

# Resourcing OUR FUTURE



## COST SAVINGS, EFFICIENCIES AND REVENUE INITIATIVES

INFORMATION SHEET 3

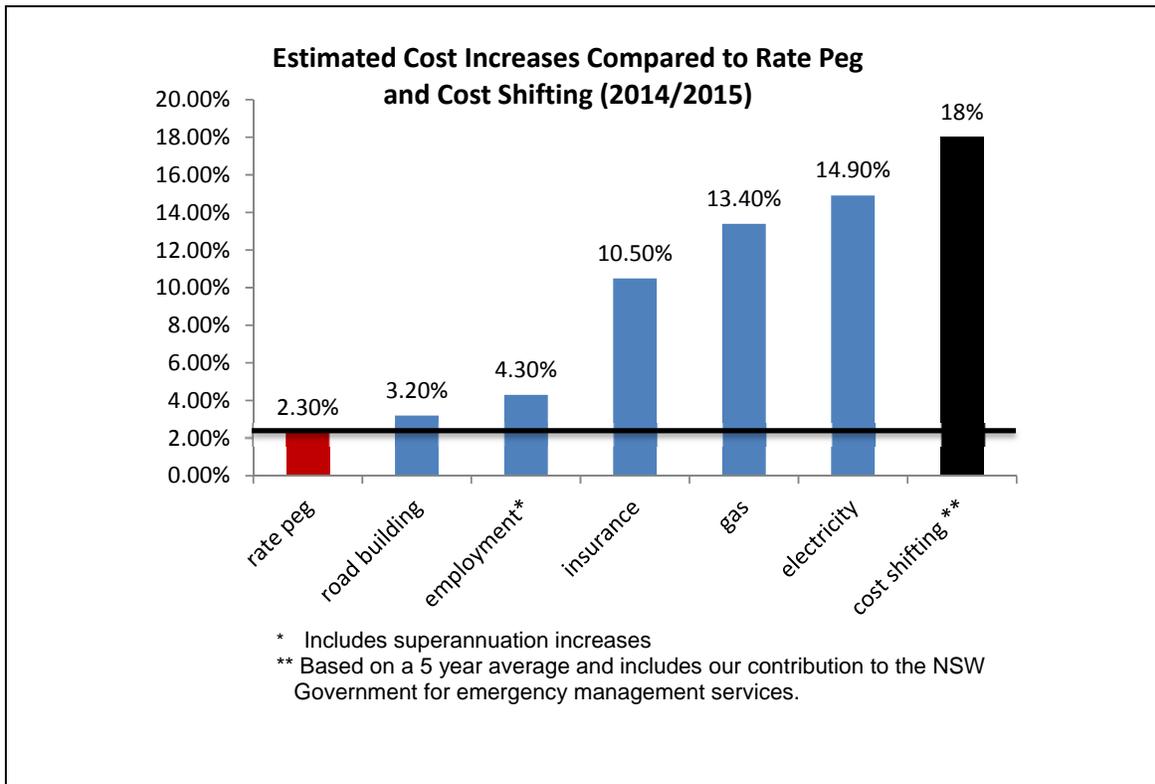
JULY 2014



## The need to contain costs

Given that costs are rising faster than income, the Council is taking action to balance its budget each year through a continued commitment to cost containment, business efficiency and continuous improvement.

While we are only allowed to increase our rates revenue by the set rate peg amount each year (2.3% in 2014/2015), our costs rise at a much greater rate. The graph below shows the projected cost increases against the allowed 2.3% rate peg increase.



Thirty-seven (37) years of NSW State Government imposed rate pegging has limited the extent to which NSW councils can annually increase their rates, despite actual cost increases. This has had a detrimental impact on our current financial position. We are currently in a position where a significant portion of our assets and facilities are ageing and in need of significant renewal or upgrade.

While costs have been rising faster than the rate peg for this entire period (nearly four decades), we have only been able to renew our assets at 1% of their value per year and maintain them at 2% per year – when they should be renewed at a rate of 3% of their total value per year and maintained at 4% of their value each year.

