

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:

Wingecarribee Shire Council

Date of Council resolution endorsing this submission: **24 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.

On 10 September 2014 the NSW Government released its response to the Independent Local Government Review Panel's (ILGRP) Final Report through its reform program, Fit for the Future. ILGRP identified that Wingecarribee Shire Council (Council) to stand-alone as a council and was not recommended to merge with neighbouring councils. As such, Council has prepared a Fit for the Future Improvement Proposal to improve performance against each of the three Fit for the Future criteria of sustainability, infrastructure and service management and efficiency.

The Office of Local Government's self-assessment tool, which includes seven measures, was used to assess performance against the three Fit for the Future criteria. Council currently meets only two of the seven measures, these are, own source revenue ratio and debt service ratio. Council currently does not meet operating performance ratio, building and infrastructure asset renewal ratio, infrastructure backlog ratio, asset maintenance ratio and real operating expenditure per capita. As with many other NSW councils, Council is faced with the challenge of ageing infrastructure and a resulting infrastructure and maintenance backlog.

In response to the Fit for the Future reform Council's Improvement Proposal outlines a number of strategies which will be implemented to improve performance against the Fit for the Future criteria. Key strategies include:

- Apply to Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation for a period of four years
- Implement Work Health Safety initiatives to reduce workers compensation premiums to at or below industry average
- Undertake a strategic and comprehensive review of fees and charges

- Undertake a review of Council's assets to gain a better understanding of utilisation rates
- Continue to review asset management systems and asset condition data to ensure the annual depreciation costs reflect actual asset consumption
- Fully fund asset renewal program by 2021
- Adopt and implement new optimisation tools to refine the roads rehabilitation program
- Undertake optimal level of maintenance of infrastructure assets
- Review and confirm with the community the acceptable level of service for all assets
- Undertake a comprehensive service review program to ensure that Council is delivering services in the most efficient and effective manner
- Develop and implement a comprehensive Organisational Development Strategy
- Develop and implement a flexible Resource Strategy, including workforce structure and work practices to deliver works program
- Participate in Joint Organisations and other regional collaborative approaches, including regional strategic planning, intergovernmental collaboration, regional leadership and advocacy and service delivery
- Implement business improvement strategies as part of Council's Risk and Internal Audit Program
- Revise and enhance of procurement practices to ensure best value is achieved.

It is projected that Council will improve its performance against all benchmarks, with five of the seven benchmarks being met by 2019/20 and all seven benchmarks being achieved over the course of its Long Term Financial Plan 2015-2025. Council's Improvement Proposal and associated documents have undergone an independent review by Morrison Low to ensure robustness of data and assumptions.

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

The Independent Local Government Review Panel (ILGRP) final report released in October 2013 identified Council to stand-alone and did not recommend a merge with neighbouring councils. The ILGRP report (page 112) states that Council along with 27 other larger and regional councils “appear likely to be sustainable in their current form for several decades”.

In addition, the NSW Treasury Corporation (TCorp) Report on Financial Sustainability of the NSW Local Government Sector Report in April 2013 found Council to have a moderate financial sustainability rating and a neutral short term outlook.

Wingecarribee Shire Council covers an area of 2700 square kilometers which is equivalent to a significant proportion of the Sydney metropolitan (please see Attachment 1)

As a part of its assessment of scale and capacity the Panel also considered strategic capacity, this is:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

Examples of Council’s strategic capacity are outlined in sections 2.1 and 2.2 of this document. It is anticipated that the strategies included in Council’s Fit for the Future Improvement Proposal will further increase Council’s strategic capacity, thereby increasing Council’s scale and capacity to stand-alone.

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.

Wingecarribee Shire is located 110 kilometres from Sydney and lies within the Sydney – Canberra – Melbourne transport corridor on the Southern rail line and Hume Highway. Environmental features include cold climatic conditions, rugged topography and significant areas of state forest, national park and other protected lands that form part of the Sydney Water catchment area. The Shire is predominantly rural in character with agricultural producing lands separating towns and villages.

Key characteristics are outlined below:

- In 2014 the population is estimated at 47,000 people, with a historical average annual growth rate of approximately 1%
- Median age of residents is 45 years (NSW median is 38 years)
- Median weekly household income at the 2011 Census was \$1,094 (national median of \$1,234).
- One of the 20 least disadvantaged shires in NSW with a SEIFA (Socio Economic Indexes for Areas) index* of 1023.8 (NSW 995.8 and Australia 1002.0).
- The most common industries are retail and wholesale trade, manufacturing, health and community services, construction, education and training, recreation and hospitality.
- Level of tourist expenditure is one of the highest of any non-coastal LGA in NSW.
- Strong sense of community is reflected in the rates of volunteering, 22.5% of the population aged over 15 years reported participation in voluntary work
- Community Safety Survey (2014) showed that 97% of respondents felt safe walking around their neighbourhood in the day
- Comprehensive choice of education options- primary, secondary, tertiary
- Good private and public health system, with a rate of 1 general practitioner to 606 people and a specialist practitioner rate of 86.4 per 100,000 population (compared to non-metropolitan NSW 78.6:100,000). Area also includes nine retirement villages and six residential aged care facilities which provide a total of 530 beds for residents.

Council is responsible for managing the following community assets:

- 803km of sealed roads
- 365km of unsealed roads
- 66 bridges
- 84km of storm water mains
- 25km of cycleways
- 72km of footpaths
- 1 water scheme (3 treatment plants)
- 6 sewerage schemes (6 treatment plants)
- 3 Swimming Pools and 1 Aquatic Centre
- 52 Playgrounds
- 27 Playing fields
- 20 Halls

Community & Council Priorities

Community priorities are outlined in the Community Strategic Plan, Wingecarribee 2031+ (W2031+). The community's vision is

“In 2031 we will be a healthy and productive community, learning and living in harmony, proud of our heritage and nurturing our environment.”

