

## Template 2

Fit for the Future

# Council Improvement Proposal

(Existing structure)



Office of  
Local Government



# Getting started . . .

Before you commence this template, please check the following:

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

**Council name:** Narrandera Shire Council

**Date of Council resolution endorsing this submission:** 23 June 2015

## 1.1 Executive Summary

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

Narrandera Shire Council (NSC) currently meets two of the benchmarks (Debt Service Ratio & Own Source Revenue) and nearly meets the Asset Maintenance and Infrastructure Backlog ratios (94.31% and 2.28% respectively).

NSC assessed a potential merger with Leeton Shire Council as recommended by the Independent Local Government Review Panel. Independent Consultant Morrison Low's report found that the benefits did not sufficiently outweigh the costs and risks.

Council then commissioned the assistance of IAB Services to assess the feasibility of submitting an Improvement Business case. IAB's report found that it would be feasible to standalone with the following initiatives to ensure progress towards the seven benchmarks by 2019-2020.

Narrandera Shire faces the common rural issues of a large road network, small rate base, challenges with

arresting population decline and a low Socio-Economic Index for Areas (SEIFA) rating of 2. Despite this, Narrandera Shire's future is very positive as it has bounced back from the long period of drought and agricultural investment in the shire is growing strongly.

The Council's capacity to effectively engage across the community, industry and government is outlined in this submission. NSC is forecast to meet all seven Fit for the Future Performance Measures by 2016/2017.

In summary, the initiatives are:

- Continue to implement the actions from the Organisational Review conducted in 2014 by an independent consultant. This action plan has 95 recommendations, many of which relate to Fit for the Future matters, and these will continue to be implemented. This progress has recently been independently audited and reported to Council (Attachment 4). The audit found that 45 actions have already been completed and that this was a significant achievement. The remaining 50 actions have been substantially progressed.
- Continue to conduct Service and Efficiency Reviews. One of the major reviews to occur in 2015 is the Road Construction and Maintenance Review. This has a goal of a 2.5% improvement in the salaries and materials and contracts budgets, with the majority of the savings coming to fruition in 2016/2017.
- Continue to refine the Asset Management systems to ensure accurate recording and reporting of asset maintenance and renewal data.
- Continue initiatives to grow the economy and thus grow the rate base of the shire.
- Proactively participate in the relevant Joint Organisation (JO), which will be a continuation of NSC's current practice with RAMROC.
- Continue to find efficiencies with expanding, where appropriate, the use of shared services with the JO, or nearby Councils.

## 1.2 Scale and Capacity

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

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

**Yes**

Please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

The Independent Local Government Review Panel recommended Narrandera Shire Council (a Group F Council) be a member of the Murrumbidgee Joint Organisation or merge with Leeton Shire Council.

Attachment 2 is the independent report commissioned by Leeton Shire Council and Narrandera Shire Council (NSC) to assess the merits of the two Councils merging. Page 4 of the report says “in our view there is little difference between the existing scale and capacity of each Council and the merged Council when considered against the Independent Panel’s ten key elements of capacity”.

In order to achieve scale and capacity, Narrandera Shire Council has, or will, implement the following items under the 10 capacity criteria. Some examples have been provided under each criterion. Further examples are provided in Attachment 1.

- More robust revenue base and increased discretionary spending

- NSC has commenced a program of increasing fees and charges. The increase will be at least the CPI annually and in some instances by higher amounts to more accurately reflect the cost of providing the services or where there is potential for commercial return. This will mean that some services break even (such as Teloca Aged Care) thus allowing funds to be applied to other services.
- NSC has commenced a rolling program of service reviews to find savings and improved value. The 2014 Organisational Review set a target of 1% per annum. Three reviews have been completed and two more are now underway.
- Scope to undertake new functions and major projects
  - NSC is implementing an Action Plan as a result of the 2014 Organisational Review. One key action is to improve project management skills and systems and this has now been implemented.
  - It is widely recognised that under the new Local Government Act, Councils will be required to have an internal audit function. NSC has engaged an experienced internal auditor on a contract basis to undertake this task and has an active Audit Committee.
  - NSC has demonstrated adaptability by delivering significant flood restoration projects after the 2012 floods while at the same time continuing to deliver the usual civil services.
- Ability to employ wider range of skilled staff
  - NSC currently shares five staff services with adjoining Councils (internal audit, planning, health inspections, road safety, child care). There is an active discussion occurring with a nearby Council regarding sharing of IT skills. NSC will further explore shared services with surrounding Councils and that offered by the Joint Organisation
  - NSC currently employs six trainees in a wide variety of disciplines. In the last year twelve employees completed tertiary qualifications with study assistance from Council.
- Knowledge, creativity and innovation
  - Council is implementing a more collaborative approach internally for project management and drew on the expertise of Wagga Wagga City Council to assist in training NSC staff
  - NSC will further develop its networking with other Councils and special interest groups to learn about innovations being pursued by other Councils.

