

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:

LACHLAN SHIRE COUNCIL

**Date of Council resolution endorsing
this submission:**

24th 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.

Lachlan Shire Council (LSC) is located in the geographic centre of NSW and covers an area of approximately 15,000 sq. kms. It has a population of 6,750, EFT staff of 130 and an operational budget of some \$24 million exclusive of water and sewerage functions.

The Independent Local Government Review Panel's options for LSC were a council in a Central West Joint Organisation or a merger with Parkes Shire Council. LSC has elected to proceed with the first option as it does not believe a merger will improve local government in this area. Parkes Shire Council has advised in writing that they do not support a merger (refer Attachment 3). An independent community survey undertaken by Micromex Pty Ltd in June 2015 shows that the community does not support a merger with Parkes with 61% supporting a rate increase to ensure that LSC remains a standalone Council and became FFTF by 2020 (refer Attachment 4)

Council does not currently meet all the FFTF benchmark targets and measures. The attached Improvement Plan (Attachment 1) demonstrates that Council will meet all FFTF benchmark targets and measures from 2016/17. The Improvement Plan, Long Term Financial Plan and Budget have been peer reviewed by Penrith City Council. The Long Term Financial Plan (endorsed on 24th June 2015) will progressively increase profits, expand capacity for discretionary spending and ensure a more robust revenue base. The key strategies in LSC's improvement plan are:

1. More robust revenue base and increased discretionary spending achieved through implementation of a new long term financial plan that includes a Special Rate Variation (SRV) of 33% over 4 years from 2016/17 and a 2.5% increase to fees

and charges (based on cost recovery).

2. Revised Asset Management and Asset Planning (begun by Jeff Roorda in June 2015) that shifts expenditure from new/upgrade to renewal over the next 10 years to ensure continued optimum expenditure on renewal and an increase in professional oversight of asset management.
3. Review service levels and infrastructure standards in consultation with the community.
4. Implement an organisational re-structure and workforce strategy that includes a renegotiated enterprise agreement that will realise a range of productivity and efficiency gains.
5. Active participation in regional partnerships and non-regional alliances.
6. Develop and implement a LSC economic development plan.
7. Implement the recommendations of the OLG 2015 Better Practice Review of LSC.

LSC provides health and social services essential to the Lachlan Shire community. These include the provision and maintenance of medical facilities and GP residences, Condobolin Nursing Home, Home and Community Care, rental subsidies to disability organisations and financial contributions to organisations such as Western Plains Regional Development Inc. and Lower Lachlan Community Services Inc.

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

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

LSC has elected to proceed with the Joint Organisation option and is an active member of the newly formed Central West Region Joint Organisation; the Central West JO is currently being piloted.

A merger with Parkes Shire Council was not supported by 85% of the LSC residents who were recently independently surveyed by Micromex (see Attachment 4).

Council does not believe a merger will improve local government in this area. Any merger option would be impractical due to the size of the Shire and distances to be travelled. As the Independent Review Panel noted, residents should not be more than 90 minutes from the Administrative Centre. That parameter is exceeded now, without being part of an even larger area.

LSC makes a very deliberate effort to connect with and represent all Shire residents. Sixteen percent of the Shire population is Indigenous and as evidenced in the Community Strategic Plan, Council works hard to ensure the Indigenous population has a voice and that Indigenous goals and priorities are addressed.

Council has addressed the Elements of Scale and Capacity in more detail in Attachment 5.

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.

LSC is located at the geographic centre of New South Wales. The Shire is the home to many traditional farming cultures and is one of the largest grain producing areas of NSW. It is a rich agricultural area and in addition to grain is a significant producer of sheep, wool, beef and cotton. The agricultural sector accounts for nearly a third of economic activity while mining is likely to become a major employer in the Shire (See Attachment 9).

Residents of LSC rely extensively on accessing goods and services from the towns and villages located in the Shire. In particular, the less advantaged residents have a proportionally greater need of services provided from within the Shire due to travel costs.

An estimated 6,750 people live in the Shire area of approximately 15,000 sq. kms. Sixteen percent of the Shire population is indigenous. LSC makes a very deliberate effort to connect with, and represent, this element of the residential population. Refer pages 5 and 6 of the Community Strategic Plan (CSP) for more details. Page 7 of the CSP lists the 7 key goals and priorities of the community.

LSC has a diverse role and provides a number of functions which would normally be undertaken by other agencies or organisations in more populated local government areas. Examples include Services NSW agency, provision of medical incentives and health facilities, nursing home, youth outreach programmes, mobile pre-school bus and child care services. In addition LSC provides a water supply to Murrin Bridge – an Indigenous community outside the Shire boundary.

There are four main towns in the LS area-: Condobolin, Lake Cargelligo, Tottenham and Tullibigeal. The nearest city located to the Shire Headquarters at Condobolin is Orange, 200 km away. The Council Administrative Centre is located at Condobolin with Lake Cargelligo 100 km West and Tottenham 130 km North. Council maintains swimming pools, supplies water, maintains air strips, cemeteries, halls, showgrounds, sporting ovals and sewage systems in those towns and services rural residents with the largest local road network of any NSW Council. There are additional costs of this, perhaps not evident in local government areas which

have fewer towns and less distance to travel.