W2031+ includes five key themes of People, Places, Environment, Economy and Leadership with each theme including a number of goals and strategies (please see Attachment 2). Council's Operational Plan outlines Council Position Statements for the Shire and priorities are outlined in the adopted Delivery Program 2013-17 and Operational Plan 2015-16 (please see Attachment 3).

Wingecarribee's Key Challenges include

- Ageing population which is predicted to exceed the rate of ageing in adjacent metropolitan areas
- Demand for a range of affordable housing and managing the environmental impact of housing demand
- Maintaining the rural landscape character whilst accommodating an increasing population pressure and migration from Sydney
- Climate change
- Conservation and protection of heritage items and values
- Protection of water supply and quality.

Footnote:

* SEIFA (Socioeconomic Indexes for Areas) Index by Local Government Area enables assessment of the relative socioeconomic advantage and disadvantage of Australian communities. The index is created by the Australian Bureau of Statistics based on Census 2011 information. Attributes which reflect disadvantage include low income, low educational attainment, high unemployment, and jobs in relatively unskilled occupations. The higher the SEIFA score the lower the level of disadvantage.

2.2 Key challenges and opportunities

Strengths

- Council is financially sustainable based on TCorp's 2012 assessment which found Council had a moderate rating for its Financial Sustainability Ratio and a neutral rating for financial outlook
- Council has the scale and capacity to stand-alone as reflected in the recommendations of Independent Local Government Review Panel 2013
- Based on the Office of Local Government's (OLG) self-assessment tool Council currently meets and exceeds the following benchmarks: own source revenue ratio and debt service ratio
- Council has consistently delivered a balanced budget and demonstrates a commitment to deliver tailored services within financial capacity
- Dedicated Infrastructure Renewal Strategy focused on asset maintenance works and capital expenditure on asset renewal and new assets
- Actively pursues and successfully receives external funding for key infrastructure projects such as:
 - Bowral Distributor Road under the State Government's Restart NSW Illawarra Infrastructure Fund
 - Mittagong Pool refurbishment through an interest subsidy provided under the NSW State Government's Local Infrastructure Renewal Scheme (LIRS)
 - Southern Regional Livestock Exchange roofing project through Regional and Local Community Infrastructure Program
 - Moss Vale Enterprise Zone Corridor Road Works via Department of Infrastructure and Regional Development's National Stronger Regions Funds
 - Country Passenger Transport Infrastructure Grants Scheme for public transport improvement projects such as improved lighting, construction of Disability Discrimination Act compliant shelters for CountryLink Passengers
 - Road resealing program via LIRS
 - Replacement of two bridges as a part of the Australian Governments Bridges Renewal Program
- Successful partnership with community sporting groups to deliver significant upgrades in sporting infrastructure e.g. Bowral Rugby Club, Moss Vale Basketball Association, Mittagong Lions Rugby League, Southern Highlands Hockey
- Provision of water and sewer services to the community adding to Council's scale and capacity and ensuring control of essential services throughout the local government area
- Commitment and recently significant improvements in governance frameworks, risk and internal audit and policy

- Revolving energy fund savings (\$100k in year 1) which is quarantined for further projects enabling the organisation to build strong capacity and confidence in the area of energy management
- Operation of successful commercial business units:
 - Resource Recovery Centre (RRC) - a multi-award winning, modern waste recycling, collection and transfer facility with an 83.2% recycling recovery rate which was the highest in NSW for most recent reportable financial year.
 - Southern Regional Livestock Exchange (SRLE) has the advantage of being a covered facility with recent turnover being 60,000 head of cattle per year
- Appropriate community involvement in the decision making process through well-established community engagement and communication practices
- Strong sense of community is reflected in the rates of volunteering, where 22.5 per cent of the population aged over 15 years reported that they participated in voluntary work (ABS 2011)
- Dedicated environment program for the purpose of undertaking non-core environment works and protecting the natural environment which is highly valued by the community with over 200 community volunteers. Council is a 2015 finalist for three Blue Star Sustainability Awards run by Keep NSW Beautiful
- Award winning Destination Southern Highlands, destination marketing and increasing domestic tourism rates. Destination Southern Highlands has won Gold for destination marketing in the NSW Tourism Awards in 2013 and 2014 and Bronze at the Australian Tourism Awards in 2014 and 2015
- Highly professional, highly skilled and experienced staff that are committed to Council's Fit for the Future Improvement program.

Weaknesses

- Based on the OLG's self-assessment tool Council currently does not meet the following benchmarks: operating performance ratio, building and infrastructure asset renewal ratio, infrastructure backlog ratio, asset maintenance ratio and real operating expenditure per capita
- Community Satisfaction Survey 2012 showed a declining trend in overall satisfaction with Council from 2010 survey
- Community identified local roads, availability of parking and provision and quality of parking as areas of improvement (Community Satisfaction Survey 2012)
- Historically reactive approach to asset maintenance
- Lack of asset management planning for natural assets
- Duplication of community facilities such as pools, halls and libraries servicing towns rather than regional/whole of local government area approach to service delivery
- Low population density (17.26 residents per km² compared to group 4 average of 58.81) and large number of dispersed urban settlements resulting in decreased economies of scale for service delivery
- Lack of an integrated public transport network within and through the shire and outside of the shire, including poor rail service resulting in a higher use of Council's road network
- Dissatisfaction with customer service
- Historically poor employee workplace systems and processes resulting in high workers compensation premiums
- Investment in systems with poor integration resulting in less than optimal productivity

