5 million. The plan is to then apply part of the surplus funds to asset renewal through a dividend from the water program.
- Council will continue to minimise increases expenses in operating increases with major revenue funded program such as roads and open spaces receiving budget increases by amounts less than CPI.
- Council will continue to pursue non-standard revenue opportunities through an expansion of its commercial property portfolio. This will include the possible construction of commercial buildings for lease along with increasing rentals from existing commercial properties.
- Council will investigate the privatisation of certain functions with the notable example being the long term lease of the Ballina – Byron Gateway Airport.
- Higher than CPI increases for Council fees and charges will be pursued where it is considered the charge remains competitive, and / or affordable.
- Council will continue to improve our focus on asset management and refine items such as depreciation and required maintenance levels.
- Operating procedures and processes will continue to be reviewed to generate efficiencies. One recent example is the intervention point for road reseals which have been amended based on road function type and the expected level of service that the public demands on these higher class roads. Council will be spending lesser amounts more frequently doing spray seals as opposed to asphalt replacement, which will reduce overall expense and increase the useful life. Council is also looking at a technique where a road is mulched, has chemical added, and is then compacted prior to putting a new seal over the top. This technique, if adopted, will dramatically reduce depreciation forecasts and actual road replacement costs.
- Existing service levels will be reviewed to identify opportunities for reductions in service levels where considered acceptable to the community.

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

Council's Long Term Financial Plan (LTFP) is included as an attachment to this submission. The worksheet titled 'Assumptions' lists all the primary assumptions that underpin the plan.

Key assumptions in the LTFP are as follows:

Consumer Price Index	3.00% per annum
Capital Works Indexation (CPI Plus)	4% from 2016/17 onwards
Rate Pegging Limit	5.41% (2015/16), 5.34% (2016/17) and 3% thereafter
Growth Rate for Rates	0.50% per annum
Fit for the Future Additional Percentage	2.90% for 2017/18, 2018/19 and 2019/20
Financial Assistance Grant	0% for 2015/6 and 2016/17 and 3% thereafter
Salary and Oncost Increases	2.80% for 2015/16 and 3% thereafter
Interest on Investments	4.5%
Interest on Loans	6%
Airport Income Growth	3.00% per annum
Population Growth Rate	0.85% per annum
Domestic Waste Annual Charge	2.40% per annum
Waste Gate Fees	2.40% per annum
Wastewater Fixed Charge	7.00% for 2015/16, 2016/17 and 2017/18, 6% for 2018/19 and 2019/20 and 3% thereafter
Wastewater Variable Charge	7.00% for 2015/16, 2016/17 and 2017/18, 6% for 2018/19 and 2019/20 and 3% thereafter
Rous Water % Increase as per their LTFP	5% per annum to 2022/23 and 3% thereafter
Water Access Charge	3% (2015/16), 5% (2016/17 to 2018/19), 7% (2019/20 to 2022/23) and 3% thereafter
Water Consumption Charge	3% (2015/16), 5% (2016/17 to 2018/19), 7% (2019/20 to 2022/23) and 3% thereafter

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Strengthen revenue base	Assess viability of providing long term lease for the Ballina – Byron Gateway Airport	November 2015 Assess merits of leasing and whether to proceed June 2016 Determine whether to lease	Increase current operating revenue by \$1m plus for 2016/17 onwards with additional funds invested in asset renewal	Improve Operating Performance, Own Source Revenue, Debt Service and Asset Renewal Ratios
	Seek opportunities for increased commercial property development and lease	On-going	Increase current revenue base with additional funds invested in as asset renewal	As above
	Review existing fees and charges and level of expense recoupment	On-going	Increase current revenue base with additional funds invested in as asset renewal	As above
	Seek a special variation of 2.9% above rate pegging limit for three years from 2017/18 to 2019/20	December 2017 – Determine whether to commence process June 2017 – Determine outcomes from consultation	Increase operating revenue by approximately \$2 million p.a. by end of third year	As above

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Improve asset management practices	Review and adopt updated Asset Management Plans	June 2016 – Plans adopted	Contemporary information available in respect to depreciation, maintenance and renewal	Asset Renewal and Asset Maintenance Ratios will vary
	Complete condition assessments for infrastructure	Open space – Dec 2015 Water / Sewer / Drainage – on-going Roads (second review) – December 2017	Contemporary information in respect to condition of infrastructure	As above
Refine Service Levels	Undertake regular reviews of current service levels	Annually complete at least two reviews	Determine whether changes in service levels are needed	May result in increases or decreases in operating expenses
Effectively manage operating expenses	Continue to implement increases in operating expenses that are less than CPI	June each year – assess year to date expenditure and forecast expenditure	Transfer savings from operating expense budgets to asset renewals	Aim for improvement in operating result and increased investment in asset renewal.

