

ITEM 8.2	NORTHERN BEACHES COUNCIL MERGER PERFORMANCE REPORT
REPORTING MANAGER	CHIEF EXECUTIVE OFFICER
TRIM FILE REF	2020/404056
ATTACHMENTS	1 ⇒ Awards and Recognition (Included In Attachments Booklet) 2 ⇒ Independent Auditor's Report - Report on General Purpose Financial Statements (Included In Attachments Booklet) 3 ⇒ Improvements Register (Included In Attachments Booklet)

SUMMARY

PURPOSE

This report provides a summary of the Northern Beaches Council performance in addressing the New South Wales government's aims for Council mergers since Council's formation in May 2016.

EXECUTIVE SUMMARY

The proposed end of term for the current Northern Beaches Council was September 2020. The Minister for Local Government announced the extension of the current term of Council to 4 September 2021, due to the COVID 19 pandemic.

The amalgamation of Councils across NSW was a key policy of the Liberal/National government. Northern Beaches Council was established in May 2016 as an outcome of this policy. Given that we are at the end of term for the original proposed Northern Beaches Council, it is important to reflect on the performance of the Northern Beaches Council in the context of the state government's merger platform.

The objective of the NSW Coalition Government of the day was to:

"Create strategic and 'Fit for the Future' councils – Councils that are financially sustainable; efficient; with the capacity to effectively manage infrastructure and deliver services; the scale, resources and 'strategic capacity' to govern effectively and partner with the State; and has the capacity to reduce red tape and bureaucracy for business and of a scale and structure that is broadly in line with the Panel's recommendations". (*Source: Review of criteria for fit for the future IPART - Policy objective of local government reform - September 2014*).

The following paper contains information that addresses the criteria of the government's policy objective of local government reform. The information in this report is largely extracted from reports previously provided to the Councillors and to the Audit Risk & Improvement Committee. It is provided to equip Councillors to represent the performance of the Council to the community that we are all here to serve, and to report to the government on the success of their policy of Council mergers.

In just four years (some 1,460 days) the Northern Beaches Council has successfully amalgamated and established a strong financial base. In pursuit of its Corporate Strategy it is establishing itself as a leader for its community and a leader in the local government sector. Most recently it has demonstrated a high level of agility and responsiveness in supporting our community in the face of flood, storm events, bushfire and a global pandemic.

Northern Beaches Council is today an efficient, connected and leading organisation with significant strategic capacity in working with the state government. Since the merger in May 2016, Northern Beaches Council has delivered and achieved the following:

- Over \$1.3 billion in services to our community through our operational budget.
- Over \$370 million in new and renewal works through the Capital Works program.
- Completed asset planning and management of all asset classes for the next 10 year, with \$4.97 billion in community assets under Council's care and management control as at 30 June 2019.
- Is on track to more than double the State Government's \$76.3 million estimated savings from amalgamation, with a projected \$161.6 million (net present value) over ten years. Hill Rogers Auditors were engaged to independently review Council's modelling and provide an assurance report on the savings and concluded that Council's approach and modelling were reasonable and based on sound measurement principles in establishing our estimated NPV savings over 10 years. In 2019/20 the annual recurrent merger saving being reinvested back into the community, is estimated at \$29.5 million
- A reduction of some \$63 million in loans (to 2019/20) representing a significant financial achievement. At amalgamation the Northern Beaches Council inherited some \$90 million in outstanding loans and a path of debt reduction was initiated.
- An average increase in rates and annual charges of 1.67% per annum. The Reserve Bank of Australia (RBA), inflation for the four year period from March 2016 to March 2020 was 7.8%. The IPART rate-peg increases for the four years since amalgamation have totalled 8.3%. In comparison, the increase in rates and annual charges levied by Northern Beaches Council over this same time period has been 6.68%, or on average 1.67% per annum.
- A manager to employee (span of control measure) ratio better than the industry median. Span of control measures the total number of staff per manager (defined as supervisors and above). The results show that Northern Beaches Council span of control is 3.8 'other' staff per manager. This is better than the NSW and Industry median of 3.3, where they had fewer 'other' staff per manager.
- Generally adopted the highest level of service of the three former Councils across the LGA to ensure that there was no reduction in services or service level for the community.
- Introduced new services such as Place Coordinators (activation of town centres), Public Place Officers (increased maintenance of public areas), Councillor support services, and Community Liaison Officers.
- Completed 70,000 customer requests in the last year and attended 243 community meetings from December 2018 to date.
- Implemented a Business Excellence Strategy to ignite the discussion on continuous improvement within Council, receiving recognition as a leader in the industry for its program of organisational improvement as expressed on a number of occasions by the Chair of the Audit Risk and Improvement Committee (ARIC).
- A well planned and implemented response to the shocks and stresses that have challenged our community through the bushfires, storm events and COVID pandemic. This is primarily due to a number of factors:
 - The size and scale of Northern Beaches Council resulting from the Coalition government's policy of merging Council's to create capacity to deal with these events
 - A high performing organisation that has its governance, systems and workforce in place to deal with these events, while maintaining our service levels to the community
 - A skilled, innovative and engaged workforce
 - Leadership of the Council.

- A highly engaged workforce. Council undertook an Employee Engagement Survey in 2019 which achieved an outstanding response rate of 85% demonstrating an engaged workforce, delivering to our community.

In the 20/21 financial year the Northern Beaches Council will expend over \$370 million in over 60 diverse services involving hundreds of activities delivered in a 24/7 environment to our community through the operational budget. Additionally, the capital works program will deliver \$104.6 million worth of new and renewal works.

At the time of amalgamation Council had no way of predicting that in 2020 it would have established a revenue base capable of absorbing a costly pandemic and delivering \$374 million in capital works projects over a four year period.

In the second half of 2020, the organisation is undertaking a program of strategic service reviews. This report provides a baseline to consider the outcomes of those reviews and inform the current and the future Council to make strategic decisions to support the resilience and capacity of our Council and community. These decisions by the Council will have an impact on the financial position of the organisation.

As a result of amalgamation, and the scale and capacity it has brought Northern Beaches Council, our understanding of the current condition of our infrastructure assets has improved, as has our modelling of required infrastructure investment in the future. Additionally, the community's expectations are increasing, in relation to the standard and quality of infrastructure currently being delivered, and to be delivered in the future. This represents an emerging challenge for our organisation.

The Mayor and Councillors have played an important function in leading the Council and ensuring that the concerns of the community are addressed and that the community is connected to the newly merged Council. The telling of the success of the Northern Beaches Council merger story should be promoted and celebrated.

The Northern Beaches Council today is an exemplar of the benefits identified by the Review Panel for an amalgamated Council. The New South Wales government should be acknowledged and commended for their leadership in progressing the Local Government Reform policy. The beneficiaries of this leadership and the outcomes are the Northern Beaches community with increased services and significant infrastructure upgrades and maintenance, with the capacity to support during the shocks and stresses now and into the future.

RECOMMENDATION OF CHIEF EXECUTIVE OFFICER

That Council:

1. Acknowledge the report.
 2. Write to the Premier of New South Wales Gladys Berejiklian and the Minister for Local Government Shelly Hancock, acknowledging the success of the government's local government reform policy and outlining the benefits to the Northern Beaches Community.
 3. Write to the former Premier Mike Baird and the Minister for Regional Transport and Roads Paul Toole (previous Minister for Local Government), thanking them for their leadership in delivering the local government reform policy and outlining the benefits to the Northern Beaches community.
 4. Write to local members outlining the benefits of the local government reform policy to the Northern Beaches community.
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REPORT

BACKGROUND

In 2013, an Independent Local Government Review Panel made a number of recommendations to reform the local government system in NSW finding that there was an unsustainably high number of councils in NSW, and that many were financially unsustainable.

The objective of the NSW Coalition Government of the day was to:

“Create strategic and ‘Fit for the Future’ Councils – Councils that are financially sustainable; efficient; with the capacity to effectively manage infrastructure and deliver services; the scale, resources and ‘strategic capacity’ to govern effectively and partner with the State; and has the capacity to reduce red tape and bureaucracy for business and of a scale and structure that is broadly in line with the Panel’s recommendations”. (Source: Review of criteria for fit for the future IPART - Policy objective of local government reform - September 2014).