Opportunities

- Improved asset management processes and plans (in progress)
- Moss Vale Enterprise Zone (MVEZ) set aside for generating development under the Wingecarribee Local Environmental Plan 2010. This has the potential to have a significant impact on the future economic development and employment growth in the Shire.
- Asset rationalisation such as Council owned land and facilities in consultation with the community
- Comprehensive service review program to commence in 2015-16
- Exploration of alternate service delivery methods and resourcing methods
- Strategic review of fees and charges in 2015-16 to ensure fees reflect actual cost of service provision based on full cost recovery principles with the exception of those that are subsidised by consolidated revenue or legislated
- Participation in regional partnerships and alliances. Council currently has a number of established partnerships such as:
 - Regional waste disposal contract with Campbelltown, Camden and Wollondilly
 - Sector Connect Incorporated with Camden, Campbelltown and Wollondilly
 - PCYC (Police-Citizens Youth Club) with Wollondilly
 - Participation in Sydney Peri Urban Network
- Improved project management practices with the introduction of training for senior staff, managers and coordinators in the Prince2 Project Management approach
- Improved customer service through the implementation of actions from Council's Customer Service Review
- Development and implementation of Organisational Development Strategy
- Improved use of technology for both communications and service delivery
- Rollout of NBN in the Shire scheduled for 2015/16 resulting in increased opportunities for business and individuals
- Council to encourage and facilitate involvement of the private sector in the delivery of economic development opportunities with an Investment Summit scheduled to take place in October 2015
- Capacity for increased borrowing with due consideration given to Council's ability to service debt in a rate pegging environment.

Threats

- Special Rate Variation (SRV) may not be widely supported by the community or Council's SRV application is not approved
- If rate capping continues to be set at levels which do not reflect the actual costs of providing services and infrastructure to our community, this will continue to place additional pressures on Council's ability to deliver services in line with the community's expectations
- Any additional delegations or transfer of services from Federal or State Government to Local Government without accompanying full funding will place pressure on Council's resources and financial sustainability
- Uncertainty around the distribution and allocation of the Federal Government's Financial Assistance Grant and any future reductions in funding i.e. roads to recovery funding by the Federal Government
- Without an SRV Council's asset base will deteriorate resulting in significant backlog and reduction in Levels of Service
- Managing the tension between community expectations of service levels and the community's willingness and capacity to pay
- Uncertainty about the impacts of proposed changes to Local Government legislation
- The mining of coal and other related activities have the potential to impact the viability of the Shire's rural industries and negatively impact upon the Shire's unique scenic qualities and groundwater reserves
- Impacts of climate change on long term sustainability and infrastructure
- Removal of the water utility status would significantly weaken Council's scale and capacity
- Given the changes to Local Government in NSW which are likely to result from the Fit for the Future reforms there is potential for increased demand for skilled staff across the state which may give rise to resourcing constraints in the short to medium term and contribute to staff turnover
- As a tourist destination, the Shire's infrastructure is subject to high concentrations of wear and tear on critical infrastructure which is not recoverable from the visiting population.

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)	-7.52%	No	-7.80%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	80.69%	Yes	80.60%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	42.03%	No	91.18%	No

(Please see Attachment 4 for Council's Self-Assessment Tool)

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

Council currently does not meet two of the three sustainability benchmarks, i.e. these are operating performance ratio and building and infrastructure renewal ratio. The reasons are outlined below:

Operating Performance Ratio

The Operating Performance Ratio for the reporting period ended 30 June 2014 (average over three years) was -7.52%. There are a number of factors which have led to Council recording successive operating deficits (before capital grants and contributions), however the most significant of these factors is Council's depreciation expense.

Council believes that historically, its depreciation expense has been overstated. Council has recently undertaken a comprehensive condition assessment of infrastructure and also reviewed the useful lives of its different infrastructure asset categories. As a result of this review, Council has a high level of confidence that its adjusted depreciation expense more accurately reflects the true economic lives of its asset categories and their rate of consumption. However some further refinement will be made in the next few years to ensure that the economic life more accurately reflects the actual situation.

Council's Long Term Financial Plan indicates that Council will achieve an operating surplus in 2018/19 (please see Attachment 5). This improvement is largely a result of Council's projected decrease in depreciation expense and an increase in operating revenue (Rates and Annual Charges) through the inclusion of a proposed Special Rate Variation in 2016/17.

Building and Infrastructure Asset Renewal Ratio

There are two main reasons for not achieving this benchmark in 2013/14. Prior to 2015/16 the depreciation for infrastructure assets was overstated. It was found that the useful life of a number of asset categories such as road pavement and buildings was understated.

- Extensive work on reviewing the useful life and assessing the condition of assets was undertaken in the last 18 months, resulting in substantial reduction in depreciation from 2015/16.
- A relatively higher percentage of funds were allocated to high priority upgrade/new capital works prior to 2014/15. From 2014/15 more funds have been allocated for renewal works such as road resurfacing/resealing program. In addition to this approximately \$4M from the Local Infrastructure Renewal Scheme funding has also been allocated for resurfacing/resealing of roads.

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%)	5.83%	No	1.28%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	90.89%	No	77.90%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.53%	Yes	3.31%	Yes

(Please see Attachment 4 for Council's Self-Assessment Tool)

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

Council currently does not meet two of the three infrastructure and service management benchmarks; i.e. infrastructure backlog ratio and asset maintenance ratio. The reasons are outlined below:

Infrastructure Backlog Ratio

Council has made significant advancements in its asset maintenance program. This includes undertaking condition asset surveys for main assets and improved asset data and significant change in methodology to calculate backlog.

The main reason for not achieving the Backlog Ratio benchmark in 2013/14 was that until recently no consistent and clear definition of 'Backlog' and method/s of calculating the backlog were available. Like many other councils, Council also reported incorrect and often overstated figures based on inconsistent methods of calculation. Backlog was previously calculated using 100% of the replacement cost of condition 4 and 5 assets. The new method used to calculate backlog is 20% of replacement cost of condition 4 assets and 50% of replacement cost of condition 5 assets.