The location of the Shire, bordering the Western Division, means that residents have less direct access to specialist medical services, higher education, employment opportunities and cultural pursuits than those available in metropolitan areas.

LSC has a very close relationship with the numerous volunteers within the Shire and provides encouragement and assistance to volunteer groups. LSC submits that its role here goes beyond the norm experienced in most other councils. An example of this is the raising of funds by the small community of Tottenham in order for Council to seal its Airstrip runway and facilitate the landing of emergency aircraft to transport patients to hospital.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Water Security (Lake Cargelligo, Tottenham and Tullibigeal) • Road Network supports local/regular freight – blanket approval for AB triple up to and including High Mass Limit. • Lachlan Shire has a Gross Regional Product (GRP) of \$276m of which Agriculture contributes \$82.5m (AP Sheere consulting 2015). • Lachlan Shire production of wheat is around 5 per cent of New South Wales production (NSW DPI). • Lachlan has had 5,000 hectares of Cotton planted yielding 10 bales per hectare (ABC Rural). • Gravel/Quarry Management –LSC has 29 active gravel pits and a pit rehabilitation reserve of \$1m and regularly receives good reports from Mine Inspectors. • Effective Fleet Management • Access to rail network for freight – Tottenham and Condobolin • Stable workforce with recent change at senior management that has introduced in new ideas, experience and skills. • Delivery of Children's Services to communities across the Shire. The success of this measure is recognised through our continued licensing and growing demand particularly in pre-school and mobile services. 	<ul style="list-style-type: none"> • Condobolin Water Treatment Plant requires replacement in the near future and loans and contributions will be necessary. Increased charges for ratepayers are proposed. • Long distance to regional centres (base hospitals and tertiary education providers are over two hour's drive away from Condobolin) • Asset Management Plan Integrity was identified by the OLG review however this will be addressed in the first years of the Council Improvement Plan. • Mobile/NBN network coverage is poor within the Shire with mobile phone blackspots and no immediate plan for installation of NBN. • Recycling services/waste management requires great improvement as there is no current recycling undertaken due to cost of transporting it to markets. Tip management has also been lacking however it is proposed for 2015/16 to introduce tip fees for disposal of rubbish. Recycling will also be investigated to determine if this service can be introduced asap. • Ratepayer funds for attracting and retaining medical support has been an impost however the LTTP now proposes to phase in over two years the market rental of council owned residences and medical centres. • The LSC Enterprise Agreement is due for renewal and

- Successful hosting of tourism events such as the Condo 750 endurance race
- High volunteer participation in all towns saving Council and ratepayers funds
- Garden of Opportunity Community Engagement. The development of our community strategic plan has been based on extensive consultation across all age groups including children and has been recognised as “best practice” by the Office of Local Government.
- Sporting facilities - showgrounds/racetracks in four towns, indoor sports and gymnasium facility at Condobolin, well maintained sporting fields and amenities for soccer, rugby, rugby league, Australian Rules, netball and cricket. Also bowling and golf clubs.
- Recreational facilities – Gumbend Lake and Lake Cargelligo provide for fishing, boating, swimming and skiing and could be better promoted to attract tourists – to be included in Economic Development Plan. Lachlan River is also an attraction with fishing swimming and boating.
- Wiradjuri Cultural and Wellness Centre is a tremendous asset for Indigenous communities everywhere
- Financial Outlook – TCorp assessed LSC as Moderate with a Negative outlook however LSC LTFP now shows good surpluses over the next 10 years with a positive outlook.
- Road maintenance costs are relatively cheap. A relevant comparison is to look at the cost of maintaining roads by the RMS in the unincorporated area, as shown in the example below.

In the unincorporated area, RMS looks after 3,000 km of

some conditions such as payout of untaken sick leave on termination must be renegotiated due to cost.

- Electricity network capacity is limiting the attraction of industry requiring power. There is also no reticulated gas pipeline in towns and this is also preventing LSC from being on a level economic playing field with other centres that have access to gas.
- Low socio economic index of the shire restricts the quantum of increases in rates and charges by Council.

<p><i>regional and local roads. Lachlan Shire maintains 4,400 kms, about 50% more. The RMS Budget for the Incorporated Area for 2013/14 is slightly over \$20m. The Lachlan Shire actual expenditure for 2013/14 was slightly under \$16m.</i></p> <p>It would appear from this comparison that LSC is the more cost effective provider of road maintenance.</p>	
Opportunities	Threats
<ul style="list-style-type: none"> • Road building/making capability - with the large road network Council has the experience, skills and road building plant and equipment to undertake this work for neighbouring councils. • Cotton gin – with increasing cotton being grown in the Shire the opportunity exists to construct a cotton gin locally and reduce transport costs for farmers. This will be part of the Economic Development Plan to be prepared. • Reallocation of FAG as per Panel Report to more needy rural councils that have less revenue raising capability – this is already being done with LSC receiving a 3.4% increase in the first year of the “indexation freeze”. • Mining development (See Attachment 9). • Establish recycling service in towns and villages • Solar power generation – climate suitable for solar. Pilot Solar Thermal power station constructed at Lake 	<ul style="list-style-type: none"> • Climate Change predictions – more intense rain events but drier overall - while the Lachlan River and a number of creeks bring prosperity and recreational opportunities to our shire, in times of flood these waterways also represent a threat with the Central Business District and some urban areas of Condobolin being inundated. Climate change has the potential to intensify these events. Conversely droughts impact on agricultural production and farmers’ incomes and hence local businesses relying on their trade. • Projected population decline - future population predictions are unrealistic and unreliable. Mining can quickly reverse population declines and bring prosperity. In this Shire, larger farms (for efficiency) and withdrawal of services (Government policy) has contributed to past population decline. LSC through implementing its Economic Development Plan expects to increase population over time. ABS figures released in March 2013 show a modest 0.4% population increase over the

