

'REPORT CARD' (Audit Committee 10th October 2014)



Fundamental to Council's success is how we see ourselves. There are two easily-articulated scenarios for the remainder of this decade. In one, Council will fail. In another, a picture can be painted for an optimistic future for the District.

Raymond Spencer, Chair of the Economic Development Board echoes these sentiments:

"it's in this decade that SA will decide if it is to be a new dawn or an approaching dusk; a great place to live or a lost opportunity". (7/8/14)

Are we the last Council before the great decline – or on the way up? This report card is couched in optimistic terms because the future is bright for Yankalilla. Against a backdrop of tough economic realities, Council has a great deal to be positive about and its future depends on seizing opportunities and having a positive mindset to help shape a prosperous future.

ACHIEVEMENTS and INITIATIVES

The last two years have seen progress in a number of areas, as follows:

Asset Management and Planning

Of the three principal financial indicators, Council's **Asset Sustainability Ratio** is the only one that gives cause for concern. This requires a focus over the next two years.

A detailed **condition assessment** of assets is in train, which will lead to **prioritised works plans** and improved asset management resulting in savings through reduced annual maintenance.

Council uses *CONQUEST* asset management software to store all information on Council's road network. This software drives both maintenance and renewal requests. It is intended that this software will not be used solely for roads, but will hold information on all assets including buildings, bridges etc.

Work is being undertaken to ensure that the data that drives Council's Asset reports is updated to reflect current conditions and use. The result will be more accurate work orders for maintenance and renewal projects.

Condition reporting of assets will be on-going with the creation of a new role of "Road Runner" responsible for continuously assessing assets to ensure the maintenance; current condition and use are reported in a timely fashion. These reports will trigger immediate updates of the data that in turn, drives the reviews of maintenance and renewals. *CONQUEST* will then be able to deliver works orders in line with need and priority.



Audit Committee

Financial controls are in place and monitored by the Audit Committee – continuing work commenced by the previous CEO. In addition, discussions have been held on key **strategic matters** including operational spending cuts, sustainability challenges and business planning.

A full review of the Internal Control functions using the “Better Practice Model” developed by Deloitte covering Assets, Liabilities, Revenue, Expenses, External Services and Strategic Financial Planning is currently underway. In excess of 150 Internal Control functions will be reviewed. The review will be completed by 30th June 2015 with anticipated outcomes of simpler and easier to understand financial reports and having the ability to access financial data at the push of a button.

Business Connection

Business breakfasts / functions have been successfully organised, in close cooperation with hospitality students from the Yankalilla School. Additionally, the concept of **Totally Locally** has been introduced to the business community.

Over the next year a project to bring a wide-reaching group of District businesses together in an encompassing business network, run independently of Council but with Council presence will be a focus. Targeted audiences include rural business owners, hospitality, hospitality and retail.

Community Participation

Council is committed to better engaging with the community to ensure that the outcomes exceed resident expectations.

Community involvement in projects has been commenced with the tree planting on the Carrickalinga Road and with the plantings on the ‘Myponga Triangle’.

Council has worked to be better aligned and engaged with key community groups with regular meetings held with youth, farmers, and the Memorial Park committee amongst others. It is noted that more needs to be done with local businesses (see above).

Projects are planned with resident groups at Cape Jervis (parks and gardens) and Second Valley(foreshore).

There will be a full review of Council’s communication practices to identify areas of improvement and in particular social media is expected to play a significant role in the future. This has commenced with the use of the ‘Your Say Yankalilla’ website that is used for community consultation.



Depot Processes

The Depot has been realigned to a standard operational model with the objective of realising efficiencies and delivering improved services to the community. Work teams have been established with a leader and assigned equipment. Each Parks & Gardens and Civil Construction team now have an hourly cost, inclusive of labor and equipment cost per hour.

All Depot employees are being assessed and retrained in their respective disciplines to ensure the currency of their knowledge and skills.

Rosters have been initiated, along with schedules and allocations ensuring that deployment of resources to assets is undertaken in a preventative manner.

