

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:

Tamworth Regional 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.

Tamworth Regional Council (TRC) has made the decision to follow the recommendations of the Independent Local Government Review Panel and proposes to continue in our existing form. TRC also agree with the recommendation that it participate in the creation and ongoing operations of a Joint Organisation of Councils (JOC) for the Namoi Region.

Tamworth Regional Council has made this decision based on the following reasons:

1. TRC currently meets five of the seven benchmarks and has proactive programs in place to address the remaining two items;
2. In May of 2014 TRC undertook an independent community satisfaction survey where 91% of the community gave a satisfaction rating of 'somewhat satisfied' or better;
3. TRC has undertaken a comprehensive service review process to ensure TRC's resources are focused on meeting the communities' service level expectations. This service review process identified opportunities for structural change that would allow for scaling of skills and resources in accordance with community and operational needs, and
4. Tamworth Regional Council believes that a strong JOC for the Namoi region will deliver the intended goals of:
 - a. Regional strategic planning;
 - b. Stronger working ties with the state government;
 - c. Regional leadership and strategy; and
 - d. Shared skill opportunities.

TRC does not currently meet the **"Operating Performance Ratio"** over three years. TRC meets this criteria in the 2014/15 financial year and through a continuation of existing process and performance will meet this benchmark in the short to medium term.

The second benchmark TRC does not meet is the “***Building and Infrastructure Renewal Ratio***”, TRC does not expect to ever exceed the ratio as exceeding the ratio would indicate an increase in service levels which we are not proposing at this time. In order to meet this criterion TRC is continuing to fund its assets renewal programs in line with asset management plans to ensure TRC assets remain operating at existing service levels.

Through the community satisfaction survey TRC is confident it is providing the community with good services and good value taking into account all services currently provided (both regulated and discretionary).

The service review process undertaken by TRC has also contributed to significant operational savings that have been redirected to TRCs asset management programs in addressing TRC’s asset renewal gap.

In being part of the Namoi *pilot* JOC, discussions have already commenced and actions planned around regional planning and skills sharing opportunities. TRC expects this to offer strong opportunities to all JOC members and that these opportunities will increase as the JOC is further established and trust and relationships are strengthened.

Tamworth Regional Council is confident it has the scale and capacity along with the improvement plan in place to continue to operate as a strong NSW local government body. The service review process commenced a period of continuous improvement for TRC and Council expects to grow its scale and capacity into the future through improved internal operational processes along with the opportunities that will be achieved through our involvement in a strong JOC.

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).

Not applicable

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.

Tamworth Regional Council was established in 2004 and is one of the largest Councils in inland NSW. The Council has an annual operating expenditure of approximately \$120 Million and is a major regional employer of around 550 staff.

TRC Local Government Area covers 9,650 square kilometers and situated halfway between Sydney and Brisbane on the inland corridor. The City of Tamworth is the hub of a regional council of almost 60,000 people that includes the smaller townships of Barraba, Manilla and Nundle.

The Tamworth region is in a strong economic position with a Gross Regional Product (GRP) estimated at \$2.51 billion, representing 0.5% of the state's Gross State Product (GSP). Annual GRP has shown continued steady growth for the past 10 years, growing annually at a steady rate of 1.3% that has made the region an attractive destination for business and investment.

The region plays host to 26,000 jobs with unemployment currently sitting at 6.25% and remaining steady since 2011. The economy has traditionally been dominated by agriculture but has transitioned over the past decade to other industries, with retail trade now being the region's largest industry with 14.2% of the regions employment, followed by health care and social assistance (12.8%), manufacturing (11%), and construction (8%). Major capital investment and growth in the economy is expected over the coming five years including the establishment of a major rail freight intermodal and a significant expansion in the food processing industry.

Keychange 2023 was the first revision of TRC's 10-year Community Strategic Plan (CSP) developed for the Tamworth Region in 2012.