Cargelligo

- Improve water security – Condobolin
- Increase tourism/recreational vehicle visitation to assist local businesses – to be part of Economic Development Plan – also increasing facilities at both lakes to keep visitors here longer.
- Indigenous tourism - the Wiradjuri Cultural Centre is a must see for any visitor to the Shire and this will also be heavily promoted in the future
- Fluctuating commodity prices and A\$ - these can be an opportunity or a threat depending on how they impact on local agricultural production
- Resource sharing through Joint Organisation membership.
- No current loans – capacity to borrow to reduce infrastructure backlog with access to the proposed TCorp finance facility if FFTF.
- Low rate base – Council has capacity to increase rates through a Special Rate Variation application and this is proposed in 2016/17.
- Property values are relatively low and can be utilised to attract new residents from high mortgage belt areas.
- Youth services – continues to deliver programmes across the Shire in collaboration with Western Plains Regional Development Inc. designed to improve the education, social, health and well-being outcomes.
- Access to \$4m NSW Government Innovation Fund for improvement projects
- Mid Lachlan Alliance – this has been fairly low key

previous year.

- Recruitment/Retention - new mines could recruit council plant and engineering staff.
- Loss of skilled workers/corporate knowledge due to ageing workforce however it is proposed to try and keep older employees on a part-time or casual employment to minimise this potential loss.
- Fluctuating commodity prices and A\$.
- TCorp in its report on LSC stated that “Council is heavily reliant on operating grants and contributions from State and Federal Government and other public sector agencies. Any reduction in the historical amounts received could adversely affect Council’s operating performance.” This point is conceded however some of these cost neutral services such as Home and Community Care would simply not be undertaken by LSC if grant income was not forthcoming. We do, in our defence, point to the location and services provided by this Council. Council’s large road network contributes to this bias with substantial grant funding coming from the Federal Government for Roads to Recovery and FAG’s.
- TCorp also noted “that there is a shortfall in asset maintenance and renewals funding identified in the current AMP which highlights that Council is unable to maintain the current service levels of their infrastructure assets, especially the large road network.” The recent review of assets by Jeff Roorda and Associates has shown that Council meets these benchmarks for renewals and maintenance in its LTFP.

recently due to the work CENTROC does on behalf of its members however the opportunity exists to examine local issues common to the three councils and also resource share.

- Penrith Friendship Alliance has been of great benefit to LSC through staff exchanges, access to Penrith policies and professional staff and through sporting and cultural exchanges. Penrith and LSC are keen to further improve the alliance for the mutual benefit of both councils.

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	3.397	Yes	0.029	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.8%	No	69.5%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	76.6%	No	106.4%	Yes

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

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

The 2013/14 performance was heavily influenced by the revaluation of assets and a doubling of depreciation expense. This has been reviewed by Jeff Roorda and Associates and shown to be incorrectly assessed and calculated by engineering staff. The adjusted figures along with other measures adopted now bring Council into line to meet the targets in the future.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	29.6%	No	1.4%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	43.39%	No	101.0%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%	No	0.5%	Yes

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

The 2013/14 performance was heavily influenced by the revaluation of assets and a doubling of depreciation expense. This has been reviewed by Jeff Roorda and Associates and shown to be incorrectly assessed and calculated by engineering staff. The adjusted figures along with other measures adopted now bring Council into line to meet the targets in the future. Council does not presently have any loans and is debt free however projects to be funded by loans have been identified and included in the LTFFP.

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	3.37	No	3.29	Yes

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

The 2013/14 performance was heavily influenced by the revaluation of assets and a doubling of depreciation expense. This has been reviewed by Jeff Roorda and Associates and shown to be incorrectly assessed and calculated by engineering staff. The adjusted figures along with other measures adopted now bring Council into line to meet this target in the future.

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?

Yes

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

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

\$150,000,000. However as previously stated a review of this figure will be undertaken by Jeff Roorda and Associates over the next 12 months with the final result being able to withstand independent audit scrutiny. Currently it is an estimate by a former Engineer of Council.

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
Replace Condobolin Water Treatment Plant	2018/19	\$10,000,000	\$5,000,000 grants \$2,500,000 loan

2.4 Water utility performance

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

No

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

There were a number of projects carried over from 2013/14 which were completed along with the current year works resulting in a relatively small deficit.

Council has several towns supplied with water and sewer and due to the size of the shire long pipelines delivering water to the towns and villages. This has meant operating costs are relatively higher than other shires with only one or two water supplies. Council has in the past kept prices as low as possible even though they are still higher than neighbouring councils however that has now changed following the adoption of the long term financial plan. From 2015/16 Council has resolved to increase water and sewer prices each year over a four year period to ensure it will be at least break-even and have sufficient funds in Reserves to meet planned capital works.