- Advanced skills in strategic planning and policy development
  - o Council is an active member of the current RAMROC and its various special interest groups and has contributed to many regional strategic planning initiatives including regional waste management strategy, regional freight transport plan, and western Riverina economic development strategy.
  - o The 2014 Organisational Review identified a former culture of lack of leadership and performance accountability. Post review the council's executive management team are moving towards a strategic approach for asset, financial and human resource management. Council is reviewing all policies and plans to ensure they promote the goals of the organisation. An integrated suite of Integrated Planning and Reporting software, Project management software and Performance Management software is being implemented.
- Effective regional collaboration
  - o NSC and Leeton Shire Council jointly manage the Narrandera-Leeton airport which is based in Narrandera Shire and provides daily RPT services to Sydney.
- Credibility for more effective advocacy
  - o NSC can already demonstrate credibility for effective advocacy as NSC is the lead Council for the very effective Food Bowl Inland Rail Route Alliance (FBIRA). The alliance of 9 Councils in NSW and Victoria received feedback from the Inland Rail Implementation Group (IRIG) that FBIRA's advocacy and supporting documentation was of the highest professional standard. The Alliance has been successful in getting further due diligence undertaken on the southern alignment of the Inland Rail.
- Capable partner for state and federal agencies
  - o NSC delivers a range of services on behalf of the commonwealth including HACC, Community Transport and Aged Care.
  - o NSC has a successful history of delivery of grant funded programs (capital and operational)
  - o NSC maintains the entire Rural Fire Service (RFS) fleet for the region
  - o NSC builds infrastructure for other agencies, such as RFS brigade stations and a RFS water tank at the airport
  - o NSC has progressed Flood Risk Management studies on behalf of OEH

- NSC manages significant Crown Land as trustee
- Resources to cope with complex and unexpected change
  - The Executive Management Team has organised activities to develop internal abilities to manage change, build resilience, measure cultural change, plan the work force, foster a performance culture and build capacity.
  - NSC was a capable partner, as Chair of the Local Emergency Management Committee, in combating the 2012 floods with SES, Health RFS, VRA and then working on post event recovery programs, and being proactive in facilitating discussion to evaluate lessons learnt from this major event.
- High quality political and managerial leadership
  - There will be an active campaign to ensure a quality field for the 2016 elections. NSC did not have an election in 2012 as 9 candidates were registered for 9 positions. Current Councillors will identify the skills necessary for the future and encourage shire residents with those skills to stand in 2016.
  - NSC has a strong history of harnessing community leadership skills through an effective network of delegating functions to Section 355 Committees
  - Following a skills audit, NSC has a current Councillor training program with training booked for 2015 and 2016.
  - The CEO is a director on the Local Government Professionals NSW Board



## 2. Your council's current position

### 2.1 About your local government area

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

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

Narrandera Shire has a population of 5,900 people residing across a diverse rural landscape of approximately 4000 square kilometres. Our centres of population include the town of Narrandera; the villages of Barellan and Grong Grong; and a number of smaller communities.

Our Shire is centrally located in the heart of the Riverina; at the junction of the Sturt and Newell highways and is the gateway to the productive Murrumbidgee Irrigation Area. Our main employment industries are agriculture and associated value adding manufacturing and service provision.

Our community relates closely with the Murrumbidgee River, from our Wiradjuri past to European settlement through to our use of this natural resources as a recreational feature.

As a community we have talked about where we would like to be in 2030 to develop the Narrandera Shire Community Strategic Plan. As a community we have identified the key challenges and priorities then carefully handcrafted these into actions and tasks.

Our challenges are:-

- Our ageing population
- Young people leaving the shire

- Maintaining and enhancing the current population levels
- Sustaining our community groups
- Our ability to maintain our community infrastructure
- Profitability of local businesses and attracting new businesses to the area
- Attracting skilled and qualified people to the region
- The provision of health services
- Ensuring that all at-risk and disadvantaged groups are supported
- Our ability to attract funds to support community projects.

Our priorities are:-

- Generating population growth by committing to long term strategies that support the attraction and retention of new residents and businesses
- Attract new business and industry to create long term employment
- Support the marketing and promotion of existing businesses
- Build relationships and opportunities with the Indigenous community
- Encourage people to 'shop local' to support economic sustainability
- Foster community pride through events and celebrations
- Promote the Shire as a place to live and do business
- Quality roads within the rural areas of the shire
- Recreational facilities – long term maintenance and development
- Responsible maintenance and protection of the shire's trees and waterways
- Creating and supporting a vibrant CBD
- Support local education and employment opportunities for young people
- Sustainable and environmentally responsible farming practices
- Attracting skilled health professionals
- A strong and open relationship with Council and other levels of government.

Our Community Strategic Plan's vision is 'to preserve and enhance the lifestyle of our communities by encouraging, promoting and facilitation the sustainable development of the Shire'. The five key themes of our plan are:-

- A strong and resilient community and sustainable environment
- A growing economy
- Quality and sustainable infrastructure
- Efficient and responsive service
- Trusted and effective Government.