The Tamworth Regional Council's CSP identifies a clear strategic direction and the vision for the future. It is a community plan based on information provided by the community. The CSP consists of:

- Vision and Values
- Themes and Outcomes
- Strategies to achieve our vision
- What residents, businesses and community members can do to help achieve our vision
- What Council will measure to track progress towards achieving the vision

This is supported with Tamworth Regional Council's corporate vision, '***committed to our people in delivering excellence to our community***'. TRC achieve this through our values of Accountability, Safety and Health, Customer Orientation, Equity and Teamwork.

Tamworth Regional Council is aware that the community has an expectation that their regional centre will provide services that are on par (or at least comparable) with those found in larger metropolitan cities. Council is also acutely aware it has a much smaller population base to generate the required revenues in order to provide these facilities. As a result the infrastructure we provide is much more expensive per capita because of a lack of density in our population (eg a 500m water main in Sydney might service several thousand residents, but in regional are as it could be less than a hundred even though they cost a similar amount to build and maintain).

There is also a migration of the TRC older demographic from smaller towns into regional centres to access health and other services and if significant investment isn't made into infrastructure then regional centres will reach capacity and put pressure on growth which then leads to greater pressure on capital cities and their surrounds. Tamworth Regional Council sees a large opportunity for its residents and nearby councils to further establish a region for the future that provide strong facilities and growth in a sustainable manner.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong financial position • Access to strong resources • Regional transport hub • Consistent growth • Apolitical leadership 	<ul style="list-style-type: none"> • Regional Infrastructure (State/Federal) – • road / rail network to regional Australia • Affordable broadband services (NBN delay in rollout)
Opportunities	Threats
<ul style="list-style-type: none"> • Outsourcing our services • Working closer with neighbouring councils, (Namoï) • Federal/State programs • Ongoing service improvement programs • Managed and shared service opportunities 	<ul style="list-style-type: none"> • Reduction in FAGs • Change in Government/Focus • Competition for residents from other regional centres • Water security

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)	-0.035	NO	0.010	YES
Own Source Revenue Ratio Ratio (Greater than 60% average over 3 years)	67.97%	YES	73.84%	YES
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	66.01%	NO	76.94%	NO

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

- 1. Operating Performance Ratio:** TRC currently meets the criteria but due to the three year average we fall below. TRC will continue to meet this criteria in the future
- 2. TRC meets the Own Source Revenue Ratio**
- 3. Building and Infrastructure Asset Renewal Ratio:** TRC never expects to exceed the ratio as exceeding the ratio would indicate an increase in service levels which we are not proposing at this time. In order to meet this criteria TRC is continuing to fund TRC assets renewal programs in line with asset management plans to keep our assets operating at existing service levels. TRC does not meet the ratio over three years and although in the 2013/14 year TRC was much closer to meeting the ratio and expects to remain close in the future, TRC's focus is to continue to fund infrastructure at current service levels based on current asset management plans.

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%)	0.36%	YES	0.36%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	96.70%	NO	100.00%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	4.71%	YES	5.00%	YES

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

Benchmarks are achieved

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>	Decreasing	Yes	Decreasing	Yes

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

Benchmarks are achieved

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.

TRC complies with all requirements except complying charges in relation to the 25/75% split between annual charges and user charges.

A report has been presented to Council on this matter and Council resolved to not move towards compliance.

Council agrees that water should raise sufficient funds to cover maintenance, renewal and upgrade works, but how these funds are raised is a matter for council to determine.

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

\$25,833,000

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
Upgrade Pump Stations and New Rising Mains Westdale WWTP	2016/17-2017/18	\$7.41M	Nil
Construct parallel Sewer Main Tamworth	2017/18	\$3.4M	Nil
New intermediate Reservoir Hills Plains	2017/18	\$3.57M	Nil
New Rising Mains Tamworth	2018/19	\$1.74M	Nil

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.