2.4 Water utility performance

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

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1. Full Implementation of the Water quality improvement plan	2015-17	Documented consistent conforming water quality
2. Replacement of Telemetry	2016-19	Reliable communication and control of the network
3. Filtration installation for raw water supplies	2016-19	Improvement of raw water supply upgrade to potable water
4. Renegotiation of Enterprise Agreement	2016	reduction in operating costs

5. Introduction of pressure control by district and time of day with PRV's and remote control of valves	2019-20	Minimise water loss and pipe breakages. Further minimise unbilled water volume and overtime costs
6. Condobolin low pressure sewer construction	2016-17	Reduction in potential contamination by removal of septic tanks from river flood zone.
7. Increase water charges by 8.7% p.a for 4 years	2015-16 - 2018/19	Improved rate of return on assets and improved profitability
8. Increase sewer access charges by \$75 p.a. over 4 years	2015-16 - 2018/19	Improved rate of return and improved profitability.

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.

LSC has prepared a Council Improvement Plan which contains all the details required for Section 3. This plan is contained in Attachment 1 to the LSC submission.

LSC proposes a combination of various measures to become and remain fit for the future. Overall there are seven key strategies being proposed that will build internal capacity, increase financial sustainability and utilise regional and non-regional partnerships. These are:

1. More robust revenue base and increased discretionary spending achieved through implementation of a new long term financial plan that includes a Special Rate Variation (SRV) of 33% over 4 years from 2016/17 and a 2.5% increase to fees and charges (based on cost recovery).
2. Revised Asset Management and Asset Planning (begun by Jeff Roorda in June 2015) that shifts expenditure from new/upgrade to renewal over the next 10 years to ensure continued optimum expenditure on renewal and an increase in professional oversight of asset management.
3. Review service levels and infrastructure standards in consultation with the community to improve efficiencies, effectiveness of Council service provision and value for the rate dollar.
4. Implement an organisational re-structure and workforce strategy that includes a renegotiated enterprise agreement that will realise a range of productivity and efficiency gains.
5. Active participation in regional partnerships and non-regional alliances to improve advocacy and resource sharing.
6. Develop and implement a LSC economic development plan to attract industry, economic growth and employment.
7. Implement the recommendations of the OLG 2015 Better Practice Review of LSC to improve governance procedures.

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.

- Rate pegging to remain constant at 2.4% p.a. No allowance for access to proposed rate peg review. Rating base and population to remain static however LSC will be working hard to increase growth in the shire.
- Approval of a SRV of 5% p.a each year for 4 years plus rate pegging effective from 2016/17.
- Salaries have been increased by 3.25% and allow for predicted Award/Enterprise Agreement and superannuation guarantee levy increases up to 2018/19. They then reduce to 2.5% p.a. thereafter.
- Other rates, user charges, reimbursements and other revenue have been increased by 2.5%.
- Specific & General Purpose Grants have been increased by 2.5% excluding Financial Assistance Grant (FAG).
- The FAG will increase by 3% in 2015/16 & 2016/17 & then by 2.5%. Despite the freeze on FAGs small rural councils have been getting increases over 3% - see Attachment 6 Grants Commission June Presentation.
- Statutory Charges have been increased by 2.5% however these movements may be inconsistent.
- Interest on investments have increased by 3.1% for the first year, 3.4% for the second year and 3.5% per annum thereafter however these are subject to external influences that could cause them to move in either direction.
- Electricity has been estimated to increase by 5% per annum, property insurance by 9% per annum for 3 years then 2.5% p.a. thereafter and Workers Compensation Insurance by 3.5%.
- Street lighting costs have been increased by 13% p.a. for 3 years then by 2.5% thereafter.
- Materials and other expenses have been increased by 2.5% and these are also subject to external factors.
- Commonwealth Financial Assistance grant is considered to be "own source income" for the purpose of this Plan.
- No allowance for disasters e.g. flood grants and associated expenditure which can impact on the works program.
- No allowance for grants received from the \$4m Innovation Fund which could be used to fund some projects below.

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.Minimise Council's Exposure to Risk	Develop, in conjunction with staff, an Enterprise Risk Management Plan	By Dec 16	Risks are identified and mitigation measures put in place	Operating Performance Ratio could be improved if financial risks minimised
2. Increased Revenue Base and Increased Discretionary Spending	Apply for a special rate variation of 33% over 4 years	By Feb 2016 for 2016/17	Additional \$1.5m p.a. rate revenue raised from year 4	Own Source Revenue and Operating Performance ratio improved. Spending capacity increased to improve Building & Asset Renewal ratio, Infrastructure Backlog ratio and Asset Maintenance

				ratio.
3.Increase Funding for New Infrastructure	<p>Develop and adopt a Section 94A Contributions Plan</p> <p>Commenced</p>	By July 2016	Estimated \$40k average extra revenue per year	Building & Asset Renewal ratio improved
4.Reduce Asset holdings	Examine assets not required for operations such as housing, plant, commercial premises, land, etc. and utilise sale income for asset renewal and reducing infrastructure backlog.	Ongoing to 2019/20	Funds estimated at around \$1m should become available over the next 4 years. Depreciation expense reduced	<p>Improve Building & Asset Renewal ratio, Infrastructure Backlog ratio.</p> <p>Minor reduction in Own Source revenue due to loss of rental income.</p>
5.Operating Costs Reduced	Reduction of donations budget for community groups, schools, individuals to \$16,000 p.a.	By 2016/17	Council has additional funds of \$100,000 p.a. to reduce backlog and renew assets.	Improved Operating Performance, Building & Asset Renewal, Infrastructure Backlog and Real Operating Expenditure Ratios.