The amalgamation of Councils across New South Wales was a key policy of the coalition government. Northern Beaches Council was established in May 2016 as an outcome of this policy. Given that we are at the end of term for the original proposed Northern Beaches Council, it is important to reflect on the performance of the Northern Beaches Council in the context of the New South Wales government’s merger platform.

The following paper contains information that addresses the government’s policy objective for local government reform. The information in this report is largely extracted from reports previously provided to the Councillors and to the Audit Risk & Improvement Committee. It is provided to equip Councillors to represent the performance of the Council to the community that we are all here to serve, and to report to the government on the success of their policy of Council mergers.

It also provides a baseline for considering the recommendations to be included in the strategic service review report to be presented to Council in December 2020.

AMALGAMATION OUTCOMES

Strategic Capacity

Today Council is recognised as a strong government partner with a strategic outlook, confidently representing and progressing matters of local and regional significance.

The following key examples are demonstrations of an effective Council:

- Secured over \$36.1 million in Stronger Communities Fund grant funding
- Commencement of B-Line bus network and six commuter parking stations providing around 900 car spaces
- Working with NSW Government to deliver the Frenchs Forest Hospital Precinct and Ingleside Land Release
- Allocated \$1.2 million for development of youth spaces and youth activities at PCYC, Dee Why
- \$10.3 million Connecting All Through Play program features a regional network of inclusive accessible playgrounds
- Construction of \$21 million coast walk and art trail from Manly to Palm Beach
- Harmonised fees and charges across Northern Beaches
- Implementation of the new State Government’s Local Planning Panel
- Development and adoption of the Affordable House Policy
- First Northern Beaches Disability Inclusion Action Plan (DIAP) - adopted June 2017
- Management of Alcohol Free Zones and Alcohol Prohibited Areas - more unified approach

across the LGA

- Development and adoption of a Compliance and Enforcement Policy to apply a single approach to enforcement across the Northern Beaches
- Consolidation of Traffic Committees - to provide a holistic approach to traffic concerns
- Move Northern Beaches Transport Strategy adopted in November 2018
- New waste collection service - harmonising waste and recycling collection services and delivering improved safety, environmental and financial benefits through standardised, integrated domestic waste collection services contract commenced 1 July 2019.

Service Provision

Residents and businesses communicate an efficient, convenient and satisfying experience when using council services, information and infrastructure.

- 90% customer satisfaction rating
- Single Northern Beaches Parking Sticker
- Introduction of web streaming and agenda display for council meetings
- Consolidated Pre-Lodgement Service - harmonising and improving service through consolidated booking system, fees, practices, expert input/attendance and consistent written advice whilst maintaining the option of meetings in three locations
- Single form for DAs, Modification and Review Applications - one checklist and combined lodgement requirements
- Implementation of one assessment report tool (ASSESS) - creating consistent reporting, planning conditions, and document templates as well as electronic stamping of consent plans
- Meals on Wheels - expanded service included community lunches
- Hop, Skip and Jump (HSJ) Bus Service - expanded routes to Manly Vale in January 2018
- Additional arts programs - expanding the Makers Markets across the LGA
- Scores on Doors - rolled out across the LGA which provides the community with access to food safety information
- Out of Hours Work Permits - process to assess and grant approval for construction work outside of standard and approved hours
- Harmonisation of fees and charges - single schedule of fees and charges adopted
- Established one contact number for families to call and register for any of the six long day care centres, two pre-schools, five vacation care and 56 family day care centres
- Centralisation of Compliant Child Care Management Systems (CCMS) - using a single CCMS system for managing child care fees and waiting list
- Spatial Information - combined Council Planning Certifications into one system, single point, consistent approach and customer experience
- New integrated website delivered streamlining 125+ service lines into an intuitive and user friendly model for the community to use online
- Integration of Community Engagement System and Website (Your Say)
- Launch of a new quarterly newsletter Beaches Biz News - the newsletter is distributed to over 2,500 local businesses
- Customer Service Centres - aligned operating hours with ability to do all Council business at any of our four customer centres

- Single Call Centre - providing continuity in responses and information to customers
- New Customer Online Portal - established a new customer online portal (OneCRM) which has seen an increase of customers contacting us online
- Expanded Call Centre Hours - for residents of former Warringah and Manly. These residents have an additional 5.5 hours per week direct phone contact with Council staff
- Expansion of Library Borrowing Program customers can borrow and return items from any of the six branch libraries as well as the Avalon Community Library
- Single library card - providing access to the whole service and collection
- New Library Management System - all services and collections accessible from one system online or in branch, saving \$200k over five years
- Consolidation of library programs providing more events at no extra cost
- Creation of a public place team - the team proactively fix minor issues and 'make safe' any larger issues until staff can attend and complete repairs
- Development of a Northern Beaches walking plan
- Park and Recreation Bookings: event bookings are now in one system and fees harmonised.

Community Relationships

Investment in the community has been demonstrated in the following ways:

- Awarded \$1 million in grants to the community
- Community Liaison Coordinator role initiated to assist advocacy for local community groups
- Engaged 2,000 diverse community members to develop the first Community Strategic Plan for Northern Beaches Council
- Established six strategic reference groups
- Community satisfaction survey of residents on the Northern Beaches shows they feel that they have a 'good' to 'excellent' quality of life and feel proud and connected to the area
- Developed a unique brand reflecting the Northern Beaches lifestyle
- Adopted a Community Engagement policy and matrix
- Club Grants - supported the formation of one Club Grants committee
- Establishment of a Suicide Prevention Working Group - with Police and key service providers, to identify strategies and actions to reduce suicide
- Development and adoption of a Compliance and Enforcement Policy to apply a single approach to enforcement across the Northern Beaches
- Development of an Asbestos Management Policy and Guidelines for the Northern Beaches community, staff and workers within the local government area
- Integration of Community Engagement System and Website (Your Say)
- New Community Engagement Framework and Policy - developed, engaged and adopted (Feb 2017)
- First Events Strategy 2018-2023 developed and adopted
- New Place Making Framework developed and implemented
- Launch of a new quarterly newsletter Beaches Biz News: the newsletter is distributed to over 2,500 local businesses.

Sound Organisational Health

Our culture directly contributes to the Council's success and to the delivery of positive customer centred behaviours, Council has:

- Established a corporate vision and values with more than 500 staff participating in its creation
- Finalised a Workforce Management Plan to develop our people
- Implemented a 10 year Long Term Financial Plan
- Initiated a Leadership Development program for Executive Leadership Team
- Consolidated staff accommodation to build teams and create efficiencies
- Delivered performance conversation training for all people leaders
- Achieved White Ribbon accreditation to strengthen a culture of respect and gender equality at all levels of the organisation
- Developed of one set of consistent, current and compliant HR policies across Council including HR Delegations (most recently revised in 2020)
- Developed and implemented a three year people plan to drive a culture of high performance and engagement, enabling leaders to deliver and building a capable fit for purpose workforce
- Deployed new WHS IT Systems.

Performance

The Council delivers on the needs of the community. Demonstrated examples include:

- Injected the NSW Government's New Council Implementation Fund into core integration projects allowing for continuity of performance and improved service
- Transition from Administrator to 15 elected Councillors
- Repaid significant outstanding debt (\$63 million)
- Developed external facing Organisational Performance Metrics which are reported six monthly to Council
- Facilitation of productivity savings in line with Council's Long Term Financial Plan
- Enterprise Risk and Opportunity Management Framework – comprehensive framework implemented with a strategic approach incorporating the three lines of defence risk model to mitigate organisational risk
- Redesign of the Internal Audit (IA) function and implementation of an IA Plan: new IA co-sourced function developed to replace three former IA models, IA and ARIC Charters revised and adopted
- Asset Management Strategy - a single Asset Management Strategy aligned to the CSP and IP&R framework
- Substantially delivered on the NSW government's savings over 10 years (see Merger savings below for further detail).

FINANCIALLY SUSTAINABLE

Council has, and continues to produce, sound financial results. It demonstrates strong financial stewardship with sound year-end operating results and ratios, sound asset management, significant debt reduction, stable inflationary management and the continued projection of long term sound financial results, even after absorbing the current financial impacts of the COVID- 19 pandemic.