Asset Maintenance Ratio

With the pending audit of Special Schedule 7 Council undertook a review of its methodology to calculate the asset maintenance ratio. The projected performance for the 2016/17 financial year reflects a more accurate measure of the funding gap between required maintenance and actual maintenance of infrastructure assets.

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 A decrease in Real Operating Expenditure per capita over time	Increase	No	Decrease	Yes

(Please see Attachment 4 for Council's Self-Assessment Tool)

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

The Real Operating Expenditure Per Capita Ratio for the reporting period ended 30 June 2014 (five year trend data) shows a trend of increasing expenditure per capita. This is largely due to a significant increase in the total operating expenditure in the 2013/14 financial year. The operating expense per capita (adjusted for inflation) is 1.37 which is significantly higher than previous years.

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.

Wingecarribee Shire Council achieved 100% compliance for sewer and 90% compliance for water with the best practice management framework.

Council is currently reviewing its pricing strategy to move from 31:69 access charge/user charge ratio to 25:75 ratio. This will be implemented in 2016/17 financial year and will achieve 100% compliance with best practice management framework for water.

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

As reported in Council's 2013/14 financial statements, Council has an infrastructure renewal backlog of \$10,893,000 for water and \$11,955,000 for sewer. These figures are based on the cost to bring an asset from condition 4 or 5 to condition 1.

Based on the methodology (infrastructure backlog ratio) explained on page 17 on this template the revised figures are \$3,442,441 for water and \$4,839,076 for sewer. This represents 2.1% and 1.8% respectively of the written down value of each asset class. Future capital works program will reduce water utility backlog.

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
Moss Vale Sewer Treatment Plant upgrade (design and construct)	2016-17 to 2019-20	\$24.5M	Nil
Bowral Sewer Treatment Plant upgrade (design and construct)	2015-16 to 2018-19	\$22.8M	Nil
Wingecarribee Water Treatment Plant UV upgrade	2017-18	\$1.5M	Nil
Water Distribution Network Improvements	2016-17	\$2.0M	Nil
Water Distribution Network Improvements	2019-20	\$4.0M	Nil
Water & Sewer Reticulation Renewal	2016/17 to 2019/20	\$9.6M	Nil

2.4 Water utility performance

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

Yes

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
Modify water pricing structure to ensure 100% compliance with the NSW Office of Water Best Practice Management Guidelines	2016/17	100% compliance will ensure the water and sewer business is being managed effectively and is sustainable.
Continue to develop Council's water and sewer network modelling capability and improve operational performance	2016/17	Develop calibrated water and sewer models. These models will be used in-house for network analysis with the main outputs used for master planning, level of service improvements, operational efficiency improvements and environmental management.
Continuously improve asset management practices and move from 'core' asset management plans to 'advanced' asset management plans	2016-2020	Continual improvement of asset management practices and systems to ensure physical assets are managed with the objective of providing the required level of service in the most cost effective manner.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
Upgrade two sewer treatment plants to ensure the capacity of each plant meets future growth and environmental compliance	2016-2020	Bowral and Moss Vale sewer treatment plants are upgraded, support future growth and meet environmental compliance.
Aligning water operations and management practices with drinking water guidelines	2016-2020	Ensure water operations and management meets best practice.
Continue to implement active leakage control and pressure management throughout the water network	2016-2020	Active leakage control and pressure management will reduce avoidable water loss and improve asset useful lives
Review Integrated Water Cycle Management plan	2016	Improved understanding of all elements of the water cycle and optimise delivery of the community's social and environmental needs and desires.

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.

Council's Integrated Planning and Reporting documents outline Council's strategic approach to long term sustainability. In particular, the Delivery Program 2013-17 and Operational Plan 2015-16 (adopted on 10 June 2015, please see Attachment 3) includes a number of objectives which identify areas of business improvement and sustainable service delivery. Examples include:

Delivery Program Objectives

DP03 - Undertake responsible financial management focussing on long term sustainability

DP05 - Develop a strategic position to industry change

DP06 - Develop and maintain an engaged and safe workforce to meet the objectives of Council

Operational Plan 2015-16 Projects, Programs, Activities

- OP14 - Implement a continuous improvement program to ensure a flexible and adaptable organisation
- OP15 - Prepare a Special Rate Variation application to the Independent Pricing and Regulatory Tribunal (IPART) to address Council's Fit for the Future proposal
- OP16- Undertake a strategic review of all fees and charges to ensure the financial sustainability of Council's service provision
- OP037 - Respond as required to the State Government's Local Government Reform and commence implementation of Council's Fit for the Future Proposal
- OP41 - Develop and manage a training and development program for all staff within the organisation, tailored to the business needs of the organisation
- OP42 - Maintain and improve performance management

DP07 - Information and communication technology that provides contemporary business solutions

DP08 - Undertake a program of continuous improvement to deliver public value

- practices within the organisation
- OP46 - Improved management of workers compensation claims to decrease workers compensation costs and improve return to work times
- OP47 - Increase and improve resilience of Council's Information and Communication Technology (ICT) governance
- OP48 - Improve access to Council information to our ratepayers, businesses, residents and visitors
- OP50 - Continually improve Council's Integrated Planning and Reporting framework in line with legislative requirements
- OP51 - Develop and implement an Organisational Development Strategy
- OP52 - Undertake an analysis of the requirements of Business Management Systems to determine its value for Council

In addition, Council has identified the following strategies to meet the Fit for the Future benchmarks:

- Applying for a Special Rate Variation of approximately 9.00% per annum cumulative for a period of four years commencing in 2016/17 (inclusive of projected rate pegging of 2.5%). The proposed Special Rate Variation will allow Council to address its current funding gap for asset maintenance, asset renewal, asset backlog and new capital works
- Implement Work Health and Safety initiatives to reduce workers compensation premiums to at or below industry average
- Undertake a strategic and comprehensive review of fees and charges
- Review asset management systems and asset condition data to ensure the annual depreciation costs reflect actual asset consumption
- Fully fund asset renewal obligations by 2021
- Adopt and implement new optimisation tools to refine the roads rehabilitation program
- Undertake an optimal level of maintenance of infrastructure assets
- Undertake review of Council assets to gain an understanding of utilisation rates

Further details are outlined in Table 3.1 and in the attached Detailed Action Plan (please see Attachment 6).