6. Develop Internal Audit Capacity	<p>Engage an independent Internal Auditor to prepare an internal audit plan from the Enterprise Risk Management Plan and undertake internal audit function.</p> <p>Funding allocated in 2015-16 budget</p>	By June 2017	Improved governance and mitigation of potential financial and other risks to the organisation	Potential improvement on Operating Performance ratio if financial risks mitigated
7. Organisation Structure has relevant Skills and Capability to be FFTF	Review organisation structure and workforce strategy (following review of service levels) to determine if staff levels and skills are appropriate to deliver services as required	By December 2016	Workforce capable of completing the Improvement Plan and functions of Council	Impact on Operating Performance ratio depending on staff requirements.
8 Increased Economic Development in the Shire	Prepare and implement an Economic Development Plan to increase investment, employment and population.	By September 2016	Increased business activity and confidence, employment opportunities created and new residents. Sale of council land.	<p>Impact on Operating Performance ratio if rates increase from sale of land and S94A contributions paid.</p> <p>Infrastructure</p>

Construct new tourism infrastructure including Jockey Garden Memorial

Commenced

Backlog and building and Asset Renewal ratio improved.

Real operating Expenditure ratio improved with pop increase.

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.

Again please refer to Attachment 1 for the detailed Improvement Plan. This section identifies the main strategies to achieve and improve performance against the Infrastructure Backlog Ratio, Asset Maintenance Ratio and Debt Service Ratio. Infrastructure planning and asset management is reflected in the LSC Resourcing Strategy and reviewed in accordance with IP&R requirements. This enables Council to efficiently apply its allocated resources to maintain and implement an asset renewal program for each category of infrastructure. Modelling of maintenance and renewal requirements over 10 years is based on condition assessments, statistical analysis of historical asset investment, and existing asset conditions, taking account of the need for new or upgraded services. This process forms the basis of the proposed annual Capital Works program and ensures that a longer term focus is maintained to account for which will be required in future years. Over the next 12 months the various Asset Management Plans will be reviewed and aligned with the LTFP to ensure that a robust financial model provides for the appropriate investment in assets and services.

Although generally focussing on improving services and best practice delivery LSC will also undertake a Service Level Review to examine the impact of reduced or increased budget allocations on levels of service. This will provide information around what levels of service the community is willing to pay for, which in turn will determine the optimal service level to meet community expectations while maintaining long term financial sustainability. This review also has the potential to identify any operational savings; however these have not been incorporated into the assumptions as they cannot be quantified at this stage.

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

Key assumptions underpinning all strategies within this section are:-

- A loan of \$1.9 million will be secured through the TCorp borrowing facility (this is in addition to borrowings in the Water Fund). This will be the first borrowing by this Council which did have a policy of not borrowing.
- Council's Infrastructure backlog for 2016/17 and onwards is the same as that calculated by Jeff Roorda and Associates in June 2015 – see Attachment 2 – JRA Infrastructure Assessment Report. This has a significant positive impact on various ratios.
- Asset Management Plans will gradually shift expenditure from new / upgrade to renewal over the next 10 years to ensure continuing optimum expenditure on renewal
- Renewal, maintenance and operational costs of any new assets within this period will be costed and incorporated into the Asset Management Plans.
- Service level review to be undertaken in-house with extensive community consultation.
- No allowance in future budgets for any operational savings as a result of changing service levels or efficiencies identified during the reviews
- Depreciation expense overstated by \$6.6m in 2013-14 to be adjusted going forward from 2014-15.
- No allowance for natural disasters which can impact on the completion of projects in the works program.

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
1.Assess Current Level of Customer Satisfaction	Engage Micromex Pty Ltd to undertake a customer satisfaction survey to assess satisfaction and importance of services provided by LSC	By September 2016	Council gauges level of satisfaction and which services are considered less important.	No direct impact, however will assist in determining service levels that may impact on all benchmarks
2.Determine Levels of Service Required by the Community	Review service levels using methodology developed by UTS:CLG Service Delivery Review in Australian Local Government Report.	By June 2017	Service levels and mix of services are appropriate and at levels agreed to by the community	All benchmarks could be impacted if services and service levels change
3.Building Assets Valued Correctly	Engage independent professional valuer to assess all building assets and determine cost to bring to a satisfactory standard.	By June 2016	Correct valuations and condition assessment of building assets. Identification of future programmed	Potential impact on Operating Performance Ratio and Infrastructure Backlog Ratio if cost of bring to satisfactory