Narrandera Shire Council conducted a community engagement process about local government reform in 2013/2014 and then lodged a submission to the Independent Local Government Review Panel in March 2014. This submission noted that the Narrandera Shire community did not support a merger with Leeton Shire (as identified during the community engagement) and wished to retain its identity and autonomy as a standalone Group F Council.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<p>Prudent financial management (as evidenced by TCorp's "sound" assessment of NSC's current financial situation)</p> <p>Strong community partnerships</p> <p>Quality roads. This was affirmed by the 2015 road condition ratings assessments undertaken to meet the road revaluation program required by the Accounting Code</p> <p>Airport</p> <p>High standard of parks and playgrounds</p> <p>Diversity of services</p> <p>Swimming pools</p> <p>Caravan parks</p> <p>Excellent sporting fields</p> <p>Advocacy skills</p> <p>Significant renewal in water and sewer service assets in recent years.</p> <p>Narrandera is located at the intersection of two National Highways, the Newell and the Sturt</p>	<p>Further opportunities to improve water quality and reduce water waste (initiatives are now underway to address these)</p> <p>Yet to fully implement Water and Sewer Best Practice Guidelines (initiatives are now underway to address this)</p> <p>Formerly a lack of leadership and performance accountability culture (Organisational review action plan now being implemented to address this)</p> <p>Asset Management System and Plans are yet to be fully developed and implemented (Organisational review action plan now being implemented to address this)</p> <p>Council could strategically managing the airport better (initiatives are now underway to address this).</p>

Opportunities	Threats
<p>To continue to determine through service reviews whether Council is the appropriate entity to be delivering all the services we currently deliver</p> <p>To identify further ways for Council to generate own source revenue</p> <p>To fully harness the capability of the National Broadband Network when rolled out in Narrandera after September 2016</p> <p>To continue to improve Council community engagement processes</p> <p>To continue to be strategically ready to attract our fair share of project funding</p> <p>To continue to develop frameworks for effective and efficient resource sharing with other Councils and the Joint Organisation</p>	<p>Conditions that will inhibit Narrandera's ability to attract business or grow existing businesses and grow the local economy</p> <p>Conditions that will inhibit Narrandera's ability to stem a projected population decline</p> <p>Failure of Council to be able to implement the Standalone Improvement Business Case</p> <p>Federal and State Government continue to restrict funds to local government</p> <p>Failure to attract quality, skilled staff to work at the Council</p>

## 2.3 Performance against the Fit for the Future benchmarks

### Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.076	No	1.53	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	62.97%	Yes	85.05%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	59.74%	No	80.1%	Yes

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

**Own source Revenue**

This ratio has increased as Council has revised its accounting treatment of Home and Community Care (HACC) and Aged Care services (Teloca House). Prior to 2014/2015, this revenue was treated as grant income. Following advice from IAB Services and Council's Statutory Auditor, from the 2014/2015 financial statements onwards this revenue will be accounted for as service income. This is because the clients receive Medicare/Centrelink payments under the Commonwealth Government's aged care support programs. Since these payments are assigned by Teloca House residents and HACC service recipients to the Council, payment should be counted in its general activity income and not as grant/contribution income.

**Asset renewal**

Council reported an infrastructure renewal ratio of 76.2% for the 2013/14 financial year. In an analysis of asset renewal by Council's Economist (IAB) in 2015 it was found that this ratio could be as high as 124% if Council allocated its entire capital budget to asset renewals. This finding is significant as it establishes that Council has the required funds to meet an asset renewal of 100%, all that is required is a systematic process to ensure sufficient renewals are undertaken. To meet this benchmark for the coming years Council will implement a system to analyse its forecast capital spend for the coming years and make adjustments to ensure that the renewal ratio is kept to a minimum of 100%.

In the past Council has also undertaken works which have been classified as maintenance which should have been classified as renewal. An example of this is where sections of kerb and gutter have been replaced and costed to urban maintenance. In future closer attention will be paid to ensuring that costs are correctly classified to ensure our asset renewal ratio is accurate.

Note, NSC is an OLG Group 10 Council

## 2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	2.28%	No	1.72%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	94.31%	No	101.2%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.50%	Yes	0.3%	Yes

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



### Infrastructure Backlog

In the 2013/14 financial year Council reported a backlog of 2.56%. A review of the asset backlogs in reference to published service levels, data from the 2012 asset management plans and condition assessment and revaluation of the roads assets in 2015 was conducted. This work has enabled a reassessment of the backlog. Based on the assessment a forecast backlog ratio of **1.72%** has been established. A table follows that provides detail about the assessment of the forecast backlog ratio.

**TABLE 1** Summary of forecast backlogs – General Fund

ITEM	DESCRIPTION	WDV	BACKLOG %	EVIDENCE
1	Buildings	\$23,471K	0.5%	Council's asset management plan for buildings provides a high condition rating across Council's building stock
2	Other Structures – Open Spaces and Recreation	\$3,352K	1.5%	These assets relate to Council's Open Spaces infrastructure. Asset Management Plans show a lower condition rating of these assets, resulting in a higher backlog.
3	Sealed Roads – Seal	\$9,742K	10.26%	Council's asset register shows that there are a significant number of seals that require resealing.

4	Sealed Roads - Pavement	\$43,600K	0.75%	Based on condition assessments carried out in 2015 there is a slightly elevated amount of backlog of pavement repairs within the sealed road network.
5	Unsealed Roads Pavements	\$16,168K	0%	Nil backlog for unsealed pavements is supported by condition assessments carried out in 2012 and 2015
6	Bridges	\$4,190K	1.6%	Condition assessments done in 2015 identified issues with guardrail decay and deck problems on some bridges.
7	Footpaths	\$937K	2.7%	Condition assessments show numerous areas which require repairs which remain unfunded at this point.
8	Kerb & Gutter	\$4,676K	1.5%	Kerbs affected by tree damage, repairs in the past year has reduced the backlog.
9	Stormwater	\$5,793K	0.5%	The condition of stormwater assets is high therefore exhibiting a low backlog.
10	Swimming pools	\$1,781K	2.1%	The backlog elevated due to the age and condition of the swimming pools.