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.

The key assumptions that underpin the strategies above include:

- Council has a successful SRV application with substantial support for the majority of stakeholders
- Workers compensation premiums decrease to \$1M over a 3 year period
- Community supports the equitable spread of cost of service provision across the community
- Lifecycles and asset economic life have previously been under estimated
- The Structural Testing Evaluation of Pavement (STEP) system can be applied to the road system to ensure that asset renewal expenditure is optimised to achieve best value for money
- Complete delivery of annual planned and budgeted renewal works program by end of each financial year from 2016/17
- Maintenance schedule is in line with the community desired level of service
- Council continues to maintain a balanced budget

In addition, a detailed list of financial assumptions, including growth in rates, wage increases and financial assistance and other operating grants are outlined in Council's Long Term Financial Plan (please see Attachment 5).

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.1 To achieve a breakeven or surplus result on average over four years for Operating Performance Ratio	Apply to Independent Pricing and Regulatory Tribunal for a Special Rate Variation (SRV) for a period of four years	Undertake community engagement Prepare and submit SRV application to IPART Report outcomes of the SRV to community Implement SRV	Increased revenue to be directed to close the current funding gap for asset maintenance, asset renewal, asset backlog and capital works	All ratios are positively impacted

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.1 continued	Implement Work Health and Safety initiatives to reduce workers compensation premiums to at or below industry average	<p>Implement 'Safety First' Project based on StateCover prioritised safety improvement audit</p> <p>Engage a company doctor</p> <p>Development of a suitable duties register</p> <p>Introduction of case conferencing and improved return to work processes</p> <p>Review of current Risk Assessment procedures and processes</p>	Workers compensations premiums return to at or below industry average by 2020.	<p>Real Operating Expenditure per Capita</p> <p>Operating Performance Ratio</p>

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.1 continued To achieve a breakeven or surplus result on average over four years for Operating Performance Ratio	Undertake a strategic and comprehensive review of fees and charges	Review opportunities for full costs recovery Undertake community engagement Implement new fee and charges structure	Increase in discretionary revenue base Improved cost recovery for identified services	Own Source Revenue
3.1.2 Continue to meet or improve own source of revenue ratio	Continue to monitor revenue streams to ensure continued compliance	On-going	On-going	Own Source Revenue

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.3 To increase the infrastructure asset renewal ratio to more than 1 by 2021	Continue the review of asset management systems and asset condition data to ensure the annual depreciation costs reflect actual asset consumption	Monitor and refine asset management data Implement asset management improvement plan Annual review of asset data	More accurate asset depreciation data	Infrastructure Backlog Ratio Operating Performance Ratio
	Fully fund asset renewal program by 2021	Progressively increase funds for asset renewal Close the gap between budget and annual depreciation	Increased level of funding for asset renewal	Infrastructure Backlog Ratio Asset Maintenance Ratio Operating Performance Ratio

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.3 continued To increase the infrastructure asset renewal ratio to more than 1 by June 2021	Adopt and implement new optimisation tools to refine the roads rehabilitation program	Implement the Structural Testing Evaluation of Pavements (STEP system) Evaluation of condition of all road segments identified for rehabilitation/reconstruction Continue to refine the works program	More efficient road rehabilitation and reconstruction	Infrastructure Backlog Ratio
	Undertake an optimal level of maintenance of infrastructure assets	Allocate an appropriate amount of funds and resources Develop and implement inspection and maintenance programs	Undertake more proactive maintenance	Asset Maintenance Ratio Infrastructure Backlog Ratio

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
<p>3.1.3 continued</p> <p>To increase the infrastructure asset renewal ratio to more than 1 by June 2021</p>	<p>Undertake review of Council assets to gain a better understanding of utilisation rates</p>	<p>Commence review of all assets</p> <p>Undertake Levels of Service community engagement</p> <p>Continued rationalisation of surplus community assets subject to community support</p>	<p>Reduction in the required renewal works and maintenance program</p>	<p>Asset Maintenance Ratio</p> <p>Infrastructure Backlog Ratio</p>

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's long term strategic direction for the management of infrastructure assets to support the service delivery needs of the community is underpinned by a number of key documents. This includes an Asset Management Strategy, Asset Management Plans, Asset Management Improvement Plan and the Long Term Financial Plan (LTFP).

The Asset Management Strategy has been revised with consideration of achieving the Fit for the Future benchmarks and is supported by Council's Asset Improvement Plan. The Asset Improvement Plan was developed by Morrison Low in 2013 and outlines key improvement tasks and associated priorities. Council's Long Term Financial Plan and updated Asset Management modelling has identified that Council has a current infrastructure backlog total of \$6.97 million and an annual asset renewal funding gap of \$1.7 million (per annum). Over the course of the LTFP, Council will need to spend an additional \$48.6 million on infrastructure backlog and renewal works.

A number of strategies have been identified to close this funding gap and meet the Fit for the Future benchmarks. These include:

- Applying for a Special Rate Variation of approximately 9.00% per annum cumulative for a period of four years commencing in 2016/17 (inclusive of projected rate pegging of 2.5%). The proposed Special Rate Variation will allow Council to address its current funding gap for asset maintenance, asset renewal, asset backlog and new capital works
- Review and confirm with the community the acceptable level of service for all assets
- Review asset management systems and asset condition data to ensure the annual depreciation costs reflect actual asset consumption
- Fully fund the asset renewal program by 2021
- Undertake review of Council's assets to get an understanding of utilisation rates
- Undertake optimal level of maintenance on infrastructure assets
- Develop and implement a flexible Resource Strategy, including workforce structure and work practices to deliver the works program.