Health and Safety Representatives are now provided time on roster to attend to safety matters. The formation of a Workplace Health and Safety (WHS) committee at the Depot has seen a continued focus on safety. The rate of safety incidents has dropped considerably since this was introduced, from 5 to 1 per week. This is still unsatisfactory but a step in the right direction.

The Depot is now also undertaking quality control measures ensuring that all works are independently reviewed on completion, significantly reducing complaints.

Council is working with Tonkin Engineering to establish expected standards in road works, effectively designing styles of roads, assessing materials to be used along with drainage systems. This work will produce a manual of works that will form the basis of the training staff are to receive in how it is constructed. The completion of this work will drive correct estimates from simple calculations as to road styles, type, width and material costs, by the production rate of the team established from time and motion studies delivering more accurate costs and expectations of finish.

The Works Department review is also involved in a lean processing approach to works, moving toward a more holistic approach. An example is a road is to include, culverts, sides, verges and weeds and not simply a grader and material. Assets will be deployed undertake end-to-end solutions as opposed to surgical slices.

Contractors are now engaged who share similar understanding of expectations and costs. As one of the largest employers in the district, the aim is to engage with as many local contractors where possible to drive a commonality of outcome and provide a systematic, standard service to the District.

The focus on value for money and quality outputs is intended to deliver improved outcomes for our community.



Environmental Health

Regular inspections of food service operators have recommenced on a rolling program designed to have all premises inspected in the 2014/15 financial year. In addition, detailed works have commenced on the CWMS and water plants to improve efficiency of operation.

Finance

Positive results have been realised in financial management over the last three years. The operating surplus ratio has fallen from 7% in 2012 to 4% in 2013 and 0% in the last financial year. The deficit has fallen over the same period from (\$1,781,000) in 2012 to (\$381,000) in 2013 and (\$42,000) in 2014 (this is before S&HLGA financials being received). Further the Net Financial Liabilities Ratio (liabilities less assets as a percentage of total operating revenue) has fallen from 92% in 2012 to 70% in 2013 and 49% in 2014, leaving Council in a reasonably healthy financial situation.

	2011-12	2012-13	2013-14
Operating Surplus Ratio	(7%)	(4%)	0%
Deficit	(\$1,781,000)	(\$381,000)	(\$42,000)
Net Financial Liabilities Ratio	92%	70%	49%

The 2014-2015 Budget has been prepared in full consultation with the Managers, giving them greater accountability and responsibility in managing their respective budgets. The budgets have been revamped and the number of items on the “chart of accounts” reduced. The Financial reporting model, after consultation with Edwards Marshall Pty Ltd Chartered Accountants has been improved by changing the format of reports incorporating income and expenditure versus budget, monthly cash-flow statement and detailed narrative explaining significant variances.

A comprehensive rate review is being undertaken (start date was 29th September 2014).



Governance

A dedicated Governance position has been established.

A policy framework has been developed and reviewed regularly ensuring elected members, staff and ratepayers are aware of and comply with Council's legislative requirements.

Council resolutions are reviewed on a monthly basis with a database being developed to assist in the tracking of resolutions and their progress and completion.

A comprehensive induction program is being developed for newly elected members following the November 2014 election. This includes training for both Elected Members and staff early in the new Council's term. Note that training for elected members is now compulsory.

Health Matters

Council has worked with neighboring Councils to participate in the regional Health Plan. The results have been sobering for the District (see snapshot below) but have provided some optimism that grant funding may be able to be sourced to assist in overcoming some of the issues faced in this region because of the demographics that put the region in the most disadvantaged in the State.

Yankalilla - a Snapshot:

- 11.4% youth unemployment which is 4.58% higher than the State rate;
- 17.1% of children are developmentally at risk;
- School leaver participation rate in higher education of 16.12% which is 14.95% below the State rate;
- 12.6% of the resident population are under financial stress from mortgages, 3.7% higher than the State rate;
- 27.4% of children come from low income welfare dependent families (11.09% higher than the State rate):
- The rate for people 18 years or over with at least one of four of the following health risk factors (smoking, harmful use of alcohol, physical inactivity, obesity) is 3.3 points above the regional rate and 2.05 points above the State rate.