The general premise of adopting the highest level of service of the three former Councils across the local government area to ensure that there was no reduction in services or service level for the community, has the potential to have a long term impact on the financial position of Council, should additional actions not be undertaken.

Council's financial operations and results are reviewed by the Audit Risk & Improvement Committee. They are also subject to intense annual scrutiny by the Auditor General of NSW during the audit of Council's annual financial statements. The 2019 Auditor General of NSW Auditor's Report is found at Attachment 2. Furthermore, the Northern Beaches Council has never had a qualified set of financial statements, further demonstration that all financial matters of Council are undertaken diligently, accurately and completed to the highest standard.

Extracts from Council's last audited financial statements and other financial information are outlined below.

Operating Results

Council's audited Statement of Performance Measures (year end 2019) demonstrates our sound financial position exceeding all required NSW Office of Local Government benchmarks.

NOTE 23 Statement of performance measures - consolidated results				
	Amounts 2019 \$'000	2019 Indicators	2018 Indicators	Benchmark
\$ '000				
1. Operating Performance				
Total continuing operating revenue ¹ excluding capital grants and contributions less operating expenses ²	9,835	2.89%	7.97%	>0
Total continuing operating revenue ¹ excluding capital grants and contributions	340,810			
2. Own Source Operating Revenue				
Total continuing operating revenue ¹ excluding all grants and contributions	325,154	90.64%	82.58%	>60%
Total continuing operating revenue ¹ inclusive of capital grants and contributions	358,744			
3. Unrestricted Current Ratio				
Current assets less all external restrictions	142,914	2.65x	3.09x	>1.5x
Current liabilities less specific purpose liabilities	53,948			
4. Debt Service Cover Ratio				
Operating Results ¹ before capital excluding interest and depreciation/impairment/amortisation	52,741	6.40x	4.62x	>2x
Principal repayments (from the statement of cash flows) plus borrowing interest costs (from the income statement)	8,241			
5. Rates and Annual Charges Outstanding Percentage				
Rates and Annual Charges Outstanding	8,071	3.67%	3.85%	<5%
Rates and Annual Charges Collectable	220,136			
6. Cash Expense Cover Ratio				
Current period's cash and cash equivalents + term deposits	194,969	7.53 months	8.59 months	>3 months
Payments from cash flow of operating and financing activities	25,909			

Long Term Financial Planning

Long term financial planning ensures Council can maintain a sound fiscal base even in the event of financial shocks such as those associated with the COVID-19 pandemic.

There are many factors to consider and manage to ensure our ongoing financial position is sound including statutory obligations, future service and infrastructure delivery, loans, commercial activities, workforce obligations, grant income and allocations and productivity returns etc.

Council is forecasting long term operating surpluses (noting short term operating deficits in 2020/21 and 2021/22 due to the impacts of COVID-19 and associated Council community financial support initiatives).

The Performance Measurement Indicators Table (2019 to 2024) below forecasts financial results based on the following categories:

- Budget performance
- Operational liquidity
- Liability and debt management
- Asset management.

As demonstrated within the Table, besides the short term issues associated with the impacts of Covid-19 and Council's community financial support initiatives, Council continues to produce sound financial ratios across the board.

Performance Measurement Indicators 2019 – 2024

	OLG Benchmark	Result	Original Budget	Forecast	Budget	Projected	Projected	Projected
		2019	2020	2020	2021	2022	2023	2024
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Budget Performance								
Operating Performance Ratio <i>measures the extent to which a council has succeeded in containing operating expenditure within operating revenue</i>	>0%	2.89%	1.03%	-2.24%	-1.31%	2.97%	3.66%	3.80%
		✓	✓	✗	✗	✓	✓	✓
Own Source Operating Revenue Ratio <i>measures fiscal flexibility. It is the degree of reliance on external funding sources</i>	>= 60%	90.64%	86.82%	88.42%	86.18%	92.81%	93.47%	93.51%
		✓	✓	✓	✓	✓	✓	✓
Operational Liquidity								
Unrestricted Current Ratio <i>represents a council's ability to meet short-term obligations as they fall due.</i>	>= 1.5x	2.65x	1.61x	1.89x	1.79x	1.76x	1.82x	2.04x
		✓	✓	✓	✓	✓	✓	✓
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage <i>expressed as a percentage of total rates and charges available for collection in the financial year</i>	< 5%	3.7%	3.7%	4.6%	3.6%	3.6%	3.6%	3.6%
		✓	✓	✓	✓	✓	✓	✓
Cash Expense Cover Ratio <i>liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow</i>	>= 3mths	7.53mths	4.69mths	5.11mths	3.86mths	3.42mths	3.40mths	3.82mths
		✓	✓	✓	✓	✓	✓	✓
Liability and Debt Management								
Debt Service Cover Ratio <i>measures the availability of operating cash to service loan repayments.</i>	2.00x	6.40x	4.24x	4.24x	5.02x	7.32x	8.14x	10.83x
		✓	✓	✓	✓	✓	✓	✓
Asset Management								
Building and Infrastructure Renewals Ratio <i>assesses the rate at which these assets are being renewed against the rate at which they are depreciating</i>	>= 100%	139.09%	142.60%	142.60%	108.71%	109.94%	117.05%	114.92%
		✓	✓	✓	✓	✓	✓	✓
Infrastructure Backlog Ratio <i>ratio shows what proportion the infrastructure backlog is against the total net carrying amount of a council's infrastructure</i>	<= 2%	1.32%	1.27%	1.27%	1.24%	1.23%	1.22%	1.21%
		✓	✓	✓	✓	✓	✓	✓
Asset Maintenance Ratio <i>ratio compares actual versus required annual asset maintenance. A ratio of above 100% indicates that the council is investing enough funds that year to halt the infrastructure backlog from growing.</i>	>= 100%	115.45%	115.45%	115.45%	116.37%	119.08%	121.47%	123.39%
		✓	✓	✓	✓	✓	✓	✓
Cost to bring assets to agreed service level <i>ratio shows what proportion the infrastructure backlog is against the total gross replacement cost of a council's infrastructure</i>	<= 2%	1.10%	1.07%	1.07%	1.04%	1.03%	1.02%	1.01%
		✓	✓	✓	✓	✓	✓	✓

Merger Savings

Council is on track to more than double the State Government's \$76.3 Million estimated savings from amalgamation, with a projected \$161.6 million (net present value) over ten years. The non-discounted amount would equate to \$258.6 million in estimated savings over 10 years.

In 2019/20 the annual recurrent benefit is estimated at \$29.5 million. These recurrent benefits have been derived from savings in the following areas.



As Council's primary focus is the continued delivery of service and infrastructure to the Community the above identified savings have been re-invested back into the community. \$9 million of direct service and infrastructure benefits have been initiated as follows:



In addition to the direct service and infrastructure benefits that have been delivered from the 2019/20 \$29.5 million estimated recurrent savings, the following re-investments have been made:

- \$2.94 million reduction in domestic waste charge delivering one of the lowest domestic waste charges in NSW – a saving of \$255 p.a. for former Manly residents and \$193 p.a. for former Pittwater residents since amalgamation.
- \$2.77 million offsetting higher waste disposal costs and reinvesting in advance waste technology to reduce waste going to landfill.
- \$1.84 million in the harmonisation of pre-amalgamated salary systems to ensure equitable rates of pay aligned to the market for employees
- \$1.49 million investment in enhancing Council's service delivery through an appropriate organisational structure that recognises the size and scale of the workforce, and service complexity and infrastructure delivery requirements of our organisation of over 1,800 employees delivering over 200 functions to a resident base of some 270,000 people.
- \$9.99 million service uplift for the community enabled by reallocation of staff resources in the areas of:
 - Regional transport planning

- Economic development and tourism
- Local traffic planning
- Place making
- Village and town centre management
- Customer call centre operations and expanded hours
- Asset and open space planning.
- \$1.46 million reinvestment in services associated with restorations, road services, localised bus service, social support, event management and CCTV and public WI-FI.

In early 2019, Hill Rogers Auditors were engaged to independently review Council's modelling and provide an assurance report on the savings. They concluded that Council's approach and modelling were reasonable and based on sound measurement principles in establishing our estimated NPV savings over 10 years.