Not applicable

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
Increased remote management technology services at water facilities	12-24 months	<ol style="list-style-type: none"> 1. Increased ability to remote manage water facilities leading to more effective services and shorter resolution time. 2. Consistent processes across water facilities 3. Safer work environment as more can be done remotely rather than driving to remote locations
Implementation of an integrated electronic work order system	12 months	<ol style="list-style-type: none"> 1. Integrated work order solution to allow less work to be done from the office and more in the field 2. Improved data collection and predictions regarding future works 3. Improved Works-as-Executed processes and strategic asset management information

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. Functional service reviews to identify opportunities for recurrent savings and productivity improvements.
2. Stronger community engagement to ensure council and the community has an open and honest discussion around service levels and what can be achieved within existing resources.
3. Consider SRV for new capital works and their associated operational costs following consultation with the community.
4. Maintain asset management plans to ensure council is aware of the real costs associated with maintaining infrastructure at agreed service levels.
5. Continue to use managed and shared opportunities to optimise service levels and funds. This would consider both where Council utilise managed services but also where Council can provide a managed service to increase revenue.

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.

- In 2011 Tamworth Regional Council applied for a 17.6% SRV to fund its asset renewal gap. TRC was successful in obtaining an 11% rise. Council, at the time, committed to funding the balance of any asset renewal gap through operational savings and has undertaken an intensive service review program during the 2013/14 and 2014/15 financial years. This service review program has identified over \$2 million in annual recurrent savings from operational funds.
- Council will also continue to review its structure and functions to ensure that resources are allocated appropriately to the areas of council's priorities and apply an approach to continuous improvement.
- Strong asset management requires unspent funds from one year are not used as one-offs for future years which then create future obligations. All new capital works must be funded based on a whole of life cost.
- Asset data will improve leading to more accurate estimates on useful lives and the impact on depreciation

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Fund asset renewal gap through operational savings	Functional service reviews to identify opportunities for savings and productivity improvements	<ol style="list-style-type: none"> 1. Completion of service review process 2. Updated asset management plans 	Asset renewal gap fully funded	Improves asset related measures
Increased revenue	Fee for service managed service opportunities	Identified opportunities for fee for service opportunities	<ol style="list-style-type: none"> 1. Reduces pressure on cost cutting 2. Opportunities or greater economies of scale 	Improves efficiency ratios if income is achieved in profitable manner
Reduced expenses	<ol style="list-style-type: none"> 1. Work with other councils to deliver joint projects to reduce overheads and duplication 2. Fee for service managed service opportunities 	Identified opportunities for resource sharing to improve efficiency and reduce costs	<ol style="list-style-type: none"> 1. Improved use of resources 2. Increased value for money 	Improves efficiency ratios

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.

Improved asset condition data and strategic asset management planning to ensure asset management decisions are based on the most up to date information and optimised scenarios:

- Improved operational techniques
 - Optimise materials costs
 - Increased productivity
- Optimise loan funds against asset renewals. Loans to be used for capital works only
- Improved loan effective funding rate
- Work with other councils to build effective regional strategies

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

- Improved asset condition data to ensure asset management decisions are based on the most up to date information
- Improved and cost effective operational techniques
- Availability of strong funding sources at increasingly competitive rates
- Willingness of other councils to build effective regional strategies

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
Current asset condition data and 10 year capital and operational works programs forecast	<ul style="list-style-type: none"> Increased staff with asset data capture capabilities Improved strategic asset management capabilities 	<ol style="list-style-type: none"> Yearly review and currency of asset management plans Multiple scenarios evaluated 	<ol style="list-style-type: none"> Stronger asset management data, consistency and strategic value Flexibility to evaluate options against community expectations 	Improves confidence of sustainability measures
Improved operational techniques	<ul style="list-style-type: none"> Reduced materials costs through new techniques Increased productivity through increased output from crew and machinery 	Industry wide improvements	Greater plant utilisation and output	Improves efficiency
Work with other councils to build effective regional strategies	Participate in Namoi JOC and drive regional strategy opportunities	Documented strategies, actions and timeframes for regional strategy opportunities	Stronger regional planning and resource optimization	Improves efficiency

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.