Every year the Federal and NSW Governments pass on additional service responsibilities to all NSW councils. Known as 'cost shifting' this is done without the provision of corresponding income, so these extra expenses have to be absorbed each year in order to balance the budget. In 2011-12, the impact of this on Blue Mountains City Council was \$6.9 million in additional expenditure requirements. Examples of such cost shifting are:

- Payment of an annual Waste Levy to the NSW Government – \$960,277
- Payment of emergency services contributions to the NSW Government for the NSW Fire Brigade, RFS and SES – \$1,693,000
- Costs of processing development applications under the *Environmental Planning and Assessment Act (NSW) 1979* – \$1,213,980

## **How the Council is containing costs and achieving savings**

Given that costs are rising in real terms by 2% more than income, the Council has had to find savings in the order of \$1 million to \$1.5 million each year to balance its budget. This in itself has necessitated the achievement of significant cost savings and efficiencies.

In June 2013, the Council adopted a Best Value Service Provision Framework. This framework aims to ensure that within available resources the Council provides the best possible range of "value for money" services that meet the needs of the most number of residents and visitors to the City. It mandates the planning and review of all Council services to ensure resources are being effectively and efficiently targeted and that service delivery is of a high quality, responsive to the requirements of the community.

A rolling program of service reviews is being implemented and enforces budget containment strategies each year to enable the cash budget to be balanced (i.e. expenditure equals available income).

## **Council's current service provision**

With a total expenditure budget of \$123M in 2014-2015, Blue Mountains City Council delivers a wide range of services and facilities to a population of 78,000 residents and to millions of visitors who come to experience one of Australia's top tourist destinations. The Council provides its services in response to assessed community needs and the *Local Government Act 1993* and other relevant legislation.

Over 2013-2017, it is estimated that the Council will deliver \$490 million worth of services and facilities across 27 towns and villages and continue to manage \$1 Billion worth of built assets and over 10,000 hectares of natural area assets. The majority of Council services are provided "in-house" using internal staff resources due to:

- Efficiency and economy of scale benefits
- Regulatory requirements
- Level of control required over quality service provision
- Higher costs and limited availability of external providers.

By providing the majority of its services in-house, the Council has become a major source of local employment delivering significant social and economic benefits to the City. Through its *Workforce Participation Strategy*, the Council aims to be a recognized leader in workforce participation in four core areas including:

1. Aboriginal Employment
2. Women in the Workforce
3. People with a Disability
4. Economically Disadvantaged

A phased approach has been adopted to ensure effective delivery of the overall strategy. To date, the Aboriginal Employment component has been developed and is currently being implemented. The Council also provides local employment opportunities for young people through its trainee and apprenticeship programs. In addition, the Council's Leisure Centres employ junior attendants who are all under the age of 18.

The Council employs a range of service delivery approaches where appropriate to achieve the most cost effective and best value service provision. This includes:

- Strategic partnerships to achieve savings (e.g. in joint procurement of insurance through participation with other councils in Westpool)
- Provision of other agency services at profit (e.g. the Council's Katoomba headquarters front counter "one-stop-shop" with Roads and Maritime Service (RMS) – this has enabled the RMS service to remain in the upper mountains avoiding residents having to travel further distances for such services and also retaining local employment opportunities)
- Limited use of consultants and contractors for specialised projects requiring skills and expertise not available within the organisation and for risk mitigation
- Participation in joint ventures and public/ private partnerships (e.g. Blue Mountains Cultural Centre development)
- Outsourcing where appropriate (e.g. Blackheath Vacation Care was outsourced to Blackheath Area Neighbourhood Centre)
- Peer review from other councils (e.g. of development applications)
- Establishment of incorporated independent entities where appropriate (e.g. Blue Mountains Economic Entity).

While the provision of most services is subsidised, the Council also operates a number of income generating commercial activities including: tourism Parks at Katoomba and Blackheath, Visitor Information Centres at Katoomba and Glenbrook, a commercial property portfolio, and a contract for provision of the Roads and Maritime Service through the Council's front counter.