Productivity Returns

Council continues to seek ongoing productivity savings (referred to by some Councillors as efficiency dividends). The 2019/20 budget process initiated in excess of \$2.75 million in productivity savings through the removal of vacant positions.

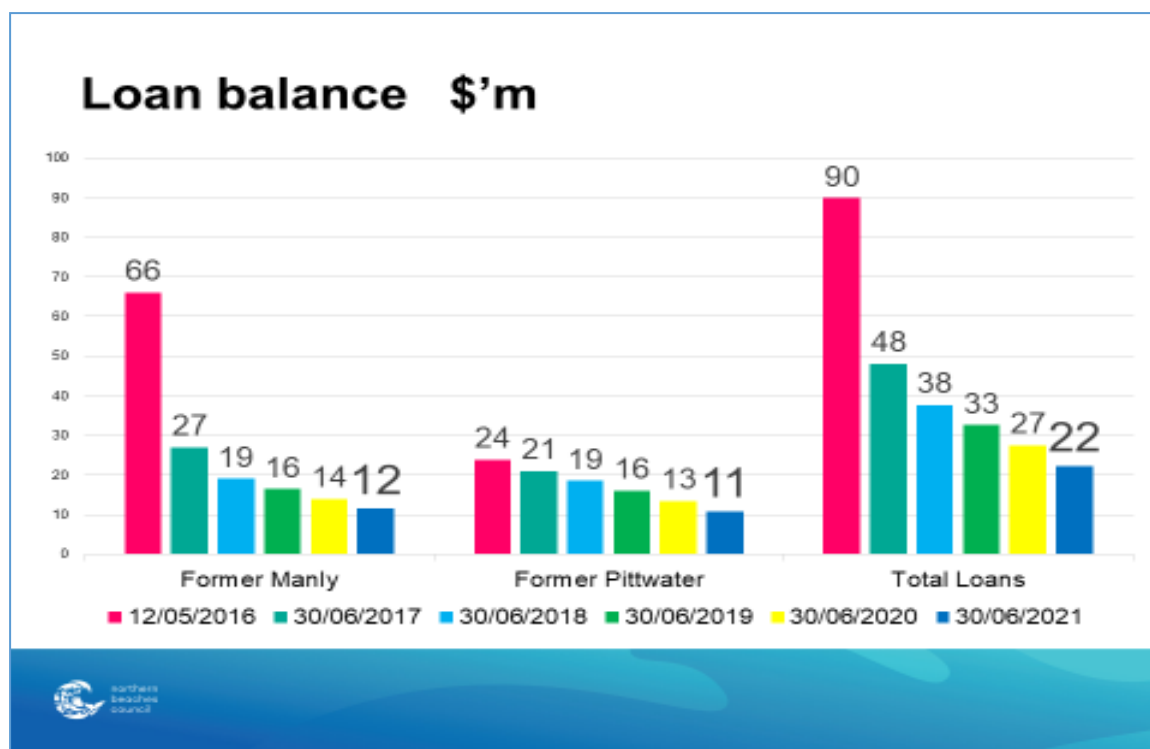
Further to this, within its 2020/21 budget Council will achieve another \$2.75 million in productivity initiatives. These savings are reinvested in priority services and infrastructure determined through Council's ongoing budget reviews and Councillor and community requests.

In 2020/21, these savings are achieved from the following areas of Council:

- Street lighting initiatives – via the replacement of streetlights with energy efficient LED globe
- Reduced agency costs
- Reduced bank fees
- Reduced insurance costs
- Reduced fuel costs
- Savings in employee costs due to system efficiencies
- Fee initiatives with regard to children's services.

Debt Management

At amalgamation the Northern Beaches Council inherited some \$90 million in outstanding loans and a path of debt reduction was initiated. A reduction of some \$63 million in loans (to 2019/20) represents a significant financial achievement.



Source: Councillor Briefing 10th March – Draft Operational Plan

Stable Inflationary Management

Council is focused on balancing short-term expenses with longer term fiscal management. This is a continual challenge.

Annual rates are one of the largest direct Council costs to our community. The annual rates notice includes a domestic waste charge for residents and a stormwater charge for former Pittwater and Manly local government areas. Since amalgamation there have been substantial reductions in the domestic waste charge for residents of the former Manly and Pittwater Councils while the stormwater management charge has not increased. The result of the reductions in the waste charge means residents of the former Manly and Pittwater Councils that pay the minimum rate now pay less to Council than they did before the merger.

According to The Reserve Bank of Australia (RBA), inflation for the four year period from March 2016 to March 2020 was 7.8%. The IPART rate-peg increases for the four years since amalgamation have totaled 8.3%. In comparison, the increase in rates and annual charges levied by Northern Beaches Council over this same time period has been 6.68%, or on average 1.67% per annum. This increase in rates and annual charges levied also covers development that has occurred since amalgamation, for example the Meriton development in Dee Why Town Centre. The increase in real terms is actually less than 6.68%.

ORGANISATIONAL EFFICIENCY

A strategic decision of the newly merged Northern Beaches Council to ensure that there was no reduction in services for the community, was that generally the highest level of service of the three former Councils would be adopted. In addition to this 'best' of service level philosophy, new services were adopted, such as Place Coordinators (activation of town centres), Public Place Officers (increased maintenance of public areas), Councillor support services, and Community Liaison officers, among others highlighted above.

Council's service review that is currently being undertaken, will provide the Council with the opportunity to determine the services and level of services that are to be provided to the community.

The Northern Beaches Council is a part of the Australasian Local Government Performance Excellence Benchmarking Program with over 115 participating Councils; facilitated by PricewaterhouseCoopers. The process of industry benchmarking highlight whether Council's functions are consistent or more efficient when compared to other Local Government Authorities.

In the 2018/19 program, the latest set of results, 56 NSW councils (44%), 15 NZ councils, 23 SA councils, and 21 WA councils participated. Council is also benchmarking against a subset of councils that are prepared to share their individual results. Presently Northern Beaches participates in a Sydney Metropolitan group with Burwood, Campbelltown, Georges River, Hornsby, Lane Cove and Willoughby Councils.

Council's Audit Risk and Improvement Committee (ARIC) considered the results in March 2020, and commended Council on the benchmark results.

Over 100 metrics across six categories are benchmarked in the Report. The data below is limited to measures that respond to Council's staffing levels and management structure, in outlining organisational efficiency:

- FTE per 1,000 residents
- Remuneration as % of Operating Expenses
- Span of Control (No. of other staff per manager)
- Corporate services staff per 100 employees (customer service, finance, human resources and information and technology)

The key below will assist in understanding the data that follows:

- NBC – Northern Beaches Council performance
- Metro – Median score of Sydney metropolitan councils - Burwood, Campbelltown, Georges River, Hornsby, Lane Cove, Northern Beaches and Willoughby Councils
- NSW – Median score of NSW 56 participating councils
- Industry – Median score of 115 participating councils
- N/A – data unavailable in the report.

Full Time Equivalent (FTE) per 1,000 Residents

FTE is dependent on the services a council provides to the community and method of delivery (contract v in house). Council's staffing levels at 4.4 FTE per 1,000 residents is significantly lower than the NSW Median of 9.0. Additionally, we are consistent with surveyed NSW Metropolitan Councils.

Median Score	NBC 2019	Metro	NSW	Industr y
FTE per 1,000 residents	4.4	4.4	9.0	N/A

Remuneration as % of Operating Expenses

Northern Beaches Council employee costs as a % of operational expenses is consistent with metropolitan councils and only slightly higher than the NSW median score.

Median Score	NBC 2019	Metro	NSW	Industr y
Remuneration as % of Operating Expenses	40%	40%	37%	N/A

Corporate Service Staff per 100 Employees

The corporate service function provides support and expertise to the entire organisation. It is responsible for establishing safe and sustainable practices so that core activities can be delivered consistently and efficiently across the Council. Corporate services include customer service, finance, human resources and information technology. Council's corporate service staffing levels at 13.0 FTE per 100 staff is slightly lower than the NSW score of 13.5. Additionally, we are consistent with surveyed NSW Metropolitan Councils.