	Develop programmed maintenance plan and incorporate into the Asset Management Plan		maintenance needs.	is substantially different
4.Road Infrastructure Assets Condition Assessment is Accurate	Engage independent professional engineer to assess all road infrastructure assets and determine cost to bring to a satisfactory condition.	By June 2016	Correct valuations and condition assessment of road assets	Potential impact on Operating Performance Ratio and Infrastructure Backlog Ratio if cost of bring to satisfactory is substantially different
5.Reduction in Infrastructure Backlog	Ensure inter-generational equity for new or upgraded long life assets by utilising loans as a source of funding	By June 2017	Showground Hall replaced from loan funds estimated at \$1.9m	Asset Renewal & Infrastructure Backlog Ratios improved Debt service ratio increased.
6.Asset Management Plans that align with LTFP	Asset management plans to be reviewed in-house and integrated with the Long Term Financial Plan	By June 2016	AMP's that fully integrate with the LTFP	Building & Asset Renewal and Asset maintenance ratios may be impacted

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.

This section identifies the main strategies to demonstrate a reduction in Real Operating Expenditure per capita over time. With regard to operational budget savings, Council operates a long established discipline in the preparation of its annual budget of limiting operating costs, other than employment related costs, at the previous year's level plus a CPI increase. It is proposed to implement Zero Based Budgeting within the next two years to help ensure annual operational efficiencies are maximised, any "fat" in the budget has been eliminated and opportunities are provided to allow for the expansion of functional areas in a prioritised approach.

LSC must also renegotiate its expired Enterprise Agreement which has generous untaken sick leave payouts on termination. LSC is one of the last councils with this employment entitlement and management will endeavour to remove it from the Enterprise Agreement via a sunset clause for current staff and removing it altogether for future staff. Weekly pays are also a luxury that could be eliminated in favour of fortnightly pays which would allow the payroll officer to focus on other personnel matters such as management of untaken leave. Work to renegotiate this agreement has already commenced, though no assumptions have been made at this time around the level of ongoing savings.

LSC will also expand on its strategic alliances with Penrith Council and the Mid Lachlan Alliance to make further efficiencies and savings.

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

Key assumptions include:

- A static population level over the next ten years.
- Annual operating expenditure has been deflated by the anticipated CPI and LG Index of 2.5%.
- Staffing levels remain relatively static however it is noted this could change depending on new technologies or service level reviews undertaken by Council.
- The Enterprise Agreement is satisfactorily renegotiated in a timely manner.
- LSC remains an active member of the Central West Joint Organisation which will be established later in 2015.
- No savings from the measures proposed below have been included in future budgets. Any savings made can be used to address infrastructure backlogs, maintenance or asset renewal
- Ongoing friendship agreement with Penrith City Council provides access to staff expertise and assistance across a variety of operational areas

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.Zero Based Budgeting (ZBB) introduced	GM has successfully introduced ZBB at Blacktown and Broken Hill and will implement it again at LSC.	For 2016/17 Financial year	Reduced operational costs and inefficiencies	Operating Performance ratio should be enhanced
2.Reduced overtime levels	Revise current work practices	By December 2016	Reduced overtime expenditure	Operating Performance ratio should be enhanced
3.Reduce costly conditions in the LSC Enterprise Agreement	In conjunction with Penrith City Council HR Department negotiate a new Enterprise Agreement to eliminate payment of untaken sick leave on termination and introduce fortnightly pays. Commenced	By June 2016	Reduced leave liability and improved efficiencies in payroll	Operating Performance ratio should be enhanced

4.Reduction in Employee Leave Liability	Monthly leave balance report to be distributed to managers who are required to coordinate leave plans for individuals with excessive leave	Ongoing	Reduction in leave liability Staff benefit from taking leave for the purpose it was given.	Operating Performance ratio should be enhanced. Works program could be delayed due to staff shortages
5.Appropriate delegations are in Place for all staff and councillors	Review all delegations and staff being delegated functions. Revise annually. Commenced	Ongoing	Increased clarity of roles, more timely decision making and improved customer service	Works program completion rate enhanced
6.A strong friendship alliance with Penrith City Council	Ensure offers of assistance and expertise of Penrith Council staff are taken up to improve governance processes and build staff capacity Commenced	Ongoing	Increased efficiencies and reduced costs	Operating Performance ratio should be enhanced
7.Revive Mid-Lachlan Alliance	Meet with other members and develop opportunities for Resource Sharing. Formal MOU established. Commenced	By Dec 16	Increased efficiencies and reduced costs. Opportunities to increase income from private works.	Operating Performance ratio should be enhanced

8.Be an active member of the Central West JO	<p>Continue to have relevant staff on the various working committees of the JO to take advantage of its scale and capacity.</p> <p>Commenced</p>	<p>Ongoing</p>	<p>Improved efficiencies from greater scale of JO and reduced costs in areas such as procurement, resource sharing and tendering.</p> <p>Increased opportunities for grants applied for by the JO.</p>	<p>Operating Performance ratio should be enhanced.</p> <p>Potential grants could impact on asset renewals and Infrastructure backlog ratios.</p>
9. Major Assets Managed Effectively	<p>Prepare plans of management for Gumbend Lake Recreational Area and Showground Racecourse.</p>	<p>By July 2016</p>	<p>Economic & community benefits enhanced from these major assets.</p>	<p>Increased usage will improve Operating Performance Ratio</p>