3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Council currently meets the three benchmarks relating to Infrastructure and Service Management and the forecast is that this situation will continue.

To ensure that these results are maintained our strategies focus on increasing our investment into asset renewal to reduce any backlog, improving our asset maintenance practices to generate maximum efficiencies when undertaking maintenance and to ensure that any new loan debt is only taken up when the repayments are funded from additional revenues.

As Council is already meeting the benchmarks we are not anticipating any major changes in outcomes, however we are aiming to generate increased efficiencies through improved asset maintenance practices.

Explain the key assumptions that underpin your strategies and expected outcomes.

With a low level of asset backlog our focus is on ensuring that we continue to invest monies into asset renewal and maintenance.

This will improve decision making and ultimately make Council more efficient and effective. To this end council is using both contractors and staff to gather condition data on all asset classes. This is occurring progressively with budgets committed to this purpose.

Council has also introduced (2014/15) new asset management software that links to the general ledger. This is a vast improvement from the old spreadsheet based asset register. A module is being trialled in 2015/16 to capture maintenance expenditures direct from the general ledger that link to an elevated tier in the asset register. This module also enables for maintenance to be scheduled and programmed in advance. The system will provide reminders and set priorities between planned and unplanned maintenance.

Council comfortably meets the debt service ratio however the philosophy of Council is that no new loans should be taken out unless they have a new recurrent funding source. Based on this strategy the forecast is looking at a reduction to this ratio over time.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Increase investment in asset renewal to further reduce asset backlog	Determine viability of providing a long term lease for the Ballina – Byron Gateway Airport	30 June 2016 – Determination on airport lease	If lease proceeds additional monies are available for asset renewal	Improvement in asset renewal and operating result ratio
	Determine whether to proceed with additional special rate variations of 2.9% for 2017/18, 2018/19 and 2019/20	30 June 2017 – Determination on special rate variation	If special rate variation proceeds additional monies are available for asset renewal	Improvement in asset renewal and operating result ratio
Improved Asset Maintenance Practices	Implement works orders processing to improve tracking of maintenance expenditures	1 July 2015 – Commence operation of works orders	Improved data on types of maintenance and level of maintenance being undertaken	Nil
	Consolidate infrastructure maintenance budgets	1 July 2015 – commence revised budgetary management practices	Larger pooling of funds to allow maintenance to be undertaken on a needs basis	Nil

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Effectively manage loan debt	Reduce current loan debt and only incur new loan debt when specific funding strategy is identified	30 June 2016 – Take out loan for Ballina pool redevelopment 30 June 2017 – Take out loan for Alstonville pool redevelopment	Finance redevelopment of Ballina and Alstonville swimming pools	Worsening of operating result and debt ratio. Improvement in asset renewal ratio
	Transfer revenues freed up from waste debt repayments to increased asset renewal	30 June 2018 – Debt repaid and revenue able to be transferred to asset renewal	Commence million plus transfer of revenues from waste to asset renewal	Improvement in asset renewal ratio

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

Council's strategies to improve performance in this areas are:

- Focus on the maintenance and renewal of existing assets as a priority over providing new assets or services
- Carefully scrutinise all expenditures to see that they are correctly categorised as operating expenses; i.e. ensure that capital expenditure is correctly allocated to capital works and not operating to avoid distorting the results.
- Look to minimise increases to operating expenses by looking for efficiencies in processes and being vigilant on cutting waste
- Review service levels to ensure that we are not over servicing any areas
- Benchmark our operations against other councils and the private sector
- Continue to look for innovative ways to deliver services
- Provide budget increases less than CPI to ensure that the focus is on generating efficiencies.

Explain the key assumptions that underpin your strategies and expected outcomes.

Council already operates a fairly lean organisation as demonstrated by the Office of Local Government comparative reporting data; i.e.

Item	Ballina Shire	Group 4 councils	NSW Average
Ratio of Population FTE	154	126	127
Average Cost per FTE	\$70,981	\$76,263	\$75,736
Employee Costs as % Operating Expenditure	24.1	37.1	37.1

This limits our ability to further reduce costs therefore our focus is on constant reviews of existing services, improved processes, increased use of technology and continual close monitoring of operating expenses to minimise increases.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Maintain or reduce operating costs per population	Focus on increasing in investment in asset renewal and minimise increases in operating expenses	June - Annual review of operating expenditure growth to population growth	Assess whether target is being met	Gradual improvement in operating result
Benchmark our services	Undertake benchmarking exercises with private and public sector organisations	Annually complete reviews (eg. PWC comparative council report)	Asses our performance against the benchmarks	Dependent on outcomes arising
Steadily transfer available funds from operating expense areas to asset renewal	Steadily transfer available funds from operating expense areas to asset renewal	June – Assess level of investment in operating and capital	More efficient organisation and increased asset investment	Gradual improvement in operating result and asset renewal ratios
Ensure that services meet the community's expectations	Complete detailed analysis of services and measure community satisfaction levels	June – assess number of reviews completed and actions arising	Service levels better reflect the needs of the community	Dependent on outcomes arising.