Breakdown	NBC 2019	Metro	NSW	Industr y
Corporate Service Staff per 100 Employees	13.0	13.0	13.5	14.7

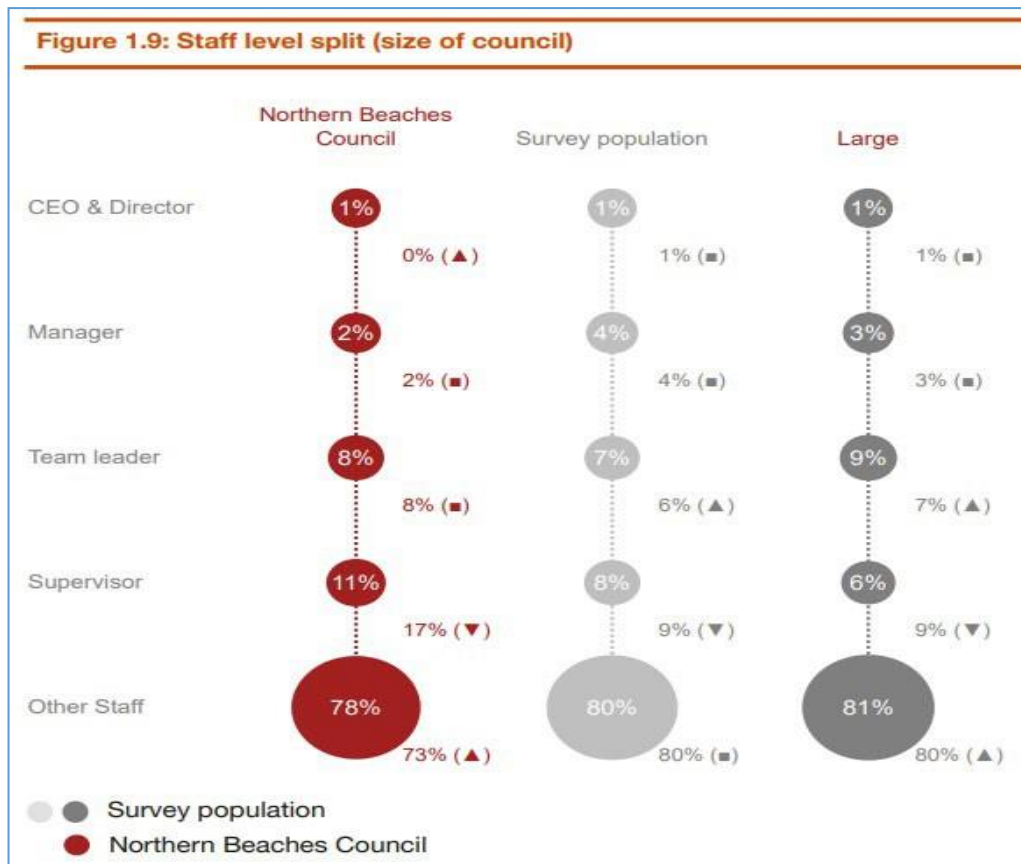
Span of Control

Span of control measures the total number of staff per manager (defined as supervisors and above). The results show that Northern Beaches Council span of control is 3.8 'other' staff per manager. This is better than the NSW and Industry median where they had less 'other' staff per manager. Of the 24 large councils in the program (population 100,000+), Northern Beaches Council was the median score. Additionally, we are slightly better than surveyed NSW Metropolitan Councils.

Median Score	NBC 2019	Metro	NSW	Industr y
Span of Control (No. of other staff per manager)	3.8	3.3	3.3	3.5

Figure 1.9 is an extract from the Report and shows management to staff ratio at different levels compared to the survey population, as well as the 24 large councils. Our staffing levels at the Chief Executive Officer and Director, Manager (executive manager) and Team Leader (manager) levels are consistent with or lower than that of other large councils in the survey. However, we have more supervisors (team leaders and below) and slightly fewer other staff. It should be noted that team leaders in the main undertake on ground work.

Additionally, our higher numbers of supervisors reflect the size of the LGA and the need to operate from multiple sites to serve our community. It also reflects the maturity of the organisation (established in 2016) and the need to provide greater expertise and experience in field at the supervisory level to undertake on ground work in addition to support and develop staff.



Generally the delivery of the 'best' of service level philosophy and the additional new services, to ensure our community was not adversely affected by the creation of Northern Beaches Council has been achieved with;

- Rates and annual charges levied by Northern Beaches Council lower than the inflation rate and the IPART local government rate-peg increase
- An annual recurrent merger saving estimated at \$29.5 million (2019/20)
- Paying down the loan balance from \$90 million to \$22 million by 30 June 2021.
- Span of management control better than the metro and NSW benchmarked Councils
- Remuneration as a % of operating expenses consistent with benchmarked metro Councils
- Full Time Equivalent Staff per 1000 Residents consistent with benchmarked metro Councils.

Council continues to strive for continuous improvement to increase our efficiency to deliver more effective services and improve our community assets. While, there is always the opportunity for efficiency improvements, it is clear that Council is a high performing and efficient organisation.

MANAGING INFRASTRUCTURE

Council's Infrastructure Asset Performance Indicators (year end 2019) demonstrate our commitment to the continued sound management of the community's assets, again exceeding all required NSW Office of Local Government benchmarks in 2019.

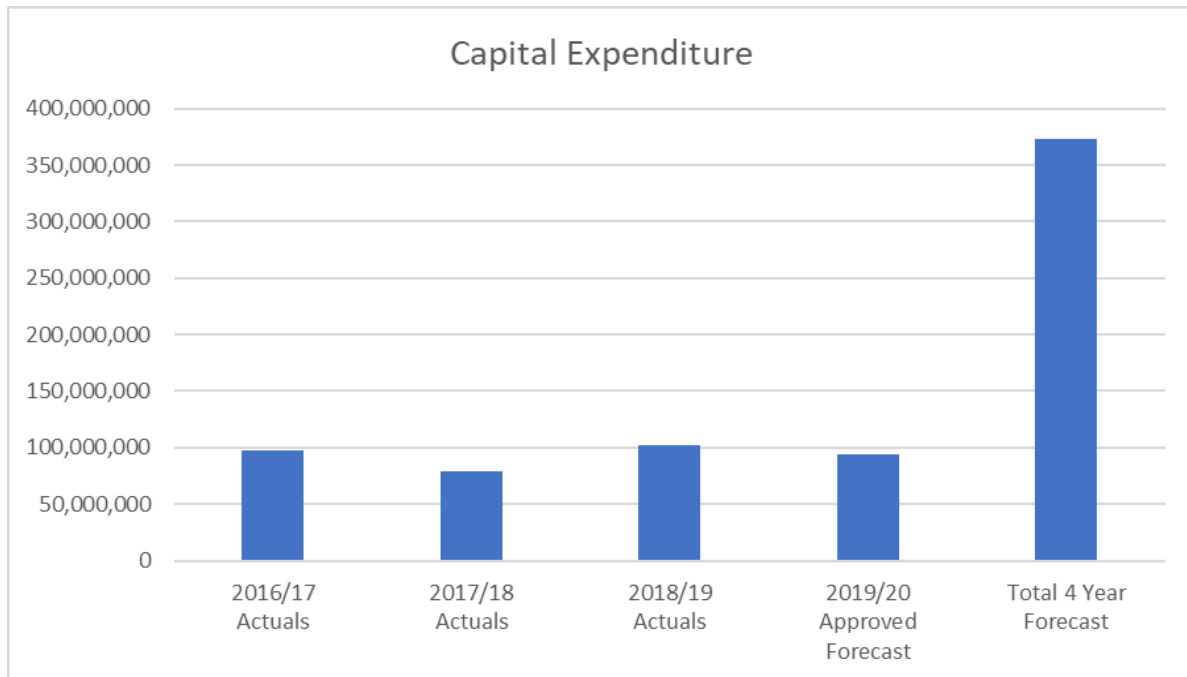
Northern Beaches Council				
Special Schedules				
for the year ended 30 June 2019				
Report on infrastructure assets				
Infrastructure asset performance indicators – consolidated				
	2019 \$'000	Current Year indicators	2018	Benchmark
1. Building and infrastructure renewals ratio				
Asset renewals (renewals only for Infrastructure Assets)	41,685	139.09%	99.79%	>100%
Depreciation, amortisation and impairment	29,969			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	31,074	1.32%	0.51%	<2%
Net carrying amount of infrastructure assets	2,359,454			
3. Asset maintenance ratio				
Actual asset maintenance	38,890	115.45%	116.98%	>100%
Required asset maintenance	33,685			
4. Cost to bring assets to agreed service level				
Estimated cost to bring to an agreed level of service set by Council	31,074	1.10%	0.44%	
Gross replacement cost	2,829,769			

COMMUNITY CAPITAL INVESTMENT

Council has \$4.97 billion in current assets under management. Council continues to invest in its community through the delivery of significant annual capital works programs.