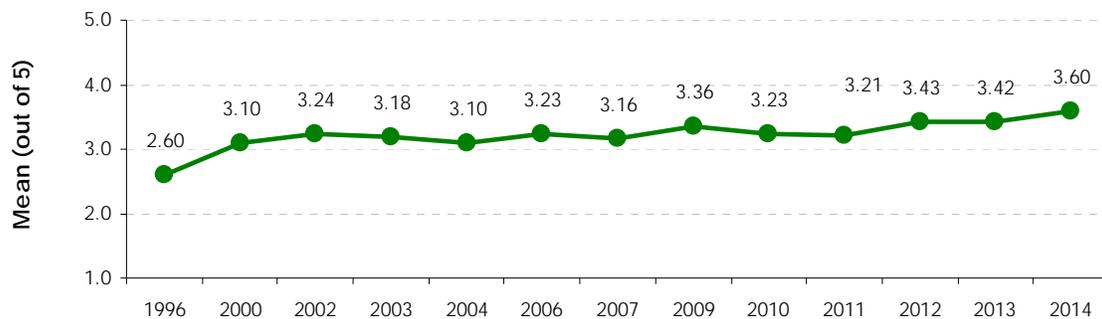
### *Community Survey Results*

Community satisfaction with the Council's service delivery, as measured by the annual Community Survey of resident satisfaction with Council performance, has consistently improved over the last 15 years with the highest scores to date achieved in 2014 for a number of key measures including overall performance of the Council and perception of value for money from rates paid.

A mean satisfaction score of 3.6 was achieved for Council's overall performance, the highest satisfaction score to date since IRIS began tracking this measure 14 years ago. Only 6% of residents were dissatisfied in 2014 compared to 11% in 2013 and 14% in 2012.

**The main reasons cited for dissatisfaction with Council's overall performance was 'Lack of facilities, services and infrastructure'.**

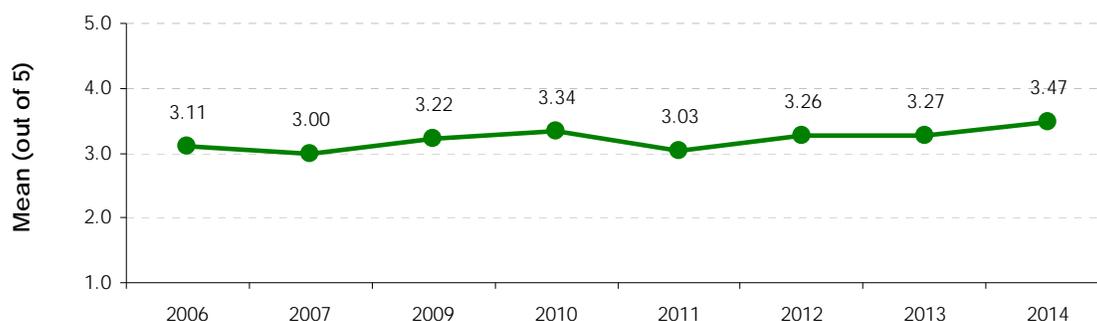
**Overall Satisfaction with Council Performance – Mean Scores (n=505)**



Source: 2014 Community Survey

2014 was the eighth year that residents were asked about their perceptions of the overall value they receive for their rate dollar. In 2014 a mean value for rates score of 3.47 was achieved – the highest score to date on this measure.

### Value for Rates – Mean Scores (n=505)



Source: 2014 Community Survey

## Services delivered

The services delivered by the Council, and the built assets supporting this service provision, are shown in the tables below.

### SERVICES PROVIDED BY COUNCIL

KEY DIRECTION	SERVICES PROVIDED BY THE COUNCIL
LOOKING AFTER ENVIRONMENT	<ul style="list-style-type: none"> <li>• Natural Environment</li> <li>• Waste Resource Management</li> <li>• Water Resource Management</li> </ul>
USING LAND	<ul style="list-style-type: none"> <li>• Burials and Ashes Placement</li> <li>• Building Certification</li> <li>• Land Use Management</li> <li>• Town Centres</li> </ul>
MOVING AROUND	<ul style="list-style-type: none"> <li>• Transport and Public Access</li> </ul>
LOOKING AFTER PEOPLE	<ul style="list-style-type: none"> <li>• Aquatic and Leisure Centres, Sports and Recreation</li> <li>• Blue Mountains Cultural Centre, Libraries and Information</li> <li>• Community and Cultural Development</li> <li>• Emergency Management</li> <li>• Environmental Health and Regulatory Compliance</li> <li>• Family Day Care</li> </ul>
SUSTAINABLE ECONOMY	<ul style="list-style-type: none"> <li>• Visitor Information Centres</li> <li>• Economic Development and Tourism</li> <li>• Commercial Activities:                             <ul style="list-style-type: none"> <li>○ Caravan Parks</li> </ul> </li> </ul>