Further details for the strategies are outlined in Table 3.2 and in the attached Detailed Action Plan (please see Attachment 6).

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

The key assumptions that underpin the strategies above include:

- Council has a successful SRV application with substantial support from the majority of stakeholders
- Community and Council support for reviewing asset utilisation rates
- Lifecycles and asset economic lives have previously been under estimated
- Complete delivery of annual planned and budgeted renewal works program by end of each financial year from 2016/17
- The Structural Testing Evaluation of Pavement (STEP) system can be applied to the road system to ensure that asset renewal expenditure is optimised to achieve best value for money
- Maintenance schedule is in line with the community desired level of service
- For the purpose of the model the community's satisfactory standard for assets is assumed to be condition 3
- Planned maintenance works completed within budget by June of each financial year commencing from 2016/17
- Council continues to maintain a balanced budget

In addition, a detailed list of financial assumptions are outlined in Council's Long Term Financial Plan (please see Attachment 5).

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
3.2.1 To implement strategies to minimise the backlog ratio and keep it under 2%.	Review and confirm with the community the acceptable level of service for all assets	Undertake Level of Service (LoS) community engagement Use outcomes of community engagement to review and prioritise backlog and works program Renew backlog items which don't meet the community LOS expectations	Confirmation of backlog works and calculation of backlog ratio	Asset Renewal ratio Asset Maintenance ratio
	Continue to review asset management systems and asset condition data to ensure the annual depreciation costs reflect actual asset consumption	Monitor and refine asset management data Implement asset management improvement plan Annual review of asset data	More accurate asset depreciation data	Asset Renewal Ratio Operating Performance Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.2.1 continued To implement strategies to minimise the backlog ratio and keep it under 2%.	Fully fund asset renewal program by 2021	Progressively increase funds for asset renewal Close the gap between renewal budget and annual depreciation	Increased level of funding for asset renewal	Asset Maintenance Ratio Asset Renewal Ratio
	Undertake review of Council's assets to get an understanding of utilisation rates	Commence review of all assets Undertake Levels of Service community engagement Rationalisation of surplus community assets subject to community support	Reduction in the required renewal works and maintenance program	Asset Maintenance Ratio Asset Renewal Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.2.2 To implement strategies to achieve an Asset Maintenance Ratio of 100%	Review and confirm with the community the acceptable level of service for all assets	Undertake Level of Service (LoS) community engagement Use outcomes of community engagement to review and prioritise backlog and works program Implementation of the prioritised backlog works program to meet the community's level of service expectations	Identified renewal works are funded and completed	Asset Renewal ratio
	Undertake optimal level of maintenance on infrastructure assets	Allocate an appropriate amount of funds and resources Develop and implement inspection and maintenance programs	Undertake more proactive maintenance	Infrastructure Backlog Ratio Asset Renewal Ratio

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.2.2 continued To implement strategies to achieve an Asset Maintenance Ratio of 100%	Develop and implement a flexible Resource Strategy, including workforce structure and work practices to deliver works program	Update and integrated Council's Workforce Management Plan and Asset Management Plans Deliver infrastructure works using hybrid models of in-house and contract staff 100% completion of planned maintenance works from 2016/17	Improved delivery of capital works	Building and Asset Renewal Ratio Infrastructure Backlog Ratio Operating Performance Ratio

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.

A commitment to efficient and sustainable service delivery including consideration of the principles of continuous improvement is central to Council's Delivery Program 2013-17 and Operational Plan 2015-16 (please see Attachment 3). Council's Delivery Program includes the following objectives to ensure efficient and sustainable service delivery. Each of these objectives is supported by a number of annual deliverables (programs, projects, activities) from the Operational Plan 2015-16.

Delivery Program Objectives

DP02 - Ensure timely, accurate and open communications

DP06 - Develop and maintain an engaged and safe workforce to meet the objectives of Council

DP07 - Information and communication technology that provides contemporary business solutions

Operational Plan 2015-16 Projects, Programs, Activities

- OP09 - Improve internal information flow to reduce loss and duplication
- OP10 - Provide high quality customer services, responding to customer enquiries efficiently and effectively in a timely manner
- OP11 - Implement strategies from Customer Service review
- OP12 - Identify opportunities for improvement in process automation
- OP41 - Develop and manage a training and development program for all staff within the organisation, tailored to the business needs of the organisation
- OP42 - Maintain and improve performance management practices within the organisation
- OP46 - Improved management of workers compensation claims to decrease workers compensation costs and improve return to work times
- OP47 - Increase and improve resilience of Council's Information and Communication Technology (ICT) governance
- OP48 - Improve access to Council information to our ratepayers, businesses, residents and visitors

DP08 - Undertake a program of continuous improvement to deliver public value

- OP50 - Continually improve Council's Integrated Planning and Reporting framework in line with legislative requirements
- OP51 - Develop and implement an Organisational Development Strategy
- OP52 - Undertake an analysis of the requirements of Business Management Systems to determine its value for Council

Council's Long Term Financial Plan also supports this through the following principles:

- Maintain existing services to the residents of Wingecaribee
- Ensure that Council continues to deliver a balanced budget
- Achieve (or improve on) the financial performance ratio benchmarks required to demonstrate that Council is "Fit for the Future".

In addition, Council has identified that the following strategies will be required to meet the Fit for the Future benchmarks:

- Undertake a comprehensive service review program to ensure that Council is delivering services in the most efficient and effective manner
- Development and implementation of an Organisation Development Strategy
- Develop and implement a flexible Resource Strategy, including workforce structure and work practices to deliver works program
- Participation in Joint Organisations and other regional collaborative approaches, including regional strategic planning, intergovernmental collaboration, regional leadership and advocacy and service delivery
- Implementation of business improvement strategies as part of Council's Internal Risk and Audit Program
- Revision and enhancement of procurement practices to ensure best value is achieved.