Information Technology

Council has withdrawn from the supported arrange for IT services by Alexandrina Council after an in-depth study into its cost and effectiveness of provision.



A new joint venture has been entered into with Telstra and Loftus IT to provide the full range of IT services required. Hardware has been upgraded and a new software package Office 365 introduced. Elected Members and CEO have been issued with iPad, and service standards and delivery by the IT consultants has improved with further improvements are envisaged.

Library

The Yankalilla Area School made a decision in late July 2014 to separate the community library from the school library. Council will move the resources of the community library to an interim community library located at The Centre on 14 November 2014. The cooperation and support of the public libraries Board and the Onkaparinga Council Libraries have been outstanding .

Council will need to make a decision on the location and operating arrangements of a permanent library in its new term after the elections.

People, Training and Development

A dedicated HR position has been established.

Personal Development Plans (PDP) have been 'rolled out' for each staff member to develop agreed goals that align with the business of council. Each goal has a measurable target and a Council training plan is being developed from the requirements highlighted within the PDP.

Recruitment processes have been reviewed and refined, and a comprehensive induction package has been developed for new staff.

Depot staff are being provided with qualified training with the aim of enhancing operator's skills. The training, delivered under the Skills for All program is fully funded from grants. All Civil and Parks and Gardens staff will be trained in the most modern methods to enhance skills, confidence and deliver improved outcomes.

Front Line managers are being trained in the key aspects of management. This will promote cohesion of thought and action within the management ranks filtering back to the employees.

EB negotiations have been successfully concluded with the outside workforce (AWU). Negotiations with the inside workforce (ASU) have stalled over 9-day fortnight working arrangements.

A 19-day four week cycle is being offered to the ASU staff to realign Council with working conditions in neighbouring Councils, to increase 'customer-facing' time and to realise operating efficiencies. Administration offices opening hours would be changed to 9am – 5pm (from 8.30am to 5pm) and no additional hours would be worked by staff under the offer.



Transport

A mini bus has been sourced to help alleviate some of the issues around access to public transport in the region.

The Home and Community Care (HACC) program has continued its successful run but there are concerns for its sustainability with the volunteer coordinators considering retirement at year's end. A project is underway to source new coordinators as well as change booking times and reduce user expectations.

Workplace Health and Safety (WHS)

A new WHS leader has been employed who has worked closely with the Local Government scheme to position Council well in terms of WHS matters.

The Local Government One System is being implemented with a high priority being directed to improving the safe management of volunteers and contractors, making risk assessment a part of the way we do business. The aim is to effect an holistic WHS Management system which includes the training of staff in policies and procedures, the induction and management of volunteers and contractors, and hazard identification.

Wirrina

Council intervened in the Receiver's sale of the Wirrina assets by agreeing to take over the water and sewerage provision at no cost but with a financial commitment to upgrade the failing and tired infrastructure. An operator was sourced on a one year contract and the requisite infrastructure works have been completed save for the erection of a new shed to house the equipment (due December 2014).

The operation of water systems is a high risk, and costly process that has resulted in significant amounts of dissatisfaction from Wirrina vacant land holders who have been faced with large increases in their total rate bill (including water and sewerage). Council has approached the Minister (Minister Hunter) seeking assistance in the operating of the systems and SA Water is currently investigating whether it is feasible for them to run Council's water and CWMS under an Operating and Maintenance contract.

FUTURE CHALLENGES

Sustainability

As is the case with most SA Councils, DCY faces significant challenges with maintaining service provision whilst at the same time balancing budgets. Grant funding cuts, the transfer of services from State to local government and an increasing number of residents facing mortgage stress make for a strained operating environment.



The Local Government Excellent Report (Crafter Report) has made a significant impact on Councils against the backdrop of financial restraint. It is clear that not only will Councils need to work better regionally and realize efficiencies through this, but also that amalgamations are 'on the cards'.

