

Template 3

Bogan Shire Council Rural Council Proposal



Section 1: About your council's proposal

Council details

Council name:

Bogan Shire Council

Date of Council resolution
endorsing this submission:

25 June 2015

1.1 Executive summary

Bogan Shire Council has demonstrated that it can meet the fit for the future benchmarks through the implementation of strategies identified in Section 3.1 of this template.

The Council merger option was not progressed as the overwhelming majority of community members did not support this. (Unanimously "against" at a public meeting / 95% of survey returns did not support a merger.)

1. Past / Current Performance

Past performance has been commendable and improving with positive comments made in reports relating to the 2013 infrastructure audit, TCorp report and council's statutory audit. Past performance shows Council meeting, or coming within a fraction of a per cent of meeting 5 of the 7 Fit for the Future benchmarks as shown in the table below. In assessing past and current financial performance the following key areas were noted:

1.1 NSW Local Government Infrastructure Audit - 2013

This audit assessed Council's infrastructure management assessment as "Moderate". The following comment was made in relation to Council's infrastructure backlog: "Our view is that the reported backlog is manageable and in control."

This rating and comment places Bogan Shire Council amongst the best in NSW.

1.2 NSW Treasury Corporation - Financial Assessment, Sustainability and Benchmarking Report – 2013

TCorp's report found that "The Council's financial results have been satisfactory" and that "TCorp believes Council to be moderately sustainable". Council was given an FSR rating of "Moderate" with a "Neutral" outlook. These assessments show Bogan Shire Council to have been performing better than average.

1.3 Audit Reports

Council's auditors have consistently given the following opinion in their Audit Reports "Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound."

1.4 Fit for the Future Ratios – Average Performance last 3 years

Measure	Benchmark	Average last 3 years	KPI Met last 3 years	Trend last 3 years	Notes
Sustainability					
Operating Performance Ratio	>= 0	-0.04%	No (marginally)	Positive	Improvement between 2011/12 and 2012/13 with deterioration in 2013/14 due to uneven receipt of FAGs grant.
Own Source Revenue Ratio	> 60%	75% with FAG) 47.8% (without FAG)	Yes, with FAG	Positive	Met in 2013/4 without FAG as a result of uneven receipt of FAGs grant. Will be met in future years even without FAGs.
Asset Renewal Ratio	> 100%	63%	No	Varies	In a relatively small council this ratio fluctuates depending on nature of capital program.
Infrastructure and Service Management					
Infrastructure Backlog Ratio	< 2%	2.96%	No (marginally)	Varies	Marginal – Infrastructure audit found backlog to be “manageable”. Again varies in a relatively small council.
Asset Maintenance Ratio	> 100%	82.5%	No	Positive	Largely subjective, based on historical performance.
Debt Service Ratio	> 0% and < 20%	1.24%	Yes	Positive	Very low debt levels historically.
Efficiency					
Real Operating Expenditure	Decrease	Decrease	Yes	Positive	Affected by the inclusion of expenditure such as contract works for the RMS and long day care centre for which there is corresponding revenue.

1.5 Liquidity Ratios

Measure	Benchmark	Average last 3 years	KPI Met last 3 years	Trend last 3 years	Notes
Cash Expense Ratio	3 months	6 months	Yes	Stable	Trend reflects some cash reserves being used to fund infrastructure renewals.
Unrestricted Current Ratio	1.5	3.8	Yes	Stable	Trend reflects some cash reserves being used to fund infrastructure renewals.

2. Rural Council Options / Improvement Strategies

Through implementation of Council's improvement strategies, Fit for the Future benchmarks are met for all ratios as set out in Section 4. All figures are based on what is considered to be a conservative Long Term Financial Plan.

The six Rural Council options presented in Template 3 have been considered as well as a seventh option detailing improvements based around reallocation of capital spending:

Option 1 – Resource Sharing

Bogan Shire Council already participates in more than 13 regional initiatives / organisations which provide opportunities for resource sharing, accessing skills and reducing costs by benefiting from economies of scale including OROC (strongly collaborative with functional relationships) and the award-winning Lower Macquarie Water Utilities Alliance.

Scope exists for redirecting expenditure on consultants to the Joint Organisation with cost saving and other benefits. Rural Councils within the Orana JO are to investigate shared asset management.