KEY DIRECTION	SERVICES PROVIDED BY THE COUNCIL
	<ul style="list-style-type: none"> <li>○ Commercial Property Portfolio</li> <li>○ Effluent Collection</li> <li>○ Roads and Maritime Service</li> </ul>
CIVIC LEADERSHIP	<ul style="list-style-type: none"> <li>● Financial Management</li> <li>● Asset Planning</li> <li>● City-wide Strategic Planning</li> <li>● Corporate Strategic Planning</li> <li>● Governance and Risk</li> <li>● Information Solutions</li> <li>● People and Safety</li> <li>● Other operational support services including Central Warehousing and Purchasing and Fleet</li> </ul>

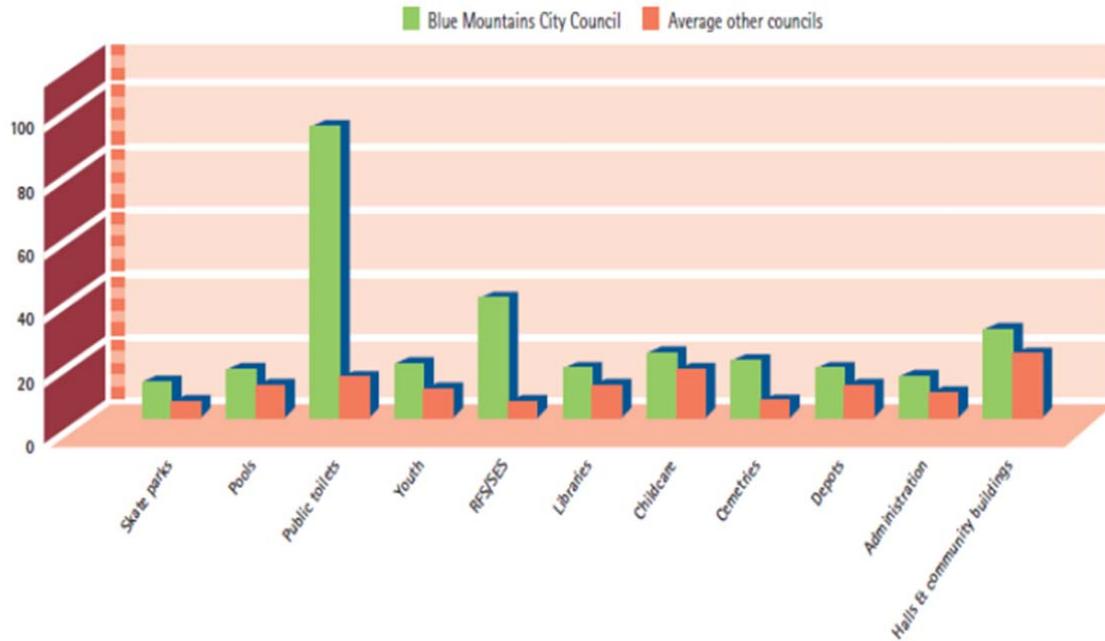
To support the provision of these services, the Council manages a large portfolio of built and natural assets as shown below.

**BUILT AND NATURAL ASSETS SUPPORTING COUNCIL’S SERVICE DELIVERY INCLUDE:**

- 665km of sealed roads
- 70kms unsealed roads
- 175km footpaths
- 34 bridges
- 523km kerb & gutter
- 7,935 drainage pits
- 126 bus shelters
- 189 litter bins
- 88 public toilets
- 27 towns and villages
- 105 parks
- 66 playing courts
- 5 swim centres
- 5 skate parks
- 35 playing fields in 22 sportsgrounds
- 120km of walking tracks
- 10,000 hectares of bushland
- 9 cemeteries
- 2 waste and resource management facilities
- 1 city-wide Cultural Centre
- 15 halls
- 5 community centres
- 6 libraries
- 153km stormwater pipes
- 26 RFS & SES buildings
- 450 heavy and light fleet
- 570 small plant
- 300 bushfire asset protection zones

Compared to many local government areas, the City of Blue Mountains has a significant degree of service facility duplication and higher levels of service provision per capita as a result of its dispersed settlement pattern, mountainous bushfire prone terrain and responsibilities in managing the impact of development on the surrounding World Heritage Listed environment. This results in higher service provision costs and further drives requirements for achieving efficient ‘value for money’ service delivery. The diagram below highlights that the Council currently provides more assets than other council areas with similar populations.