3.4 Improvement Action Plan

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

Action plan

ACTION	MILESTONE
1. Apply for a special rate variation of 33% over 4 years	By February 2016 for 1 July 2016
2. Develop and adopt a Section 94A Contributions Plan Commenced	By June 2016
3. Examine assets not required for operations such as housing, plant, commercial premises, land, etc. and utilise sale income for asset renewal and reducing infrastructure backlog. Commenced	Ongoing to 2018/19

<p>4.Reduction of donations budget for community groups, schools, organisations and individuals to \$16,000 p.a.</p> <p>Commenced</p>	For 2016/17
<p>5.Develop, in conjunction with staff, an Enterprise Risk Management Plan</p>	By December 2016
<p>6.Engage an independent Internal Auditor to prepare an internal audit plan from the Enterprise Risk Management Plan and undertake internal audit function.</p>	By June 2017
<p>7.Review organisation structure and workforce strategy following review of service levels to determine if staff and skill levels are appropriate.</p>	By December 2016
<p>8.Prepare and implement an Economic Development Plan to increase investment, employment and population. Construct Jockey's Garden Memorial.</p>	By September 2016
<p>9.Engage Micromex Pty Ltd to undertake a customer satisfaction survey to assess satisfaction and importance of services provided by LSC</p>	By September 2016
<p>10.Undertake a service level review in line with the ACELG Service Delivery Review in Australian Local Government Report.</p> <p>To commence in 2016</p>	By June 2017

11.Engage independent professional valuer to assess all building assets and determine cost to bring to a satisfactory standard. Develop a buildings programmed maintenance plan	By June 2016
12.Utilise loans as a source of funding for the construction of the Showground Hall – access TCorp borrowing facility.	By June 2016
13.Asset management plans to be reviewed in-house and integrated with the Long Term Financial Plan	By June 2016
14.Engage independent professional engineer to assess all road infrastructure assets and determine cost to bring to a satisfactory condition.	By June 2016
15.Introduce Zero Based Budgeting (ZBB)	In place for 1 July 2016
16.Revise current work practices to reduce costs and improve efficiencies	By June 2016
17.Negotiate a new Enterprise Agreement and eliminate payment of untaken sick leave on termination and introduce fortnightly pays. Commenced	For 2016/17
18.Establish leave plans for individuals with excessive annual and long service leave - Commenced	Ongoing

9. Review all delegations and staff who have delegated functions. Commenced	Ongoing
20. Strengthen Friendship alliance with Penrith City Council and utilise their staff and expertise to improve governance processes. Commenced	Ongoing
21. Develop a formal MOU with the Mid Lachlan Alliance (Forbes, Parkes and Lachlan) setting out opportunities for Resource Sharing. Commenced	By December 2016
22. Assign relevant staff to the various working committees of the CENTROC JO.	Ongoing
23. Develop Management Plans for Gumbend Lake Recreational Area and Condobolin Showground/Racecourse.	By December 2016

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

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

Key processes underpinning the development of the Action Plan:

- Community consultation was initially undertaken in 2013 following the release of the Independent Local

Government Review Panel and the suggestion of a possible merger. The public meeting saw some 700 persons opposing any merger and this resulted in the “Keeping Lachlan Local” campaign.

- Council staff have been made aware of the Plan at various staff meetings and consultative committee meetings held by MANEX members and through staff newsletters.
- The Long Term Financial Plan and FFTF Submission have been peer reviewed by Penrith City Council following a visit to the Shire on the 17th-19th June 2015.
- Asset Management Plans, Infrastructure backlog and Required Maintenance have been reviewed and adjusted where necessary by Jeff Roorda & Associates (see Attachment 2) and incorporated into the Resourcing Strategy and relevant targets and measures.
- An Independent Community Survey was conducted by Micromex Pty Ltd in June 2015 (see Attachment 4). The results indicated that the community is 90% against any merger with Parkes and 61% are supportive of the proposed Special Rate Variation seeking 33% over 4 years to ensure LSC meets the IPART targets and measures into the long term.
- A Preliminary Economic Development Plan has been prepared by the Foundation for Regional Development (see Attachment 8) which provides a roadmap to economic growth and employment.
- Various Council/MANEX strategic workshops have been held in the preparation and development of this Plan which was adopted on 24th June 2015. Despite significant cost cutting measures, fees and charges increases and the proposal for a Special Rate Variation it could be expected that a Council could be divided over certain issues. However, Council has been united throughout the process as it realised that much needed to be done for it to become FFTF. Prior to 2015/16 LSC did not meet any targets (Excluding FAG from own source income). From the start of the 2016/17 financial year and into the future LSC meets all the FFTF targets.
- Public meetings were held at Tottenham, Condobolin and Lake Cargelligo during June 2015. The results of this community engagement also revealed strong support for both not merging with Parkes and ensuring LSC is FFTF.

3.5 Other actions considered

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

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

As it was an option presented by the Independent Local Government Review Panel, a merger with Parkes was considered as part of preparing the Fit for the Future submission. The results of the community survey plus feedback at community forums indicated that the Lachlan Shire community is not in favour of this option and would prefer to support a Special Rate Variation and increased fees and charges in order to secure Lachlan's long term financial sustainability. Parkes Shire Council was also not in favour of merging.