Option 2 – Shared Administration

Not considered to be practical in our circumstances. Rather than sharing managers as such, the current practice of OROC rural councils to share management resources (ideas, problem-solving, experience and skills) in collaborative forums will continue.

Option 3 – Specialty Services

The potential for creating Centres of Excellence in specific areas has been identified. In addition Bogan Shire has recognised strengths in highway maintenance and construction work and will seek to gain additional work from the NSW Road and Maritime Services.

Option 4 – Streamlined Governance

Not considered beneficial to reduce the number of councillors. Bogan Shire does not run a council complex committee system and Councillors are paid the minimum allowance permitted - \$8,130 per annum. Reducing the number of Councillors would lead to loss of expertise, community voice and diversity of opinion with little financial benefit.

Option 5 – Streamlined Planning, Regulation and Reporting

Any efficiencies, for example, cost savings in respect of land use planning will depend on requirements of the NSW Government. Bogan Shire will work with Local Government NSW and Orana JO to undertake reviews and will fully participate in and support Regional planning initiatives at a JO level.

Option 6 – Service Review

A number of reviews are proposed with the potential for clarifying service levels and cost-saving.

Option 7 – Refocus expenditure on asset renewals and maintenance

This option is essentially related to identifying cash resources that can be used to address the infrastructure backlog and increase spending on asset maintenance and renewals

Some work has already been undertaken in confirming appropriate road infrastructure depreciation and backlogs (Attachments 4 and 5 refer) and this is planned to continue.

Cash generated from FAG grants, Roads to Recovery Grants, an Asset Renewal Reserve and an Infrastructure Levy can be used to eliminate the asset backlog and meet all required benchmarks.

In addition, Council will continue the practice, started in preparing the 2015/16 budget, of identifying asset renewals as distinct from new works and making decisions on an appropriate level of spending on asset renewals.

3. Water and Sewerage

Bogan Shire Council conducts water and sewerage operations as an integral part of the council's business and accordingly strongly believes that allowance should have been made in the template for financial ratio analysis that included these operations.

Notwithstanding the exclusion of water and sewerage data, this council has demonstrated that it can meet the improvement targets set by the NSW government on the general fund. However, council's performance is notably better when considering the consolidated financial position as set out in Attachment 3. For example, consolidated own source revenue (***not counting Financial Assistance Grants as own source revenue***) is 63% in 2015/16.

4. Implementation and Monitoring

The overall framework for the implementation and monitoring of council's Fit for the Future strategies will be the Delivery Program and Operational Plan and Budget. A new Outcome, under the section Responsible Local Government, is to be inserted in these Plans.

In this way, Fit for the Future strategies - and progress towards meeting the goals of those strategies - will be publicly available through regular reporting by the General Manager to Council in line with Delivery Program statutory reporting requirements. (Section 404(5), Local Government Act).

A section on Fit for the Future strategies and progress towards targets will also be included in Council's Annual Report.

Conclusion

The Fit for the Future process has been beneficial for Council. In particular it has focussed attention on the need for improvements in asset management data quality and processes and highlighted the need for Council to make provision for asset renewals as well as asset expansion when considering capital budgets.

As evidenced by the reports mentioned, and past financial performance, Bogan Shire is in a strong position to continue to function as a sustainable, independent Council servicing our local community as we have done for many years through effective representation and strict financial discipline.

Importantly, our long term financial plan demonstrates that we will continue to have a strong cash position going into the future.

1.2 Scale and capacity

Did the Independent Local Government Review Panel identify the option that your council become a Rural Council?

(i.e. your council was identified in Group C or B of the Panel's final report)

Yes

If the Panel identified an alternative preferred option for your council, have you explored this option?

(Group C Councils should answer 'NA')

NA

1.2 Scale and capacity

Bogan Shire Council, as a Group C Council, is not required to complete this section however, the following is provided by way of background information:

Rural Council Characteristic	Your council's response
1. Small and static or declining population spread over a large area.	<p>Agree that Council meets this characteristic.</p> <p>Council population is static trending to small increases over time.</p> <p>ABS statistics show that Council's population declined marginally between 2001 and 2006 (5%) and then had increased again by 2011 back to slightly higher than 2001 levels. Bogan Shire LGA is negatively affected in comparison of census population figures because many of the mining workforce are not taken into account as residents for census purposes. The current population is around 3,000 spread across 14,612 square km.</p>
2. Local economies that are based on agricultural or resource industries.	<p>Agree that Council meets this characteristic.</p> <p>Bogan Shire LGA's economy is based on mining, agriculture and services.</p> <p>Regional Development Australia Orana's report on Regional profile gives the following statistics for key sectors in 2012:</p> <ul style="list-style-type: none"> • Other mining contributed 35% to value added and 21% of FTE employment • Agriculture contributed 12% to value added and 26% of FTE employment • Health & community contributed 6% to value added and 9% of FTE employment
3. High operating costs associated with a dispersed population and limited opportunities for return on investment.	<p>Agree that Council meets this characteristic.</p> <p>Bogan Shire has a dispersed rural population of about 3,000 spread across about 1,400 km of roads.</p> <p>It therefore has to maintain a large length of road per head of population. Because of its low density of population it also has a relatively low rate base and high per head cost of supplying services to the community.</p>

<p>4. High importance of retaining local identity, social capital and capacity for service delivery.</p>	<p>Agree that Council meets this characteristic.</p> <p>In a remote rural community “The Shire” is an important and integral part of the community which generally interacts with Councillors and staff more often, more personally and on different levels to larger communities.</p> <p>The people of Bogan Shire see their community of interest as centred around Nyngan. This is where they go for shopping, banking, business, health, education, religious services, recreation and entertainment. Nyngan has a robust economy and is a close to full employment town.</p> <p>Residents want decisions relating to levels of service and provision of infrastructure made by a local Council with representatives from this area.</p>
<p>5. Low rate base and high grant reliance.</p>	<p>Agree that Council meets this characteristic.</p> <p>Bogan Shire has a relatively low rate base due to its low density of population. Council levies \$3 million in rates and waste charges and receives \$4.2 million in grants. The report on Reforming Local Government assessed Bogan Shire’s reliance on grants as “very high”.</p>
<p>6. Difficulty in attracting and retaining skilled and experienced staff.</p>	<p>Do not agree that Council meets this characteristic.</p> <p>Bogan Shire Council is an employer of choice and has attracted and retained well qualified and experienced local government professionals from Queensland, Victoria, coastal NSW and Sydney to its Council management positions – as well as similarly experienced and qualified Nyngan locals.</p>
<p>7. Challenges in financial sustainability and provision of adequate services and infrastructure.</p>	<p>Do not agree that Council meets this characteristic.</p> <p>Bogan Shire has managed to show itself as financially sustainable while also providing adequate services and infrastructure in recent years. It has achieved this by setting balanced budgets and maintaining strict financial discipline.</p>
<p>8. Long distance to a major or sub-regional centre.</p>	<p>Agree that Council meets this characteristic.</p> <p>Nyngan is 164kms from Dubbo and parts of the Shire are more than 250km from Dubbo.</p>
<p>9. Limited options for mergers.</p>	<p>Agree that Council meets this characteristic.</p> <p>Presented as one option in the Reforming Local Government report, merging with Warren Shire was not considered viable. There is no clear benefit of putting two large-area, low-population, high-productivity Shires with similar financial profiles together.</p>

Section 2: Your council's current position

2.1 Key challenges and opportunities

Key challenges and opportunities developed by Council and based on feedback obtained during development of our Community Strategic Plan.