## COMPARISON OF THE NUMBER OF BLUE MOUNTAINS ASSETS WITH OTHER COUNCIL AREAS OF SIMILAR POPULATIONS



### Cost saving initiatives

In addressing the challenges of costs rising faster than revenue, we have continued to work hard to implement a range of strategies to reduce and contain costs, improve productivity and efficiencies and raise further revenue. It is estimated that over the past eight years we have saved more than **\$13 million** from direct action taken to reduce our operating costs and provide value for money services.

Examples of cost savings include:

**\$4 million** in savings from reduced consultancy and labour costs - with more than \$600,000 of these savings being expected to continue on a recurrent annual basis; that is the direct action taken to reduce costs has an ongoing financial benefit. Examples of savings achieved in this area include:

- ❖ A reduction in per annum consultancy costs overall from \$1.7 million in 2009/2010 to \$904,822 in 2013/2014 – a reduction of \$801,612. The Council's 2014/2015 budget further forecasts a reduction to \$621,177 per annum – being a reduction of over \$1 million on a per annum basis since 2009/2010. Examples of reduction in consultancy costs include:
  - Reduced consultancy costs as a result of using reciprocal arrangements with other local government service providers for required independent peer reviews of development

applications;

- Reduced consultancy costs from only conducting the Community Survey (measuring community perception of Council performance) once every two years instead of annually from 2014;
  - Reduced use of external recruitment consultants for senior management positions and increased internal recruitment management; and
  - Change from use of consultants to undertake energy use reporting to in-house reporting and monitoring of energy use.
- ❖ Reduction in maintenance staff and increased use of day labour for projects requiring seasonal resourcing or to assist with work peaks and troughs.
  - ❖ Reduction of staff implementing effluent collection program due to reduction in number of properties requiring pump out – staff and resources were reduced over the past eight years as the number of properties connected to sewer increased.
  - ❖ Reduction in mechanical maintenance staff over a five year period to meet changed service intervals of modern equipment.
  - ❖ Introduction of revised staffing rosters in Visitor Information Centres.

**\$2.6 million** in savings since 2010 due to a change in the Council's workers compensation model.

**\$2.4 million** in savings over a 7 year period through a change from crates to mobile bins for kerbside recycling.

**\$1.5 million in cost savings** through the reduction of equipment owned by City Services such as Bagela asphalt recycler, Beaver float trailer, crew caravan, backhoes, grader, bogie tippers and trailers and water carts due to a change in work methods and technology as well as changes to the way we maintain our assets.

**\$640,000 in cost savings** through changing from six to four cylinders in light fleet vehicles, resulting in lowered costs.

**\$532,000 in cost savings** through reduced energy costs associated with use of solar pool heating, pool blankets and water saving devices.

**\$420,000 in cost savings** through improved pothole patching machinery, enabling reduction in number of crew required to operate while maximising production and reducing unit rate.

**\$400,000 in cost savings** as a result of implementing the Lower Mountains sealing program, which reduced maintenance costs and provided the community with an improved asset. The Council will also benefit from long term ongoing efficiencies in road maintenance of approximately \$200,000 recurrent per annum. The program has been very successful and has been extended to the Upper Mountains.

**\$320,000 in cost savings** through use of RTA-highway and Council recycled materials in lieu of purchasing quarry materials for unsealed road maintenance.

**\$178,400** in **cost** savings from more efficient child-minding service delivery and overall operations at Katoomba Sports and Aquatic Centre.

**\$100,000 savings achieved** through an agreement between the Council and the SES where fleet and mobile phone costs formerly borne by the Council will now be paid by SES.