**Asset Maintenance**

The Asset maintenance ratio was slightly below target for the 2013/14 financial year. The main improvements will relate to improved reporting of maintenance in future. One example of reporting improvements is including the maintenance carried out by the swimming pool lessees into account. The contracts for management of the pools includes the lessee undertaking facility maintenance, previously this has been reported as an operational cost. In future this will be reported as maintenance.

## 2.3 Performance against the Fit for the Future benchmarks

### Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b> <small>A decrease in Real Operating Expenditure per capita over time</small>	Increasing	No	Decreasing	YES

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

#### **Efficiency**

##### **13/14 Fails benchmark**

Deflated expense increased in the period 2009-10 to 2012-13 and decreased in 2013-14. Overall trend is an increase.

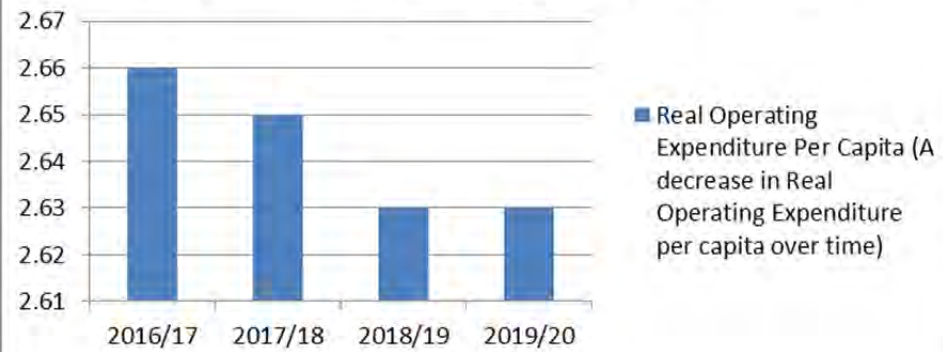
##### **Forecast 16/17 Achieves benchmark**

Deflated expense per capita 2015-16 \$2728.77

Deflated expense per capita 2016-17 \$2662.07

Reduction of \$66.71 per capita benchmark achieved for 2016-17

### Real Operating Expenditure Per Capita (A decrease in Real Operating Expenditure per capita over time)



## 2.4 Water utility performance

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

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

**No**

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

### Water

Council has met **80%** of the water supply Best Practice Management (BPM) Framework requirements. Items which remain outstanding are;

- 1) Update of Strategic Business Plan – To be undertaken in conjunction with IWCM
- 2) Undertaking of Integrated Water Cycle Management (IWCM) – A brief for a consultant to undertake this work has been prepared, and procurement of consultancy services is to commence in June 2015
- 3) Update of Developer Service Plans (DSP) – The current adopted DSP dates from 2006. Since then significant investments have been made in new infrastructure and the plan requires updating.

### Sewer

Council has met **67%** of the sewer BPM framework requirements. Items which remain outstanding are;

- 1) Update of Strategic Business Plan – To be undertaken in conjunction with IWCM
- 2) Undertaking of (IWCM) – A brief for a consultant to undertake this work has been prepared, and procurement of consultancy services is to commence in June 2015
- 3) Update of DSP – The current adopted DSP dates from 2006 and is out of date.
- 4) Appropriate Trade Waste Fees and Charges – Council has recently adopted a Trade Waste Policy, the relevant fees and charges are due to be adopted later in 2015.

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

Sewer infrastructure backlog - \$450K

Water infrastructure backlog - \$450K

Council has sufficient funds in reserve to fund these works. Further work is being undertaken in the current period to assess asset condition which may identify additional work.

## 2.4 Water utility performance

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

### Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Water Treatment Plant	2016/17-2017/18	\$1.5m	Country Towns Water Supply and Sewerage Program
Barellan Sewerage	2018/19-2019/20	\$2.5m	Country Towns Water Supply and Sewerage Program
Mains Replacements	2016/17-2019/20	\$2m	N/A
Sewer Main Relining	2016/17-2019/20	\$1.2m	N/A



## 2.4 Water utility performance

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

**Yes**

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

## 2.4 Water utility performance

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

### Improvement strategies

Strategy	Timeframe	Anticipated outcome
Undertaking of IWCM at part of the Office of Water's Best Practice framework	2015/16 to 17/18	Approval of IWCM by the Office Of Water
Water Mains - Increase asset renewal of water mains funded from Council's water reserve and ongoing income.	Ongoing from 15/16 to 19/20	\$500K of renewal per annum
Sewer Mains – Renewal of sewer mains based on priorities identified in the whole of network CCTV inspection carried out in May/June 2015	Ongoing from 15/16 to 19/20	\$250K of renewal per annum
Energy audit of Water and Sewer Operations including listing	2016/17	Reduction of operational

of priorities and resolution of actions.		electricity costs by 20%
Non-revenue water audit including acoustic leak detection and repair program.	2016/17	Significant ongoing water savings & operational cost saving to support the recent smart water meter installation program
Staff development – A review of the staff structure for the water and sewer team early in 2015 has revealed training gaps which will be addressed.	2015/16	Improved skill level amongst staff
Asset management inspections and data recording and predictive modelling	2015/16 – 2019/20	Improved understanding of asset renewal requirements and forecasting future expenditure

**Council, as a whole, benefits through management of the Water and Sewer businesses.**

Through Council managing the water and sewer businesses this also contributes to scale and capacity of other Council functions. Examples of this include;

- 1) Payroll
- 2) Finance
- 3) Engineering
- 4) Procurement
- 5) Survey and Design
- 6) Information Technology
- 7) Rates and Administration
- 8) Asset Management function
- 9) Human Resource Management
- 10) Work Health and Safety Systems
- 11) Geospatial information Systems function
- 12) Council's Workshop and heavy plant pool

The Water and Sewer Fund have also provided Council with a financial resource through provision of internal loans for

- a) Airport runway resurfacing
- b) Construction of lighting towers at the sportsground.