<p>Strengths</p> <ol style="list-style-type: none"> 1. Community Support – well regarded by all sectors of the community. 2. History of strong advocacy for local issues on behalf of the community. 3. Orana Regional Organisation of Councils (strongly collaborative with functional relationships and support). 4. Well-qualified staff experienced in local government. 5. Simple, flat, cost-effective staff structure enabling good communication and cooperation. 6. Stable Council with Councillors working together for the benefit of the community. 7. History of structurally balanced budgets, living within our means. 8. Sound, positive, cash flow with good debt recovery. 9. Adequate cash reserves. 10. Long Term Financial Plan shows viability. 11. Very low debt = flexibility. 12. Water and Sewer running at full cost recovery 13. Best practice Water and Sewer. 14. Lower Macquarie Water User Alliance (National award winner for regional collaboration.) 15. Large number of local people employed in key positions = local knowledge, pride and ownership. 16. Good asset condition – especially roads 17. Low asset backlog – evidenced by 2013 DLG audit. 18. Attractive town, safe environment = Council can focus more on positives and core business than dealing with social issues and contributes to good staff attraction and retention. 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Limited opportunities for increasing revenue. <i>(Strategy 5.3 refers)</i> 2. Relatively small staff – creates single point sensitivity <i>(Offset and managed by Strengths 5 and 18)</i> 3. Limited Asset Management historical data, management tools and reporting. <i>(Strategy 1.4 refers)</i> 4. Limited ability to apply for grants (complexity) and limited opportunity for OROC / Orana JO to assist because of competing bids from member councils. <i>(Managed through employment of consultants where required).</i> 5. Sometimes constrained by staff resources – unable to complete major works without consultants / contactors. <i>(Strategy 1.3 refers)</i>
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Strategic location at the junction of highways – leverage economic benefits - especially opportunity for semi-regional service centre for far western towns (aged care, retail, schools). Capitalise on existing stable community, good services, and high employment. 2. Use loans (Council currently has no debt) to build childcare centre and medical centre. 3. Childcare, medical centre and aged care will strengthen community and could encourage population growth. 4. Increased tourism – largest solar plant, river & water-skiing, on two “grey nomad” routes and the Big Bogan. 5. Increased contracting on behalf of RMS – win / win for both parties. 6. Supporting other Councils with expertise. 7. Manage community expectations around levels of service. 8. Commercial irrigation opportunities based on Albert Priest Channel. 9. New mining operations in short – medium term. 10. Lobby for rating review (renewable energy), recognition of cost shifting and more equitable share of Financial Assistance Grants 11. Fit for the Future Strategies will improve medium / long term service delivery. 	<p>Threats</p> <ol style="list-style-type: none"> 1. Reduction in grant funding. <i>(Managed through reduction in new infrastructure, staff and services if necessary with very significant effects).</i> 2. Uncertainty from year to year in RMS contract work. <i>(Strategy 3.2 refers)</i> 3. Lack of private medical facilities (GP) – flow on economic effect for the town. <i>(Assisted by construction of medical centre funded in 2015/16 budget)</i> 4. Lack of childcare facilities – flow on economic effect for the town. <i>(Managed by construction and staffing of childcare centre funded in 2015/16 budget)</i> 5. Water security in times of severe drought. <i>(Managed by NSW Government-funded off-river storages currently under construction)</i> 6. Complexity of being a large-area, high-productivity, low-population-density Shire. <i>(Offset by strengths 1, 2, 5 and 6)</i> 7. Climate variations – drought and flood. <i>(Offset by strong mining activity)</i> 8. Threats to mining industry. <i>(Offset by strong agricultural activity)</i> 9. Lack of rental accommodation resulting from mine activity. <i>(Offset, as far as Council's own requirements are concerned, by the provision of staff housing)</i> 10. NSW Government policy and regulations & red tape - role should be a service provider not a regulator. <i>(Strategy 5.2 refers)</i> 11. NSW Government policy on structural change for rural councils leading to loss of community identity, employment, local democracy and decision-making. <i>(Managed through strong representation to NSW Government resulting in Government assurances that a new, separate, type of legal structure for rural councils was no longer being considered.)</i>

2.2 Performance against the Fit for the Future benchmarks

Sustainability							
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	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)	-0.488	0.077	-0.062	-0.127	No (Marginally)	-0.039	No (Marginally)
Own Source Revenue Ratio (Greater than 60% average over 3 years)	59% (with FAGs) 33.2% (without FAGs)	68% (with FAGs) 41.3% (without FAGs)	71% (with FAGs) 45% (without FAGs)	79% (with FAGs) 64% (without FAGs)	Yes (with FAGs) No (without FAGs)	88% (with FAGs) 58% (without FAGs)	Yes (With FAGs) No (Without FAGs)
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	92.0%	78.6%	52%	55%	No	115%	Yes

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

All Fit for the Future benchmarks are being achieved based on Table 3.3 of IPART's Methodology for Assessment of Council Fit for the Future Proposals.

- Council will meet the **Operating Performance Ratio** consistently in future years. It did not meet it in 2013/14 due to only receiving half of the Financial Assistance Grant entitlement in that year.
- The **Own Source Revenue ratio** benchmark is easily met (88%) if FAGs are included. If FAGs are not included, projections show the benchmark being marginally not met – 57% - due to the relatively high amount of grants received to support Council's large (1,400km) road network. It will improve gradually over time as Council increases its rates and user charges.
- The **Building and Infrastructure Renewal Ratio** will be met. The improvement will be due to additional capital funding and improved operational performance, thus allowing more money to be devoted to Capital Projects, and some prioritisation of renewal of existing assets over construction of new assets.