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

The key assumptions that underpin the strategies above include:

- Under a regional collaboration arrangement Council is able to maintain the natural relationships with neighbouring councils that are currently in place
- Any additional delegations or transfer of services from Federal or State Government to Local Government will be accompanied by full funding
- Changes to level of assistance provided through Federal and State governments grants and changes to state government policy do not have a significant financial burden on Council.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.3.1 Decrease Council's real operating expenditure per capita	Undertake a comprehensive service review program to ensure that Council is delivering services in the most efficient and effective manner	Commence service review process in 2015/16 Establish service review guidelines and templates Commence service review project Implement recommendations	Improved service delivery and efficiency	Operating Performance Ratio
	Develop and implement a flexible Resource Strategy, including organisational development strategy, workforce structure and work practices to deliver works program	Review of resourcing strategy to be completed by end of second quarter 2015/16	Improved service delivery and efficiency	Operating Performance Ratio

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.3.1 continued	Participation in Joint Organisations and other regional collaborative approaches, including regional strategic planning, intergovernmental collaboration, regional leadership and advocacy and service delivery	On-going	Improved service delivery and efficiency	Operating Performance Ratio
	Implementation of business improvement strategies as part of Council's Risk and Internal Audit Program	On-going	Improved service delivery and efficiency	Operating Performance Ratio
	Revision and enhancement of procurement practices to ensure best value is achieved	Commence in 2015/16	Improved service delivery and efficiency	Operating Performance Ratio

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. Special Rate Variation Application	<p>Milestones are based on the release of streamlined guidelines for Councils determined to be Fit for the Future.</p> <p>Application submitted for SRV to be implemented into Council's rating structure in 2016/17 financial year</p>
2. Work Health and Safety Initiatives introduced to reduce workers compensation premiums	Annually review initiatives
3. Continue to refine asset management data	Ongoing
4. Complete review of Council assets to determine utilisation rates	December 2015

5. Community levels of service engagement for all asset classes completed and used to review and prioritise backlog and works program	December 2015
6. Review of fees and charges for high priority items	February 2016
7. Revised Workforce Management Plan to ensure flexible workforce structure and practices	December 2015
8. Continue to participate in regional collaborative approaches and partnerships	On-going
9. Implementation of business improvement strategies as part of Council's Risk and Internal Audit Program	On-going
10. Revision and enhancement of procurement practices to ensure best value is achieved	On-going

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

Council's Fit for the Future Improvement Action Plan was developed following an extensive internal engagement and strategic planning processes with Council staff. During the period January to mid July 2015 this included:

- All staff information sessions to discuss Fit for the Future requirements and provide an overview of Council's approach
- Strategic planning workshops with Council's managers and coordinators to explore Council's strength, opportunities, aspirations, desired results and potential for efficiencies
- Weekly project team meetings aimed to develop, refine and review strategies, financial modelling, assumptions and outcomes

Councillor Briefing sessions were held in February, March, April and May 2015. The sessions focused on Council's community engagement approach, benchmark performance, consideration of strategies including approaches to increasing revenue, efficiencies and rationalising surplus land and assets.

Council also engaged with the broader community in relation to Fit for the Future. Four community information sessions were held, two in March and two in April during the preparation of Council's Fit for the Future Proposal. The purpose of these sessions was to ensure the community was aware of the Fit for the Future requirements and Council's progress with its proposal including key improvement strategies. The General Manager or Deputy General Managers attended 14 community groups/committees with community representatives from January to June 2015 to discuss Fit for the Future. In addition the community was notified via newspaper advertisements, columns and stories, radio interviews, social media, displays, an online project page at www.yoursaywingecarribee.com.au (Council online engagement hub). Over 2270 emails were sent to residents who were registered with Council's online engagement hub or to receive e-newsletters.

External consultants Morrison Low were engaged to undertake an independent peer review of Council's financial and asset modelling, updated LTFP, Improvement Proposal and Detailed Action Plan to ensure robustness of data and assumptions. Morrison Low reported "In general we are comfortable that the ratios and the information that supports them are appropriate". Please see Attachment 7 for the full report.

Council's Fit for the Future Proposal was considered at the Council meeting on 24 June 2015 and endorsed for submission to the Independent Pricing and Regulatory Tribunal for consideration by 30 June 2015.

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.

During the development of Council's Fit for the Future proposal a number of strategies were considered, however following careful consideration a decision was made not to pursue these options at this time.

Strategies considered and not adopted	Rationale
<ul style="list-style-type: none"> Increased borrowing/debt 	<ul style="list-style-type: none"> As outlined in the LTFP Council has a long standing practice of where loan funds are only considered for infrastructure investment (capital expenditure) which provides inter-generational benefit.
<ul style="list-style-type: none"> Rationalisation of civic and community events 	<ul style="list-style-type: none"> Civic and community events provide a sense of wellbeing and community pride. To cease or scale back on such events will diminish these values.
<ul style="list-style-type: none"> Become a Registered Training Organisation 	<ul style="list-style-type: none"> Initial investigations revealed significant investment required to gain accreditation. Further consideration will be given to this strategy following completion of Council's Organisational Development Strategy.
<ul style="list-style-type: none"> Significant reduction in some service levels, for example allowing some sealed roads to return to unsealed roads in due course 	<ul style="list-style-type: none"> Issues of risk, liability and community expectations are associated with significant reduction in service levels. Council will be undertaking Levels of Service community engagement in 2015/16 to determine community expectations.

Council has decided not to pursue the above strategies at this time. Council is of the view that the strategies included in its Detailed Action Plan (please see Attachment 6) will provide greater benefit/cost outcomes in the medium term. Council's Detailed Improvement Action Plan will require significant resources to implement and must be the focus of Council attention in the medium term.