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

### 3.1 Sustainability

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

1. Council's objective is to reduce Materials & Contracts expense by 2.5% by 2016/17 and maintain that level of expenditure for 2017/2018.

The proposed strategies are:-

- Participate in the RAMROC purchasing group. Savings are anticipated through reduced pricing through group purchasing, lowering costs by scheduling works to be completed in sequence across the ROC reducing contractors' establishment costs, staff acquisition of improved procurement skills through participation in the group.
- Review of council's procurement practices with the objective of greater value.
- Reduce key elements of road making cost which is Council's largest area of expenditure.
  - Increase utilisation of local gravel pits to reduce the purchase of quarried crushed road base material. Expected outcomes are:-
    - Reduced cost per tonne of material
    - Reduced haulage costs from local pits
    - Reduction in haul damage to local roads when carting gravel
- Implement Otta method of bitumen sealing using local materials to replace quarried hard chip aggregate. This technique is suitable for lower traffic volume sealed roads. Benefits are reduced capital cost and increased lifespan in the spray seal.
- Apply chemical stabilisation in lieu of gravel re-sheeting especially for roads which are at a greater

distance from a source of gravel.

- Reduce haulage distance for water to roadwork and reduce fill time for water tankers. This reduces the downtime currently experienced when plant on roadwork is idle awaiting supply of water to the site.

## 2. Review maintenance and depreciation costs for Buildings and Other Structures.

The proposed strategies are:-

- Revaluation of Buildings and Other Structures. The current revaluation of Infrastructure assets has determined that the class has been overvalued in the past. Initial indications are that a similar situation exists for the assets categories of Buildings and Other Structures. A revaluation is anticipated to reduce the depreciation expense, cost to bring to satisfactory and backlog cost.

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

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

Core drivers in Council's Long Term Financial Plan:-

- Rates, no provision made for a Special Variation to Rate Income (SVR) in future years
- Assumed that the rate base will not vary significantly in the future
- Revenue other than rates is assumed to increase by between 2.5% and 3.0% for future years
- Assumes that the Commonwealth Financial Assistance Grant (FAG) and Roads to Recovery Grant will continue and indexing of the FAG will be reintroduced.
- Employee costs are forecast to increase at 2.5% p.a.

Note, Narrandera Shire Council has a low SEIFA rating (2) which indicates that it would be difficult for many rate payers to pay additional rates through an SVR process.

## 3.1 Sustainability

Outline your strategies and outcomes in the table below.

### 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Reduce costs for unsealed road maintenance and re-sheeting.	Maximise utilisation of local gravel pits. Utilise chemical stabilisation technology	Both strategies are being trailed and evaluated. 2015-16 will be the second year of the trial.	Reduced gravel cost per tonne. Reduced haulage cost and haulage damage to local roads. Stabilisation reduces the amount of material to be delivered to remote sites for road reconstruction.	Improve maintenance ratio
2.Reduce cost for reseal of low traffic volume sealed roads	Use Otta spray seal methodology to reseal low traffic volume gravel roads and potentially seal high maintenance cost unsealed roads	Technology currently in the second year of a trial implementation.	Reduces cost of applying spray seals to low traffic volume roads. Increasing the life of sealed surfaces through reduced oxidation of seals.	Increase asset life with a lower maintenance cost. Improve renewal ratio and maintenance ratio.

3.Improve Project Management Skills	Introduce organisational wide project management methodology. Methodology is supported through an IT solution which is integrated with Council IP&R reporting and staff performance evaluation.	Methodology adopted. Software being implemented with organisation wide training.	Enhanced selection of works to be undertaken. Enhanced scoping, costing and scheduling of projects to provide better evaluation and completion on budget. Greater monitoring of projects to identify issues earlier.	Improved process drives efficiency gains across the organisation.
4.Review procurement practices	Revise procurement processes to:- Make best use of industry contracts and group purchasing Improve stock control and inventory reporting. Align purchasing to improved project costing to reduce over ordering of materials.	In progress. Council has joined the RAMROC procurement group and engaged an independent audit of procurement and inventory processes.	Improved purchasing scheduling, lower unit cost and less over ordering.	Improved process drives efficiency gains across the organisation.
5.Participation in JOs and resource sharing	Resource share with regional councils to enhance capacity and lower costs	Sharing of technical staff and service operations are in place. Expansion of	Increase capacity through sharing of specialist staff and equipment. Lower	Improve efficiency measure



shared plant,  
procurement and IT  
services are in  
development

cost by group  
acquisition and  
scheduling of  
products and  
services.

## 3.2 Infrastructure and Service Management

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

Council currently meets the infrastructure backlog ratio.

The 2013 Infrastructure Audit said NSC's Infrastructure Management Assessment was "Strong".