For DCY to become sustainable, the following need to occur:

- Review its core functions and where assets are not required for those functions, consider their sale.
- Increase revenue through:
 - Increased rates (difficult given existing rate levels and hardships being experienced by a section of the community).
 - Increases in charges (user-pays system).
 - Finding alternate sources of revenue.
- Reduce service levels – meaning that services provided are cut back which has an implication on community. An example would be less frequent mowing of reserves or less frequent work on unmade roads.
- Facilitate an increase the number of businesses operating in DCY and the number of people residing here.
- Continue to cut operating costs.

All of the above need to be considered by the incoming Council as priority matters. To that end, a draft Strategic Directions report ('Looking to the horizon 2014-18') is being developed for presentation to the incoming Council to priorities a **four-year plan** for the term of their appointment.

OVERCOMING THE OBSTACLES

Grants and Grant funding

Council has not been as successful as it might with grant funding and is aware that it needs to get far better at establishing the building blocks for success with grants. An expert in grant funding, Anne Petch has been engaged for one week a month for a year to assist not just Council but community groups. The aim is to significantly exceed her costs from year 2 onwards and also to have an 'apprentice' on staff to shadow Anne and take on the task once she departs.

In addition, an opportunity exists to work with the renowned Professor Graeme Hugo in concert with other seaside Councils to influence grant funding to districts with a significant percentage of non-resident populations. A contractor has been sourced to oversee this project.

Asset management

Council has plans to:

- examine its asset management processes and bring in lean processes ensuring quality, not quantity of result yielding a lasting benefit;



- better engage and utilise the almost 2500 strong volunteer workforce, providing community ownership of outcomes;
- review service level agreements;
- review planning and development departments, establishing service level agreements;
- consider under-utilised equipment costings against their hire;
- review cemetery costs. Currently DCY cemetery plots are some of the least expensive in SA. This is reflected in the poor condition of the DCY cemetery.

Business attraction

The key to the region's sustainability is the attraction of new business and increased employment opportunities. The Economic Development role will play an important part in increasing business activity, business acumen and the promotion of the region as a good place to do business. Providing the right business environment and building business relationships within the region and externally will be a key driver to future success.

There are positives on the horizon that Council must encourage and facilitate when possible:

- A major development of the old Myponga Cheese Factory on Main South Road Myponga;
- A proposed (small) convention centre / resort in Yankalilla;
- A redevelopment of Bungala House;
- The *Horizon* development, Bungala Fields;
- The purchase by Chinese investors of The Links Lady Bay golf club and vacant land and their plans to develop the area for Chinese tourists (see below);
- The interest in establishing a fish processing facility at Cape Jervis;
- The possibility of a redevelopment of the Normanville Surf Lifesaving Club within three years;
- The National Broadband Network (NBN) rollout.



Fostering tourism / Chinese investment (The Links)

Council will soon have an iconic Buddhist temple on our doorstep at Sellick's Hill. This will provide an opportunity to leverage on the influx of visitors to the region. Along with this, there will be an influx of Chinese tourists to The Links as a result of the sale of the golf course and surrounds to Chinese investors.

Mainland Chinese visit this country in ever-increasing numbers seeking an experience different to that at home - green hills, clean air, blue water and fresh produce.

The Chinese have many festivals from dragon boat racing to lantern festivals with these festivals always centred around food. The opportunity exists to engage with the Buddhists providing a supportive framework for their festivals whilst catering for their unique culinary style.

DCY through consultation with Chinese business, tourism and religious leaders plan to establish a connection for tourism beyond a golf course.

Council has an opportunity to lead an effort to enable existing businesses to be adaptable and accepting of foreign involvement within the community.

Incentives to home builders

In 2014-2015 Council have introduced a rate rebate, up to a maximum of \$1000 to any owner of vacant land who;

- lodges a Development Application for the construction of a new dwelling;
- achieves the completed roof framing stage by 30th June 2015;
- has paid their rates in full prior to claiming the rebate.

This incentive will encourage land owners to bring forward their plans to construct their dwelling and increase our resident population which will have a direct impact on the regions economic activity and improve sustainability.

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