***It is estimated that over the past eight years, we have saved at least \$13 million through continuous business improvement initiatives.***

## Revenue initiatives

The Council has implemented a range of strategies aimed at increasing revenue to supplement our rates and other revenue. Over the past five years, the Council has obtained over \$87 million in grants (including the Federal Government Financial Assistance Grant, pensioner rebates, and specific purpose grants). Other initiatives that have increased revenue include:

- **\$1.7 million net profit over past five years** from our two Tourism Parks.
- **\$60,000 per annum ongoing** from our investment in a heated pool enclosure at Glenbrook Swim Centre enabling year round swimming and swim classes.
- **\$130,000 one off revenue** from targeted improvement in the recovery of court awarded costs.
- **\$125,000 per annum ongoing** from upgrade of parking meters to take credit card payments, with the additional revenue used for improvements in the surrounding tourist precinct.
- **\$18,000 per annum** ongoing from a contract to provide RMS services as part of the Council's Katoomba headquarters "one stop shop" service delivery to residents.

## Property disposal and investment program (PDIP)

In 2005, the Council established this fund to accumulate income from land and property sales for re-investment and capital purposes. Fifty per cent (50%) of the annual return on investment generated from property sales is reinvested into the fund, with the balance used to fund asset renewal and maintenance. As at 30 June 2013, the fund contained \$3 million.

## An efficient Council: case studies

### Case study 1: *Sealing of unsealed roads*

It was identified that savings could be obtained through the sealing of sections of unsealed roads that were absorbing high levels of resources as a result of costly regrading requirements. The aim of this cost saving initiative was to reduce maintenance costs on unsealed roads by completing a permanent seal. The outcome from implementing the sealing of targeted unsealed roads has been estimated savings of **\$400,000** with recurrent annual savings of **\$200,000**. The reduction of unsealed roads has allowed resources (staff and materials) previously used on constant grading of unsealed roads, to be reallocated to other priority maintenance activities. In addition, this initiative has improved service delivery to the community through sealing of unsealed roads, many of which had been eroded by weather.



### Case study 2: *Blue Mountains Tourist Parks*

The Council owns and operates two caravan parks: Katoomba Falls Caravan Park and Blackheath Caravan Park, which represent substantial assets and occupy significant and valuable parcels of reserved Crown land and Council land.

The two parks provide 140 accommodation sites with 105 of these being used as drive-on tourist sites and/or cabins and park vans and 35 sites for camping.



A comprehensive service review of these facilities was implemented. This resulted in the development of a Business Plan/ business case for further investing in the parks to achieve much-needed improvements and increased returns from investment. This has proved very successful with the \$2.3 million investment in rebranding and renovating the parks resulting in bookings at new record levels and a cumulative net return over the past five years of **\$1.7 million**.

### Case study 3: *Energy savings at Springwood Aquatic Centre*

A range of energy saving initiatives have been implemented at Springwood Aquatic Centre including a Bauer air conditioning system, improved sealing of the facility and an entry airlock was created. This has resulted in a 40% energy cost saving over five months. There has also been reduced electricity consumption and CO<sub>2</sub> emissions. Projected annual savings from these initiatives is **\$20,000**.