Council will conduct a road construction and maintenance service review including plant utilisation review, improve accountability of cost allocation, create the long term works program and review options to reduce the backlog further.

NSC needs to continue to improve its Asset Management Systems and Plans. Once this data is more robust, there will be further work required to clarify the asset related ratios.

Council commits to maintaining and renewing existing assets as a priority compared to building new assets, and when assets are renewed they will not exceed reasonable demand requirements thus avoiding over capitalisation.

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

Council currently meets the infrastructure backlog ratio. There are some components of the backlog that are of concern such as the road reseal backlog. At this point it is assumed we will carry this backlog into the future. It is assumed the backlog won't increase as our renewal ratio going forward will be a minimum of 100%. Options to reduce the backlog going forward and reduce the current reseal backlog, include borrowing funds to clear backlog items, or increasing the renewal ratio over 100%. A decision on whether to implement these options hasn't been made yet, so it is assumed the backlog will remain steady for the foreseeable future. Council will formally evaluate options to reduce the backlog and make a decision on an appropriate course of action.

## 3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

### 3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Road construction and maintenance service review	To increase efficiency and lower costs of delivering road maintenance and construction services including a review of methods and technology.	<ul style="list-style-type: none"> <li>December 2015 adoptions of review</li> <li>Implementation complete by June 2016</li> </ul>	Savings lead to improved operating performance ratio	The impact on asset renewal and maintenance ratio needs to be monitored
Plant utilisation service review	Implement productivity monitoring of equipment & assess whether to sell plant and hire instead	<ul style="list-style-type: none"> <li>December 2015 adoptions of review</li> <li>Implementation complete by June 2016</li> </ul>	Savings to lead to improved efficiency and better operating performance	N/A

Establishment of long term works program	To determine a minimum of 4 year works program with consideration given to the proportion of renewals, upgrades and new assets	<ul style="list-style-type: none"> <li>• Draft Capital Budget by December 2015</li> <li>• Adoption by Council by June 2016</li> </ul>	A guaranteed asset renewal ratio of 100%	N/A
Improve accountability of cost allocation	To review all cost centres to ensure costs are classified correctly into operations, maintenance, renewal, upgrade and new assets	<ul style="list-style-type: none"> <li>• Complete and develop new cost accounts by 30 June 2015</li> </ul>	Improved asset maintenance ratio	It is likely that some operational costs will be reclassified to renewals, which will improve the asset renewal ratio.
Staff Skills audit	Review staff skills, identify gaps in training which will be prioritised and addressed	<ul style="list-style-type: none"> <li>• Complete audit by June 2016</li> </ul>	To improve productivity and motivation of staff by undertaking training	N/A

Increase amount of RMS works	<p>Increase own source revenue.</p> <p>Continue to ensure Project Plans meet specifications and NSC delivers to RMS's standards</p>	Ongoing bidding for RMS tenders	Increase own source income	N/A
Review options to reduce backlog	To formally evaluate options to reduce the infrastructure backlog, particularly road reseals	<ul style="list-style-type: none"> <li>Complete review by June 2016</li> </ul>	Identify priorities, review options to fund clearance of the backlog	The outcomes could increase the renewal ratio or increase the debt service ratio
Ensure robust asset management data	Integrated asset management system	<ul style="list-style-type: none"> <li>June 2016</li> </ul>	Implement system	
Data reflects type of asset work completed	Revised system to accurately record asset categories	<ul style="list-style-type: none"> <li>July 2015</li> </ul>	Accurate recording of new, renewal, maintenance	Could impact all infrastructure ratios

### 3.3 Efficiency

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

NSC will continue to conduct its rolling program of Service Reviews. The aim is to identify efficiency and cost savings, productivity improvements and service value for money. The Reviews are conducted in house using a project team approach and the involvement of external stakeholders. A review plan and methodology is presented to Council for adoption. The review is then undertaken with the final review report and recommendations coming to Council for adoption.

Council received the Water and Sewer Review Report in March 2015, the Library Service Review Report in May 2015, and will be receiving the Visitor Information Service Review Report in July 2015. Council has adopted the Customer Service Review Plan in May 2015 and will receive the Roads Construction and Maintenance Service Review Plan in July 2015. Other reviews to be commenced in 2015 include Tree Management, Plant Utilisation, Asset Management, Cemeteries and Town Maintenance.

Council is also currently assessing whether to remain in the business of aged care and in December will assess whether to remain in the business of Out of School Hours Care.

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

Assumed that the Local Government Cost Index (LGCI) will be 2.5% into the future  
Provide for a static Narrandera Shire population of 6000 people

As detailed under the Sustainability Section, reducing the cost of Material and Contracts (M&C) by greater than the LGCI in the coming years improves efficiency from 2016 to 2020. Strategies are proposed with the objective of reducing M&C by 2.5% in 2016-17 and retaining that level of expenditure through 2017-18.

The Department of Planning and Environment's population projections for the shire are 5,900 in 2016 and 4950 by 2031. However, the Council has used 6,000 instead as a more realistic number as it reflects recent agricultural industry investment.

Narrandera Shire through private industry investment and expansion, leading to direct and indirect employment, is proactively levelling its population and demonstrating a healthy economy that will not see the predicted population decline eventuate.