4. How will your plan improve performance?

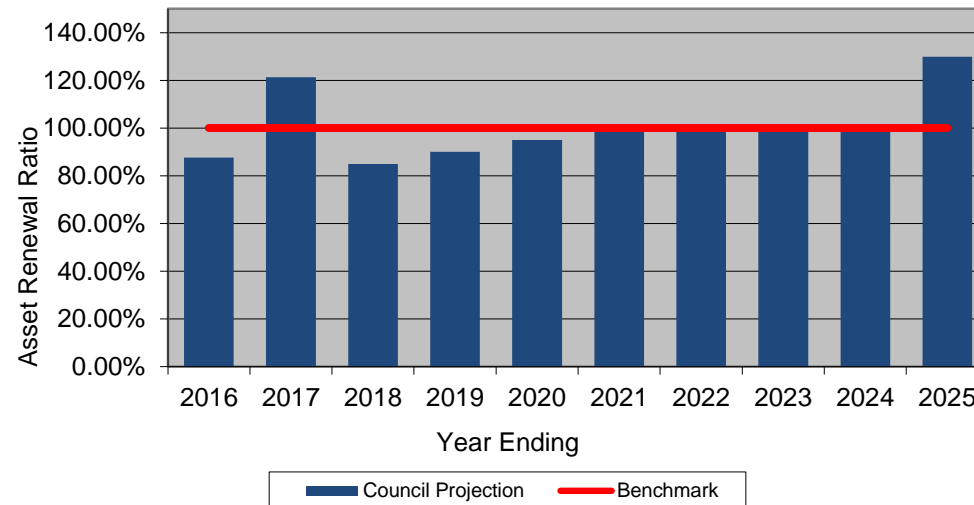
4.1 Expected improvement in performance

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)	-8.70%	-9.94%	-7.80%	-5.19%	-2.07%	0.59%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83.97%	83.28%	80.60%	81.12%	83.46%	86.12%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	53.96%	72.98%	91.18%	97.92%	98.77%	90.07%	No
Infrastructure Backlog Ratio (Less than 2%)	1.56%	1.52%	1.28%	0.93%	0.66%	0.44%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	84.69%	81.75%	77.90%	82.01%	88.05%	94.08%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.23%	2.83%	3.31%	3.18%	3.02%	2.87%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Increasing	Decreasing	Decreasing	Decreasing	Decreasing	Stable	Yes

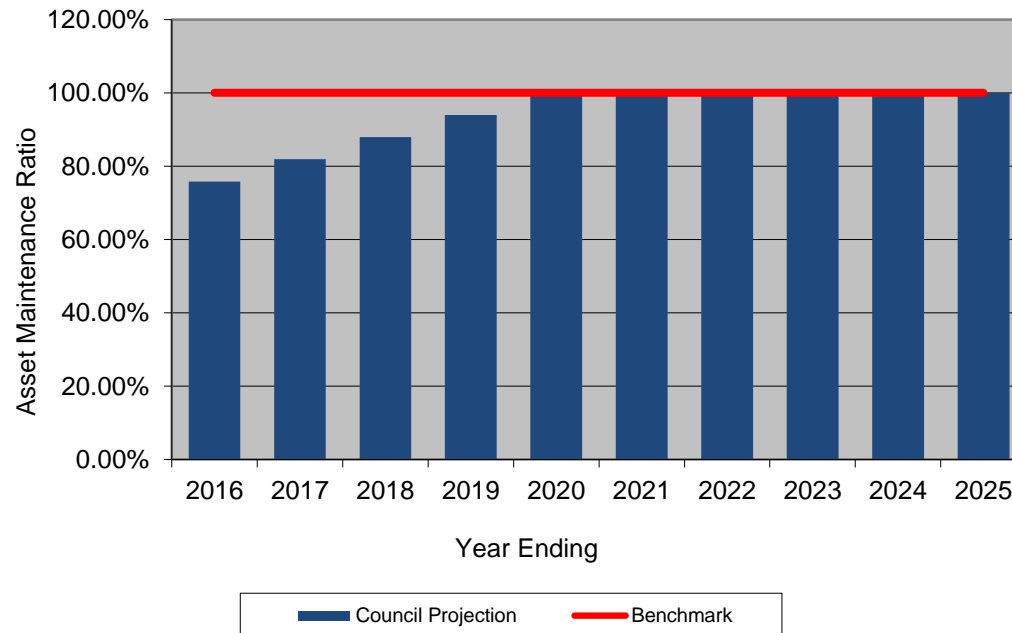
4.1 Expected improvement in performance

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.

Table 4.1 shows that Council will not meet the Building and Infrastructure Asset Renewal Ratio in 2019/20, however longer term projection as outlined in the LTFP shows that this benchmark ratio will be achieved by 2021/22 (see chart below).



Council will not meet the Asset Maintenance benchmark by 2019/20 as shown in Table 4.1. Not achieving this benchmark is the result of averaging, however Council's LTFP shows this benchmark being achieved in 2020/21 (see chart below).



Despite Council demonstrating that it will meet these benchmarks over the course of its LTFP the Fit for the Future benchmarks are consistent with IPART's methodology of improving over the required period.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council's Improvement Action Plan is in line with the strategic direction of Council's current Integrated Planning and Reporting documents. In particular, the strategies are reflected in and are consistent with Council's Asset Management Strategy, Asset Management Plans, Asset Management Improvement Program and the Long Term Financial Plan 2015-2025. Council's Delivery Program and Operational Plan will annually incorporate all Fit for the Future actions outlined in the attached Detailed Action Plan.

As such Council's Fit for the Future Improvement Proposal will be monitored and reported through Council's existing Integrated Planning and Reporting framework, including Quarterly Budget Reviews, Delivery Program, Operational Plan and Business Plan reporting processes and the Council's Annual Report.