3.4 Improvement Action Plan

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

Action plan

Actions

Milestones

Determine whether the Ballina – Byron Gateway Airport will be leased on a long term basis

November 2015 – decision point as to whether Council will go to the market
June 2016 – determination as to lease or not

Implementation of works orders system

December 2015 – First review of processes and gathering of data for preventative maintenance programs

Implementation of Authority Asset Management Module

June 2016 – completion of first full year of operations to assess benefits

Condition assessments of bridges, open spaces, water, wastewater and drainage infrastructure

June 2016 – Compilation of data to assist in review of assumptions for asset management, along with condition of assets

Commence consultation process with community in respect to the possibility of Council pursuing further rate increases above the rate pegging limit

June 2016 – Initial feedback from community available.

*** Please attach detailed action plan and supporting financial modelling**

Outline the process that underpinned the development of your Action Plan.

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

For the past decade Council has been pursuing improved financial viability through savings in operating expenses, minimising service level expansions and pursuing additional revenues from special variations in rate income, increased fees and charges and the raising of non-standard revenues through property investment activities.

This has meant that Council has not had to seek external assistance in preparing this Action Plan as both Councillors and staff are fully cognisant of the need to improve our operating result. The community has also been consulted regularly in respect to rate variations and service satisfaction and importance levels

During 2014/15 Council has held a number of formal meetings and informal workshops to fine tune this Action Plan for reporting to the State Government. We have also continued to examine other options such as the proposal to offer a long term lease for the Ballina – Byron Gateway Airport.

At a staff level regular meetings have been held with senior management at our adjoining councils to encourage ideas for resource sharing and to identify priorities and strengths for individual councils. All section managers across the organisation have also reviewed their areas of operations to reduce or minimise operating expenses where possible. Every Council fee and charge has also been separately reviewed to ensure that Council is maximising revenues where possible.

The final conclusion was that, based on the modelling attached to this report, Council could achieve all benchmarks by a continuation of existing strategies together with three years of special variations at approximately 5.9% (inclusive of the cost of living adjustment). The additional revenue sourced from the special variations will be applied to capital improvements for existing infrastructure.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

Council investigated a number of options including:

- a) Merger – there was no support for this option from our immediate neighbours and with Council being of the opinion that we have the lowest infrastructure backlog, and an infrastructure that is in the best condition, as compared to our immediate neighbours, there was not considered to be any benefit in further pursuing the merger option.
- b) Service level reductions – Council examined options to delete or reduce existing services, however as an already low operating cost Council there was only minimal benefits to be gained from this strategy. Savings are being made where possible but they are not of a scale that would deliver compliance with the Fit for the Future benchmarks.
- c) Expenditure reductions – As per option b), with Council's long term financial plan also including lower than CPI increases in a number of major revenue funded areas such as roads and open spaces maintenance and operations.
- d) Loan borrowings – Without additional revenues Council was not in a position to borrow for infrastructure works. Council has a special variation approval in 2015/16 and 2016/17 to allow the redevelopment of the existing swimming pools at Ballina and Alstonville to be funded from loans.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-12.7	-13.7	-8.4	-3.8	-1.4	0.2	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	62.4	73.0	76.2	76.6	78.9	79.5	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	92.8	103.6	115.1	109.4	104.1	105.8	Yes
Infrastructure Backlog Ratio (Greater than 2%)	0.27	0.26	0.26	0.26	0.26	0.25	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	104.8	99.6	102.7	102.0	102.6	103.1	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	9.4%	11.0%	11.0	10.5	9.3	8.2	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.10	1.01	0.96	0.95	0.93	0.92	Yes

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required.

N/A

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

The General Manager will have direct responsibility for implementing the Improvement Action Plan. The Plan will form a key action within Council's Delivery Program and Operational Plan. Council reports quarterly on the implementation of the actions within these documents therefore Council will be receiving reports every quarter on the implementation of the Improvement Action Plan.

To support the General Manager there will be a whole of Council approach with Councillors, the senior management team and the Section Managers all being responsible for oversight and for implementing direct actions relating to their area of responsibility.

There will also be a need to ensure our community is involved in the process and Council will use its quarterly magazine (Community Connect), which is distributed to all residences in the Shire, to keep the community involved, engaged and informed.