Recent commercial investment is delivering income and employment growth. Surrounded by extensive irrigation, cereal, sheep and wool cropping, businesses in the region are investing heavily to capitalise on Narrandera's agricultural qualities, water security and farming land. Post-drought agricultural production is forecast to triple by 2035 (AECOM 2015). Agriculture is the dominant industry in Narrandera Shire, accounting for 20% of employment. Tourism, retail, manufacturing, health and community services account for the next major industries.

Examples of recent developments in the shire follow.

Agri Australis, a subsidiary of the Italian industry giant Ferrero Rocher, set up a 1 million hazelnut tree plantation at Narrandera in 2012, employing 20 permanent and casual staff and up to 50 staff during harvest season. A business plan built on the foundation of supporting local growers and modelling hazelnut plantation methods amongst local farmers to complement their cash crops will ensure Narrandera's future prosperity, job creation and appeal to investors in the growing nut industry. The facility is now set to expand further with funding announced under the Murray Darling Economic Diversification (MDED) program for an electricity supply upgrade to enable creation of a multi-million dollar local hazelnut drying and cracking facility. This latest development is set to create another 27 new jobs and over 50 secondary jobs in the shire.



ProTen chicken processors have lodged a state significant development application for five new farms totalling 90 new broiler meat chicken sheds. This development also received funding under the MDED grant funding, with an estimated employment outcome of 14 new jobs.

A local manufacturing firm has been successful in winning significant tenders recently with the armed forces. As part of their expansion plans skilled trades people have relocated from Sydney to Narrandera Shire with their families to take up employment with the firm.

Manildra Flour Mills have recently submitted a development application to construct a packing shed and more silos at their processing mill in Narrandera.

Narrandera Shire Council is now home to the internationally known arts entrepreneurial organisation, the CAD Factory. The CAD Factory principals work collaboratively with all three levels of government and a range of institutions and commercial partners to foster arts and cultural activities that lead to community development and economic outcomes for the shire and the region. A recent example is the launch of the Our Narrandera app.

This thriving economic climate significantly underpins the projected future growth of the Narrandera Shire population base rather than a decline.

### 3.3 Efficiency

Outline your strategies and outcomes in the table below.

### 3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Service & Efficiency Review. Identify efficiency and cost savings, productivity improvements and service value for money.	<ul style="list-style-type: none"> <li>* Confirm Councils provision of a service and the service level.</li> <li>* Review the Fees &amp; Charges applied to each service.</li> <li>* Increase efficiency to reduce service costs.</li> </ul>	Water, Sewer & Library services complete. Visitor Information and Customer Service currently underway. Road Services and Street Trees about to commence	2.5% saving in employment cost and materials and contracts for the 2016-17 budgets.	Enhances sustainability by improving the operating ratio
2. Independent Organisational Review	Continue to implement the Organisational Review Action Plan.	Set out in Action Plan Attachment 4	Align the organisational structure to the community strategic plan (CSP) and enhance the organisations capacity.	Focuses resources on the outcomes of the CSP and maintenance and renewal of assets

3. Economic Development	Implement Councils Strategic Priorities Action Plan Implement Narrandera CBD Master Plan Development of an Economic Development Strategy	Detailed in attachment 3  Design 2015/16 Works to commence 2016/17  March 2016	Provide infrastructure and a business case for economic development in the Shire.	Impact on operating efficiency
4 Strategic Procurement	Active member of newly formed RAMROC Strategic Procurement Group. A NSC Officer is on the Executive of this Group.	June 2015 Group officially commences. 4 areas identified for initial focus.	Savings in procurement; rebates; efficient online procurement through Vendor Panel; improved compliance and risk management	Improved procurement is an action in the Organisational Review Action Plan

### 3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan (2016/2017)

#### Action plan

##### Actions

##### Milestones

#### Economic Development

Implement the Strategic Priorities Action Plan adopted by Council in November 2014

Attachment 3

Implement the Narrandera Business Centre Master Plan when adopted by Council in June 2015

Detailed design in 15/16 capital works funded and scheduled from 2016/2017 onwards

Development of an Economic Development Strategy

March 2016

## **Independent Organisational Review**

Continue to implement the Organisational Review Action Plan

Attachment 4 The action plan has milestones for the 50 actions that are not yet completed.

## **Operations**

Implement the rolling program of service reviews with the aim of finding efficiencies of 1% per year in 15/16 and 2.5% in 16/17

Water & Sewer March 2015

Teloca Aged Care August 2015

Library May 2015

Visitor Information Service July 2015

Customer Service Sept 2015

Road construction & maintenance Sept 2015

Plant utilisation Sept 2015

Tree Management Oct

	<p>2015</p> <p>Cemeteries Feb 2016</p> <p>Town Maintenance May 2016</p> <p>HACC July 2016</p> <p>Rest of Council's operations will follow in 16/17, 17/18</p>
<p><b>Asset Management</b></p> <p>Finalise implementation of an integrated Asset Management System</p> <p>A revised system for more accurate recording and categorisation of asset maintenance, renewal, and new assets</p>	<p>June 2016</p> <p>July 2015</p>
<p><b>Energy Audit and Improvement Action Plan</b></p> <p>For library and other Council buildings</p>	<p>July 2016</p>
<p>Implement Water and Sewer Action Items as outlined in Section 2.4</p>	<p>2015/2016 and 2016/2017</p>

**Supporting financial modelling is provided in Attachment 5.**

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

NSC commissioned independent consultants IAB Services to prepare a Standalone Improvement Business Analysis report (IAB Services are on the OLG Technical Panel). The consultants held workshops and one-on-one interviews with the Councillors and staff.