Since amalgamation Council has invested over \$372 million in capital expenditure.

Post Amalgamation - 4 Year Estimated Capital Expenditure to June 2020



In addition, Council continues to project and deliver large scale capital works programs on behalf of its community to ensure infrastructure needs are met.

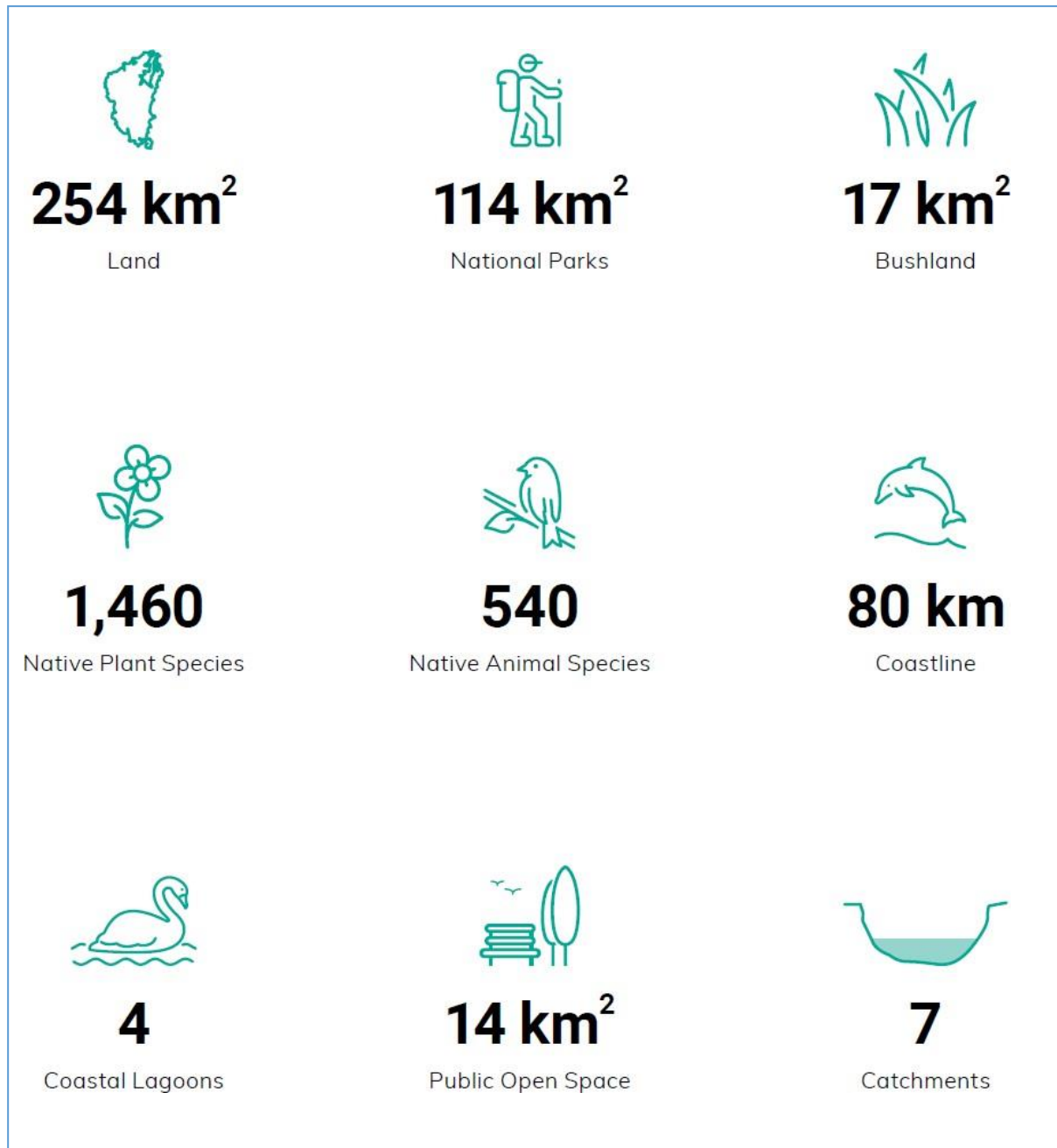
In excess of \$104 million is again budgeted to be expended in Council's 2020/21 capital works program, including:

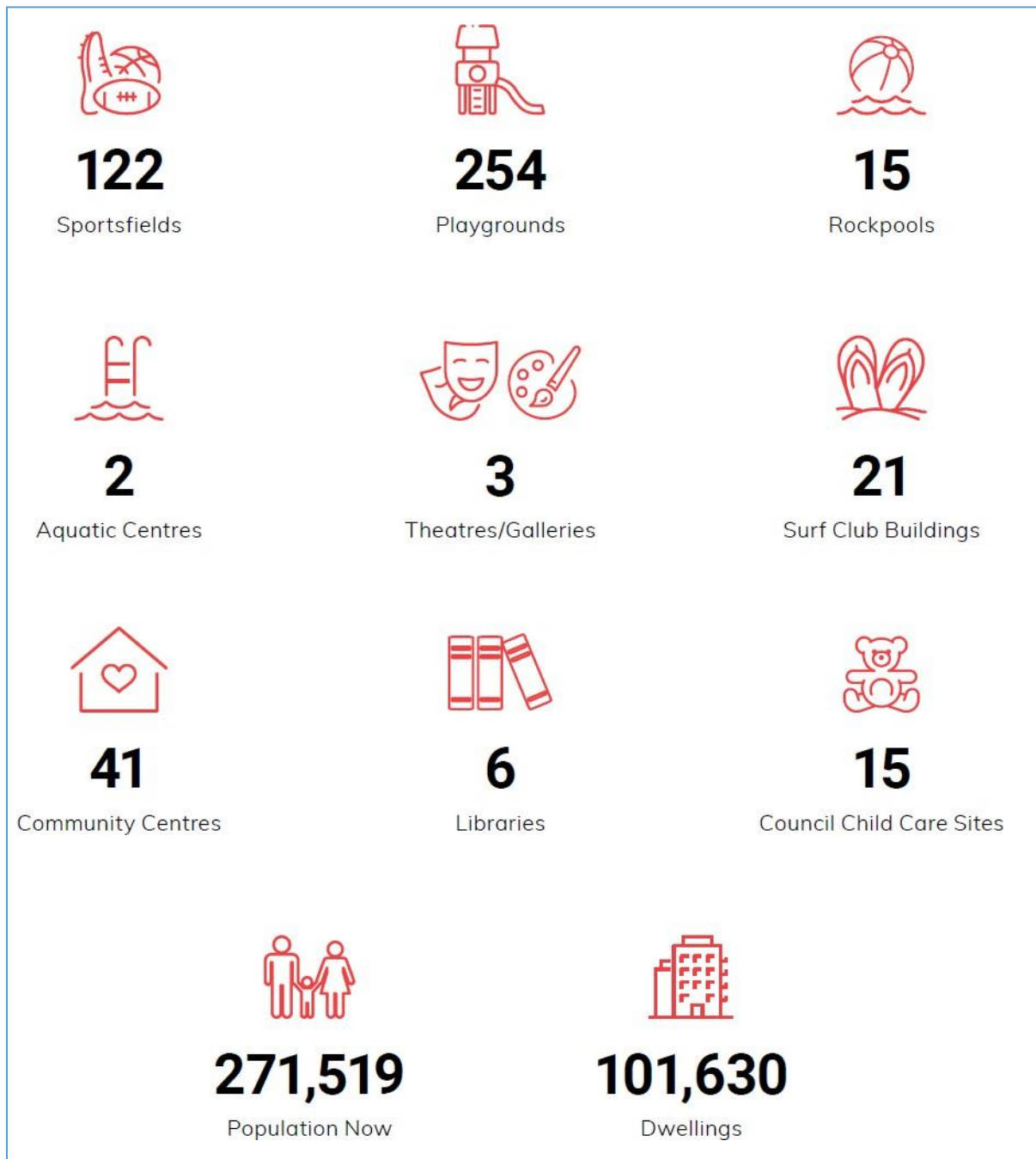
- \$10.5 million to resurface 18.6km roads, renew 8km footpaths and build 4.7km of new ones
- \$11.2 million to upgrade Mona Vale and Long Reef Surf Lifesaving Clubs
- \$6.4 million for stormwater works to reduce flooding and pollution
- \$5.2 million for Coast Walk paths and cycle ways from Newport to Palm Beach
- \$4.9 million for Narrabeen pedestrian and cycle bridge
- \$3 million to construct Dee Why Town Centre parks in St David's Avenue and Triangle Park
- \$2.9 million for Warriewood Valley open space, sports, traffic, transport and community centre works
- \$2.9 million for coastal protection at Collaroy-Narrabeen
- \$2.0 million to improve Bells and Carols wharves at Scotland Island.