- As mentioned above, TRC has had steady growth of 1.3% over the past ten years. To improve our efficiency performance one of TRC's strategies is to retain its operating expenditure as close to the previous financial year as possible whilst servicing an increasing population such that the cost of providing services reduces on a per capita basis as efficiencies improve
- Continue to invest in programs to increase economic development and growth (e.g. Evocities program)

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

- Continued growth at 1.3%

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Retain its operating expenditure as close to the previous financial year as possible	<ol style="list-style-type: none"> 1. Only automatically increase budgets where required by contractual obligation 2. Target CPI % as process improvement target 	<ul style="list-style-type: none"> • Service delivery met within operational budgets • Demonstrated service delivery within operational budgets 	Service level obligations met at reduced effective budget	Requirement to ensure asset renewal funding requirements are not impacted
Continue to invest in programs to increase economic development and growth	<ol style="list-style-type: none"> 1. Continue involvement in Evocities program 2. Review and update regional economic development strategy 	<ul style="list-style-type: none"> • Increased population from residents introduced by Evocities • Increased economic development across nine core target industries 	Increased population Increased economic development	No impacts on other measures

3.4 Improvement Action Plan

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

Action plan

Actions	Milestones
1. Completion of organisational wide service review process	<ol style="list-style-type: none"> 1. Finalisation of operational structural review to optimise operational capacity 2. Finalisation of executive management structural review to create strategic capacity
Creation of Namoi JOC and initial set of regional strategies identified and completed where time and resources allow	<ol style="list-style-type: none"> 1. Namoi JOC formally set-up as long term entity (ie moved beyond pilot JOC) 2. Namoi JOC staffed 3. Initial set of regional strategies identified (e.g. regional transport strategy)

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

Council developed its action plan from scheduled planning and feedback received through the Integrated Planning and Reporting process. This encompasses discussions with operational staff, elected representatives and community members through formal meetings and informal conversations. Through this process, council re-evaluated its program of works and established a plan for the future including short term and long term planning. These actions, as a result of being incorporated into the Integrated Planning and Reporting processes will have their progress reported to the Council and available to the public on a regular basis.

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.

- The Tamworth Regional Council has made a conscious decision that service levels are not to deteriorate from current service levels. Should this need to be reconsidered it would be done so following an extensive community consultation process.
- As the largest council in the region, TRC wants to ensure it is able to play a constructive role in the Namoi JOC but also ensure:
 - TRC is seen as a proactive but not domineering member of the JOC, and
 - The impacts of TRC involvement in the Namoi JOC provides positive outcomes to TRC residents and visitors based on the resources allocated to the JOC.

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)	-.0210	0.0030	0.0101	0.0188	0.0202	0.0277	YES
Own Source Revenue Ratio (Greater than 60% average over 3 years)	71.33%	73.17%	73.84%	73.60%	74.37%	74.14%	YES
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	83.61%	88.51%	76.94%	77.53%	73.04%	73.95%	NO
Infrastructure Backlog Ratio (Less than 2%)	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	4.52%	4.89%	5.00%	5.29%	5.06%	4.88%	YES
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.47	1.18	1.17	1.11	1.09	1.08	YES

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.

If, following the implementation of all of the improvement program, TRC does not achieve all of the fit for the future benchmarks we believe this will be due to either one or a combination of the following reasons:

- Additional tasks required to be undertaken by TRC that are not transferred or taken on with appropriate funding;
- Reduced external grant funding;
- Change of service level expectations by the community;
- Asset management plans that determine that the cost of maintaining existing assets is less than the 100% required in the Building and Infrastructure Asset Renewal ratio; and
- Greater than expected increase in operational assets (e.g. gifted assets).

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

- All Fit for the Future Improvement Action Plans will be incorporated into the existing Integrated Planning and Reporting (IPR) Framework.
- Key Performance Indicators (KPIs) will align with our planned outcomes, in line with our 4 year Delivery Program and our Annual Operational Plan.
- Reporting on our performance against these plans will be reported to the community on a 6 monthly basis including statistics on delivery and financial performance, this will report our progress against our existing plans, how our improvement plan is making a difference as well as identifying any future areas for improvement.
- Tamworth Regional Council sees Fit for the Future, not as a separate reporting entity, though as an indicator against what we currently deliver