Once the option to merge had been considered and rejected the majority of strategies suggested by staff, Councillors and the community have been incorporated into this Plan. Modelling based on these strategies indicates that LSC will meet benchmarks from 2016/17 onwards and additional strategies are not considered necessary at this time. As actions within the plan are complete it is expected that additional follow on actions will be identified. Lachlan is committed to a program of continuous improvement so future strategies to increase sustainability will be investigated, evaluated and, where appropriate, implemented. This will ensure Lachlan continues to build the long term financial sustainability required to deliver services to the community.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	4.207	-0.087	0.029	0.059	0.044	0.060	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	60.2%	62.3%	69.5%	69.2%	71.9%	72.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	88.9%	87.6%	106.4%	116.8%	110.5%	109.2%	Yes
Infrastructure Backlog Ratio (Less than 2%)	12.4%	6.2%	1.4%	1.0%	0.7%	0.6%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	61.8%	81.6%	101.0%	102.9%	104.2%	104.5%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0%	0.2%	0.5%	0.7%	0.7%	0.7%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	3.48	3.53	3.29	3.19	3.17	3.16	Yes

Note: IPART will assess this table in accordance with section 3.3 in the [Methodology for Assessment of Council Fit for the Future Proposals](#)

*if your council is including FAGs in this calculation please provide information for years 2020/21 to 2024/25 on the following page.

4.1 Expected improvement in performance (rural with FAGS considered*)

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.07	0.078	0.079	0.079	0.079	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	72.7%	72.8%	72.9%	73.1%	73.2%	Yes

*Includes councils in OLG groups 8,9, 10 and 11 only. See page 42 of IPART's [Methodology for Assessment of Council Fit for the Future Proposals](#)

4.1 Expected improvement in performance

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

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

Council meets all the benchmarks.

This Council Improvement Plan is designed to further improve the corporate and financial capability of LSC and to prepare the organisation to meet the challenges of the future. It is both ambitious and measured in its approach to enable the Council to build capacity whilst continuing to deliver day to day services to the community.

The plan will improve performance in a number of ways. These include:

- Increasing income long term through the proposed SRV
- Updating practices around asset management, including linkages to the long term financial plan
- Reviewing the organisational structure, work practices and policies to ensure that they are contemporary and reflect the needs of the organisation going forward
- Working with the community to build economic growth and maximise opportunities provided through tourism
- Building on regional and non-regional partnerships to increase skills, access expertise and look at opportunities for cost saving

These changes are all long term, reshaping council to better meet the challenges faced by rural councils going forward. They will also instil a culture of change and productivity. This recognition of the need to change is a critical part of implementing this plan and will also deliver long term improvements to performance.

It should again be noted that LSC will meet all the performance targets and measures (excluding averaging from previous years results) from 2016/17 onwards. Council is implementing this comprehensive program to ensure that it continues to improve its performance against the benchmarks and to deliver the services and facilities requested by the community at the most optimal cost. The recent Better Practice Review recommendations by the OLG which are included in this Plan will be implemented by September 2016 and these will also assist in improving LSC's ongoing future performance.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3. The General Manager in conjunction with the other members of the Management Executive Team (MANEX) will be responsible for implementing the plan and for reporting progress of the Plan on a monthly basis to both Council and the Internal Audit Committee. This plan outlines individual responsibilities within this group for each action. A standard Report will be presented detailing the status of each strategy and action, the owner or owners of the strategy/ action and the expected completion date for the action. While this Plan details actions from 2016/17 onwards it is expected that a number of the actions will be either well progressed or completed in the coming 12 months. Funding and resources have already been allocated in many cases and work required incorporated into the Operational Plan for 2015-16.

Some actions such as the service level review and Special Rate Variation application will require community consultation. Other actions involving partnerships include the Internal Audit function, the Internal Audit Plan and the engagement of professional consultants to assess building valuations and the infrastructure backlog that will withstand independent audit scrutiny. This has been planned for and will occur in the coming months. In some cases the results of this engagement will shape future actions. LSC will be applying for funds under the \$4m Innovation Fund to assist with the plan implementation.

Council will be fully utilising its membership of LGNSW, IPWEA, LG Professionals, CENTROC Joint Organisation, Mid Lachlan Alliance and Penrith City Council Friendship Alliance to provide it with the necessary scale and capacity for effective regional collaboration, credibility for effective advocacy, innovation, knowledge and resource sharing and for being an effective partner with other levels of Government and their agencies.

All the projects and actions are linked to future Operational Plans and Delivery Programs however those actions that may result in cost savings have been excluded from the Long Term Financial Plan at this stage as the quantum of savings is unknown. These include actions such as the introduction of Zero Based Budgeting, renegotiation of the Enterprise Agreement, sale of assets such as the Condobolin Nursing Home (which could net in excess of \$10m plus reduction in ongoing costs) organisational staff reviews, reduction in employees leave liability and savings from alliances and the CENTROC JO - estimated 5% in the future (see Attachment 7). Should these actions result in net savings it will simply improve performance against all benchmarks and allow Council to deliver a higher quality of services to the community.