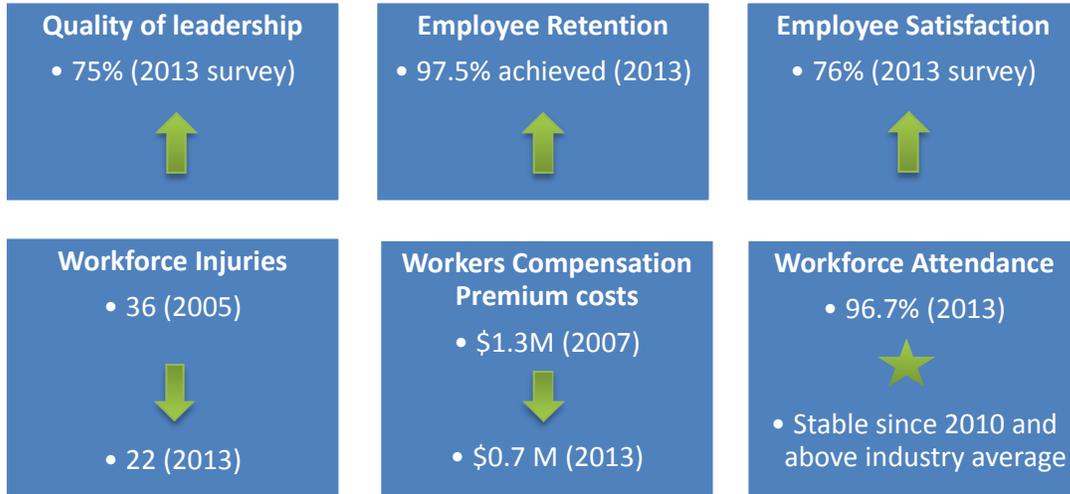
## Other efficiency examples

Efficiencies are also about improved service delivery and project management within existing resources, as well as streamlining work processes and procedures to make service delivery more cost effective and to improve customer satisfaction. However, these tend to generate savings that are not easy to quantify. Sometimes more is achieved within the same budget. Examples of efficiencies, implemented by the Council over the past few years, include the following:

- The bushcare and landcare volunteer programs contribute to conservation activities; and are estimated to save the Council \$350,000 per annum in natural asset maintenance costs.
- In-house management of major multi-million dollar capital work projects, such as the Blaxland Waste Facility, have resulted in significant project control, cost savings and avoided cost.
- The implementation of energy and water saving initiatives has reduced energy costs; many projects achieved through grant programs.
- A review of shoulder slashing work practices and equipment has resulted in a more efficient use of the workforce; estimated to save the Council \$300,000 per annum.
- The implementation of split shift facility cleaning in town centres has improved service quality and reduced security contract costs.
- The replacement of the oval mower plant with plant that has a larger mowing deck, has reduced the workforce requirement for parks mowing.
- The introduction of self-checkout at Katoomba Library has provided quick service for customers.
- The introduction of a number of system and process changes has improved service turnaround of planning and regulatory matters.
- New e-lodgement and tracking system has improved the handling of customer service requests.
- The production of guides to the development application process has resulted in 17% reduction in the number of rejected applications, producing a significant saving to the client.
- The introduction of emailed rate notices to ratepayers, and Bpay payment option for debtors has improved cash flow and customer service.

## Productivity

Productivity is the rate of output per unit of input. Over the past few years, labour productivity within Blue Mountains City Council has improved, demonstrated through the following measures:



## Reduction of debt

The Council has committed to reducing its debt position by ceasing the practice of borrowing \$2.3 million each year for its asset works program, as well as directing any surplus cash funds to reducing borrowings wherever it is effective to do so.

Any proposed new loan borrowings are subject to the Council's Borrowing Policy, the financial capacity of the Council and a requirement for a sound business case approved by the Council.

## Advocating to other levels of government

The Council continues to advocate on State and Federal policy and grant funding to minimise the financial impact of service costs on ratepayers. The main issues that are of current focus are the low share of revenue taxation which local government receives, the imposed Waste Levy costs, rate-pegging, contributions to State Emergency Management and the recent Federal Government cuts to the Local Government Financial Assistance Grant.

## General performance of the Council

To assess resident perception of Council service delivery and performance, the Council has engaged an independent research firm to undertake a community survey of a representative sample of the population.

This survey has been consistently benchmarking the performance the Council over time relative to community perceptions of: service delivery, satisfaction with councillors and staff, and whether the community believe they receive value for money from rates paid. Despite ongoing financial constraints, over the past four years the Council has achieved some of the highest performance measure results as shown in the table below.

Key Performance Area	Mean Performance Ratings (Out of 5)				Change 2013-14
	2011	2012	2013	2014	
Overall satisfaction with <b>Council</b> performance	3.21	3.43	3.42	3.60	↑
Overall satisfaction with <b>Councillor</b> performance	3.34	3.09	3.23	3.45	↑
Overall satisfaction with <b>Staff</b> performance	3.93	3.87	3.89	3.91	↑
<b>Value</b> for money	3.03	3.26	3.27	3.47	↑

### **Resourcing Our Future - How you can have your say**

**Online:** [www.bluemountainshaveyoursay.com.au](http://www.bluemountainshaveyoursay.com.au) click on *Resourcing Our Future*

**Email:** council@bmcc.nsw.gov.au

**Post to:** Resourcing Our Future  
Blue Mountains City Council  
Locked Bag 1005, Katoomba NSW 2780

**Hand deliver to:** Katoomba Council office