NSC had commissioned an independent Organisational Review in 2014 and adopted an Action Plan in 2014 which is being progressed and informs this submission. This consultant held workshops and one-on-one interviews with the Councillors and staff.

NSC had resolved a plan of Strategic Priorities at the November 2014 Council Meeting after participating in a strategic priorities workshop. This has also informed this submission (Attachment 3).

Council resolved to proceed with Template 2 after receiving the Standalone Analysis Report and the Shared Business case report. Council received the draft Template 2, placed it on public exhibition, and then adopted the final Template 2 for submission to IPART.

### 3.5 Other actions considered

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

Narrandera Shire Council did participate with Leeton Shire Council in the preparation of a merged business case with independent consultants Morrison Low.

Attachment 2 is the independent report commissioned by Leeton Shire Council and Narrandera Shire Council (NSC) to assess the merits of the two Councils merging. Page 4 of the report says “in our view there is little difference between the existing scale and capacity of each Council and the merged Council when considered against the Independent Panel’s ten key elements of capacity”.

Page 49 of the report says “a merged Council would meet two of the indicators from day one...”

For the other indicators the operating performance ratio only moves to the positive in 2020 before declining again. The asset renewal ratio remains well below the benchmark. The Infrastructure Backlog ratio remains well above the benchmark, and the real operating expenditure shows a steady increase across all the years modelled. The own source revenue almost reaches the benchmark.

Both Councils subsequently resolved to prepare and submit standalone Improvement Proposals.

A Special Variation to Rate Income was considered. However when taking into account the low SEIFA rating of the shire it was assessed that this would put too much pressure on the residents. Initial discussions with some residents at budget listening posts indicated little support for this outcome.



## 4. How will your plan improve performance?

### 4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	0.14	1.55	1.53	1.39	0.35	0.83	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	70.18%	76.18%	85.05%	85.30%	87.84%	88.02%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	81.6%	101.71%	80.1%	93.46%	100%	100%	Yes
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	1.77%	1.76%	1.72%	1.72%	1.72%	1.72%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	100.6%	100.5%	101.2%	100%	100%	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.046%	0.36%	0.3%	0.23%	0.23%	0.20%	Yes

**Real Operating Expenditure per capita**  
A decrease in Real Operating Expenditure per capita over time

2.61	2.73	2.67	2.65	2.64	2.64	Yes
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## 4.1 Expected improvement in performance

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

Not applicable

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council will monitor and report progress against achieving the key strategies listed under Section 3 and 4 through the following means:

- An update will be provided at the monthly Councillor Workshop by the Executive Management Team
- A report will be provided to Council by the CEO four times a year as part of the Quarterly Budget Review process
- The action plan will be a monthly standing item at the Executive Leadership Meetings and the Senior Management Team meetings
- Achievement against the Benchmarks will be published in Council's Annual Report.

### 6 Additional Information

#### 6.1 Community Engagement

Narrandera Shire Council placed the draft Template 2 on public exhibition during June 2015 and considered the submissions prior to resolving to submit the enclosed Template 2 on 23<sup>rd</sup> June 2015.

Council had a special page on its website to keep the community inform of each stage of deliberations throughout 2014 and 2015 with regard to Fit for the Future.

The Mayor and the General Manager had a regular spot on the local community radio to keep the community informed about Fit for the Future and what Council was considering.

Fit for the Future was given significant coverage by the local newspaper over several months including Council's various reports on the matter.

The independent consultant's report commissioned by Leeton Shire and Narrandera Shire was placed on the Council's website.

The independent consultant's report commissioned by Narrandera Shire Council to assess whether an Improvement Business Plan was feasible was placed on the Council's website.

Council held four 2015/2016 operational plan and budget roadshow sessions throughout the shire in May 2015 and also presented the plans to submit Template 2 at those sessions and what it meant for Council's future budgets and plans.

## **6.2 Aged Care Facility**

Council has resolved to pursue the possibility of removing itself from the provision of residential aged care as this is not a core function for local government. This process has commenced and Council has issued a request for tender for the purchase and expansion of its residential aged care facility Teloca House. The potential outcomes of the process are:-

- Sale of Teloca House to another operator
- Council retains Teloca House and continues to operate as is
- Council retains Teloca House and expands the facility

Should Council sell Teloca House, while there would be a reduction in Own Source Revenue, Council will still meet the 60% benchmark. If the operating surpluses currently being achieved are extracted due to the sale, Council's operating performance ratio will be negatively impacted.

Aged Care industry forecasts indicate small, standalone aged care facilities will be less viable into the future and the extent of the risk isn't yet quantifiable in the Long Term Financial Plan (LTFP).

No provision has been made for the proceeds of a sale transaction and how these proceeds would be utilised. Likewise no amendments have been made to the LTFP to reflect the capital expenditure and funding of an expanded facility should Council retain Teloca House.

### **6.3 Attachments**

**Attachment 1** Further Scale and Capacity examples to expand answer to Item 1.2

**Attachment 2** Merged Business Case Leeton Shire Council and Narrandera Shire Council

**Attachment 3** Strategic Priorities Action Plan Adopted by Council November 2014

**Attachment 4** Organisational Review Action Plan Progress Audit – High, Medium, Low Priorities

**Attachment 5** Financial modelling