SERVICE DELIVERY

Our purpose is “*delivering the highest quality service, valued and trusted by our community*”.

In the provision of our high quality service delivery to 271,519 residents, the icons below demonstrate the demands on our organisation.





COMMUNITY CONNECTEDNESS

The customer is at the centre of all our activities and being connected to our community is vital for the success and acceptance of the community of Northern Beaches Council. Concerns regarding the perceived loss of a local voice and connectedness was one of the main reasons that people opposed the government's policy of Council mergers.

The Mayor and Councillors have played an important function in ensuring that the concerns of the community are addressed and that they are connected to the newly merged Council. It is acknowledged that it is challenging for Councillors as they balance the local political environment and their collective proactive stewardship of the setting up of the newly formed Northern Beaches Council for the future generations.

The focus on the building of effective relationships with local Chambers of Commerce and the establishment of Council Place Co-ordinators that work with our local business to activate the Town Centres has realised tangible outcomes for local business.

The establishment of a Community Liaison Coordinator role has provided a conduit for our community groups, associations and external stakeholders to have a local voice and be connected to the Council. Since December 2018 there has been 243 community meetings.

The Community Liaison Coordinator liaises between the Chief Executive Officer, external stakeholders and community members. This position ensures consistent and high performance service delivery across Council in direct response to community feedback. This approach receives positive community feedback.

A significant community connection for our residents are our beaches. Council has worked on building strong working relationships with all our Surf Life Saving Clubs, Northern Beaches Surf Life Saving and Surf Life Saving NSW.

The Public Places Team, another recently introduced service, drives a pro-active focus on the monitoring, investigation, reporting, condition assessment and recommendation of immediate action required for Council assets in public places. It is also another point of contact on the ground with Council. This team coordinate and collaborate with internal stakeholders to ensure public places are maintained in optimal condition for the community. This function also receives positive community feedback.

Over the last 12 months Council has received close to 70,000 customer requests and has responded to these requests; 92% within the designated 10 day response time (benchmark 90% response within 10 working days).

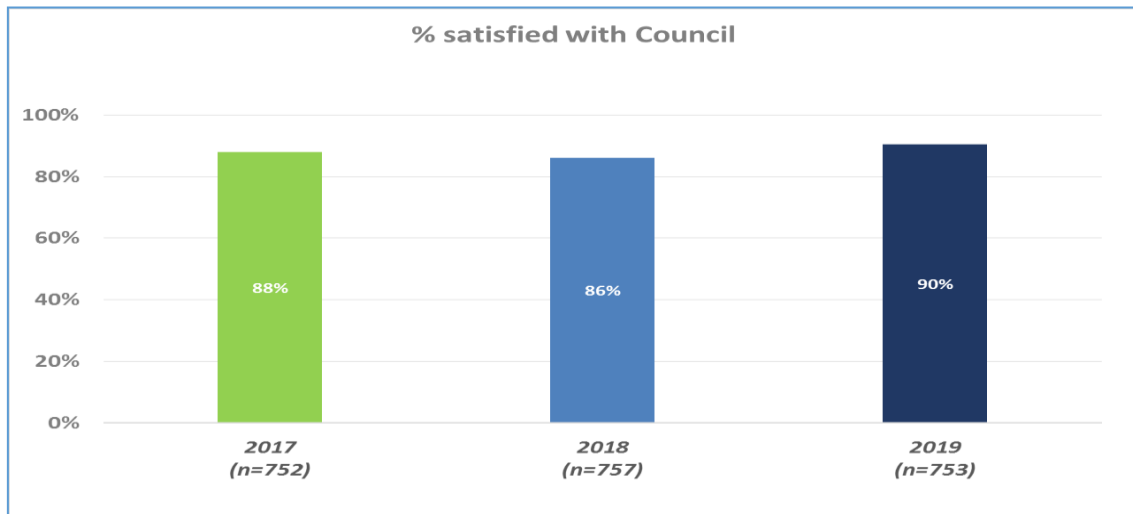
Anecdotally, the feedback from the community of Council's COVID response and support for the community and other stakeholders is positive. Council continued to deliver its services within the confines of the Health Orders and communicated early and often with community members and local businesses.

Community Satisfaction Survey Results

Many of our individual services conduct customer feedback surveys to support continuous improvement. Our overall effectiveness in the area of customer service is supported by Council's most recent community satisfaction survey.

In April 2019, Northern Beaches Council commissioned Jetty Research to conduct a statistically valid telephone survey of 750+ adult residents living within the local government area (to assess satisfaction with, and priorities towards different Council-managed facilities and services, and council customer service).

The 'top three box' score for overall satisfaction has shown slow but steady growth over the past three years, with 90 percent of the community surveyed currently satisfied with Council.



In addition to the above Customer Satisfaction Survey results, the Northern Beaches Council has also been recognised for its outstanding provision of customer service with the following awards:

- National Local Government Customer Service Network
Innovation in Customer Service Award – Online Customer Relationship Management (CRM) customer portal for customer enquiries and requests – winner
- National Local Government Customer Service Network Customer Service Strategy Award - Winner
Customer Experience Excellence Award - Highly Commended
- Customer Service Team of the Year Award – Finalist.

A full list of Council's recognition and awards for its achievements in its delivery of service and infrastructure to its community and customers can be found at Attachment 1.

GOVERNANCE, RISK AND IMPROVEMENT

Governance and Risk

Council has significant controls in place to ensure Council's operations are transparent and efficient. Council's controls are industry leading with internal and external checks and balances in place.

The Audit Risk and Improvement Committee (ARIC) which reports directly to the Council, comprises seven members, four independent external members (one of whom is the Committee Chair) and three councillors. All members bring to the table expert knowledge of Council's operations, strategic direction and community knowledge.

Council also has an:

- Enterprise risk management framework consistent with the international risk standard AS ISO31000:2018
- Internal audit function mandated by an internal audit charter, internal audit personnel whose reporting lines reflect the International Professional Practices Framework (IPPF) mandatory requirements, an internal audit program conducted in line with the IPPF, routine monitoring and reporting to the ARIC and Council, and an internal audit quality assurance and improvement program.
- Legislative Compliance Register (Reliansys) - at the ARIC meeting of June 2020, the Director of Financial Audit Services, Audit Office of NSW, advised that few councils have Legislative Compliance software. This (Council's) system exceeds the requirements of the Audit Office of NSW in terms of meeting legislative compliance.

Council's financial operations and results are reviewed by ARIC. They are also subject to intense annual scrutiny by the Auditor General of NSW during the audit of Council's annual financial statements. The 2019 Auditor General of NSW statement is found at Attachment 2. Furthermore, the Northern Beaches Council has never had a qualified set of financial statements further demonstration that all financial matters of Council are undertaken diligently, accurately and completed to the highest standard.

Improvement

Council is a leader in the industry for its program of organisational improvement as expressed on a number of occasions by the Chair of the Audit Risk and Improvement Committee (ARIC).

In September 2019, a Business Excellence Strategy was put in place to ignite the discussion on continuous improvement within Council.

The intent of the Strategy:

"Our Business Excellence Strategy 2023 (the Strategy) aims to shape an environment and culture within our organisation that embraces and supports business excellence, continuous improvement and innovation. The four-year Strategy outlines why Business Excellence is important, what we are aiming to accomplish and how we plan to work together to achieve this for Northern Beaches Council.

Through this Strategy, Council will encourage innovative ideas, provide the nurturing environment for continuous improvement and support the sharing of successful solutions that will positively impact our organisation and community alike.

Together let's focus on improvement in everything we do.

(Internal Source: Business Excellence Strategy 2023 – September 2019)

Organisational improvement is underpinned by the Australian Business Excellence Framework (ABEF) which is an internationally recognised framework for innovation, improvement and sustainable

performance. The Framework has a strong reputation of delivering success, it speaks to the values of our organisation and categorises the organisation into seven perspectives, whilst nine principles guide ongoing improvement and performance. It is a tool that provides clear direction and measurement of success and enables benchmarking of results that can be compared across the Local Government sector and other industries.

In the absence of the NSW State Government mandating a process for improvement under the terms of the ARIC structure, the Northern Beaches Council has taken the initiative in its improvement journey.

To date, over 150 improvement initiatives, small and large have been initiated. Further information can be found at Attachment 3.

ORGANISATIONAL WORKFORCE AND STRUCTURE

The achievement of all of the above performance outcomes would not be possible without a committed, innovative and engaged workforce. Council is one of the largest employers on the Northern Beaches. It has in excess of 80% of its workforce living and working in our Local Government Area. The 2019 engagement survey facilitated by an external party communicated a 76% engagement score representing a significant level of job satisfaction and commitment for an organisation that was only three years of age. Our employees demonstrate discretionary effort to achieve our performance outcomes because they are well organised, led and managed. At the date of this report Council's workforce consisted of 1,863 people including casual employees. These people deliver over 60 different services from multiple sites and field locations. It is a complex and busy organisation.

Employee Engagement Survey (2019)

The survey achieved an outstanding response rate of 85% excluding casuals.

A snapshot of staff responses to the questions that make up this organisational engagement score include:

- 76% said work gives them a feeling of accomplishment
- 88% like the kind of work that they do
- 74% are proud to tell people they work for Council
- 74% feel they have an opportunity to make a difference here
- 75% would recommend Council as a good place to work
- 78% would like to still be working at Council in the next two years
- 67% of respondents can see a future for themselves at Council.

RESPONSIVENESS TO COMMUNITY NEEDS

Council staff have responded to an increasing number of emergency incidents from flooding in late 2019 to wind and storm events, bushfire and COVID-19 in 2020. Council's Incident Management Team (IMT) is able to quickly assemble and respond to community needs.

Recent examples of community care and responsiveness include.

November 2019 Localised Thunderstorm & Blackout

- Swift action from on the ground teams to help stretched emergency services
- Continuity of service i.e. Belrose Childcare Centre (which lost power)
- Council facilities open longer hours (i.e. Libraries) to allow the community to charge phones, use the internet or have a tea or coffee
- Warringah Aquatic Centre open for those in need of a hot shower.
- Residents were able to take up to 300kg of green waste to Kimbriki each day with proof of address and extra green waste kerbside collections by request.

February 2020 Storm & Flooding

- Evacuation of over 900 properties extensive road closures due to flooding within the Narrabeen Lagoon catchment.
- Management of significant tree falls resulting in widespread power outages and road closures
- Responsiveness to landslides including evacuation of properties in Bayview and North Narrabeen.
- Monitoring substantial coastal erosion (no inundation reported)
- Establishment of two Evacuation Centres opened, one on standby
- Activation of an Emergency Operations Centre
- Emergency support to manage the land slip issues
- Engaging and supporting agencies to manage evacuation centres.

Bushfire Support 2019/20

- Key role in coordination of all communication and operations
- Erection of fences for large animal relocations
- Coordination of road closures, liaising with emergency services
- Preparation of evacuation centres.

COVID-19 Support

Council acted to address the adverse impacts of COVID-19 on our community, ensuring continuation of critical services and the health and safety of customers, employees and the Northern Beaches community. Council was responsive to the ever changing situation as Council, State and Federal Governments announced protective actions.

Council focused on maintaining social connection, safety, essential services and supporting vulnerable community members.

Community Care Package

- Essential social services continued such as Meals on Wheels, childcare and vacation care
- Adolescent and family counselling continued online and by phone
- A 'check on your neighbour' campaign supported connections

- Community, cultural and charity groups were supported with actions planning and staying connected
- Supported distribution of 100 boxes of fresh fruit and vegetables every weekday to vulnerable residents
- Expanded the Home Library Service
- Established a Library2U service
- Loan periods were increased, reduced 'hold' fees on items, an increased cap on accumulated fines before borrowing ceases
- Council helped to fill the gaps for charity and not-for-profit groups focused on services for the vulnerable, as well as youth and family, seniors, disabled, new migrants, and those experiencing employment or financial issues.

Free Childcare for Families Package

In partnership with the State and Federal Government, our childcare centres and preschools provided free services for up to six months from 6 April 2020.

Rates, fees and charges package

Under s356 of the Local Government Act, \$4.3 million in financial assistance offered to all ratepayers through a subsidy of the equivalent of 50% of the 2020/21 increase in rates and domestic waste charges. Ratepayers were also provided with an additional month to pay their first rates instalment. Other fees remain at 2019/20 pricing for the first three months of the financial year. Deferred increases in fees until 1 October 2020 provides additional savings of \$0.7 million.

Business Support Plan

\$0.8 million support provided to business via temporary waiving of the fees:

- Outdoor Dining fees, up to 31 December 2020
- Footpath Merchandising fees, up to 30 September 2020
- Fire Safety annual fees, up to 30 September 2020
- Environmental Health Inspection (annual fees and first inspection fees), up to 31 August 2020
- Enforcement actions focused on imminent risks to public or environmental safety, allowing more flexible operations to local businesses:
- Local Business Support webpage and Beaches Biz News
- Helping businesses build digital and social media capacity
- Rates and Charges Hardship Policy for eligible small business ratepayers.

Council Tenant Support Package

Targeted support of up to \$1.1 million for Council tenants experiencing financial hardship as a result of the Government mandated closures including:

- Annual rentals or fees waived, discounted or deferred for up to six months (backdated to commence at 1 April)
- Extension of leases/licenses by six months, where agreements due to expire within 18 months.

Council's scale and capacity and sound financial management practice has allowed it to absorb the financial shock associated with COVID-19.

To respond the way the Council has to the shocks and stresses that have challenged our community through the bushfires, storm events and COVID pandemic, is impressive and due to a number of factors;

- The size and scale of Northern Beaches Council, due to the Coalition government's policy of merging Council's to create capacity to deal with these events,
- A high performing organisation that has its governance, systems and workforce in place to deal with these events, while maintaining our service levels to the community,
- A skilled, innovative and engaged workforce
- Leadership of the Council.

CONSULTATION

No consultation was undertaken in preparing this report.

TIMING

The timing references information and achievements from the time of amalgamation in May 2016 to July 2020.

LINK TO STRATEGY

This report demonstrates the capacity of the organisation to deliver the Community Strategic Plan Outcomes.

FINANCIAL CONSIDERATIONS

A financially sustainable organisation that delivers quality services to our community, manages infrastructure and has the capacity to cater for shocks and stresses in the future. Council is on track to more than double the State Government's \$76.3 Million estimated savings from amalgamation, with a projected \$161.6 million (net present value) over ten years.

SOCIAL CONSIDERATIONS

An organisation that has the capacity to efficiently deliver social services and community support as outlined in this report. As a newly formed entity, Northern Beaches Council has built connectedness with the community.

ENVIRONMENTAL CONSIDERATIONS

An organisation with a highly skilled workforce and financially sustainable to address the environmental challenges and opportunities moving forward.

GOVERNANCE AND RISK CONSIDERATIONS

Ongoing commitment and efficient delivery of governance and risk services has been outlined in this report.