2.2 Performance against the Fit for the Future benchmarks

Infrastructure and service management							
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	2.44%	2.58%	2.58%	2.96%	No (marginally)	2.87%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100%	78.6%	83.1%	86.6%	No	87.3%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	3.85%	2.77%	0.23%	0.01%	Yes	0.93%	Yes

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

All Fit for the Future benchmarks are being achieved based on Table 3.5 of IPART's Methodology for Assessment of Council Fit for the Future Proposals.

- The **Infrastructure Backlog Ratio** will be progressively addressed and will fall below the benchmark of lower than 2% by 2020/21. This will be achieved by devoting cash generated from operating surpluses to reduce the backlog.
- The **Asset Maintenance Ratio** will gradually but consistently improve and meet the benchmark by 2024/25. This will be achieved by devoting more money to the maintenance of infrastructure derived from initiatives undertaken as a result of the Fit for the Future process.
- Although \$1.405 million in loans will be taken out in 2016/17 the **Debt Servicing Ratio** will still easily meet the benchmark. The loans will be taken out to build badly needed new community infrastructure in the areas of Medical Services, Waste Disposal/Recycling and Childcare. In 2016/17 repayments amount to \$118,000 per year which can be easily serviced by Council.

2.2 Performance against the Fit for the Future benchmarks

Efficiency							
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016/2017 performance
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	\$6,581	\$4,573	\$3,966	\$3,906	\$3,906	Yes	\$3,908

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

<p>Fit for the Future benchmark is being achieved based on Table 3.7 of IPART’s Methodology for Assessment of Council Fit for the Future Proposals.</p> <p>Real Operating Expenditure per capita Ratio is met. It is worth noting however that this ratio is influenced by expenditure such as road contract work and Council’s long day care centre. These services increase gross expenditure per resident. The initiatives are profitable and are more than off-set by additional income and therefore reduce net expenditure per resident.</p>
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2.3 Water utility performance

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

Yes

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

\$330,000

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
1300 ML Bulk Water Storage for water security	By 31 Dec 2016	10,000,000	Funded in full by grant

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

Yes

2.3 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.

The Lower Macquarie Water Utilities Alliance (LMWUA) was established in 2008. Since that time, there have been many achievements in regional collaboration at a strategic level. In 2013, the Alliance commenced a regional strategic business plan.

This plan proposed strategies aimed at financial sustainability at a regional level, whilst maintaining the independence and autonomy of each Council.

The regional strategic business plan proposed fifty recommendations. A workshop was held on 19 February 2015, where the twelve Mayors and General Managers determined a prioritisation of each recommendation and nominated the six highest priority actions they wish to proceed with in the short term. Each of these actions will become individual projects in their own right with a designated project manager and designated project deliverables. The progress of each project will be overseen by a sponsoring officer, who is at a senior level within one of the Councils.

With excellent regional collaboration, and a project management approach, there will be many further gains for the members of the alliance. The completion of the high priority projects will further highlight the relevance of the Alliance to the industry as an example of how to provide water and sewerage service in an innovative manner, which has been developed from the bottom up rather than imposed from the top down.

A summary of the implementation plan is shown below.

Improvement strategies		
Strategy	Timeframe	Anticipated outcome
Currency of Best Practice Planning - LMWUA to determine what it expects from its member LWUs in terms of maintaining the currency of their local best practice planning.	Commence by 30 June 2015	<p>Best Practice compliance reporting to Board Meetings, including:</p> <ul style="list-style-type: none">•the status of each Council's documentation•the issues that need to be addressed•the urgency of each issue. <p>Standardised brief for common tasks for engagement of consultants</p> <p>Development of regional strategies arising from individual best practice documentation.</p> <p>Improved compliance requirements as a result of representations to regulators.</p>

<p>Documentation of Asset Maintenance Procedures - Documentation of water and sewer asset maintenance processes and procedures can facilitate information sharing between LWUs, which will lead to knowledge transfer across the region. Better documentation of maintenance processes and procedures will inform the next version of this LMWUA SBP.</p>	<p>Commence by 30 June 2015</p>	<p>Operational procedures for the maintenance of infrastructure across the Alliance that reflect the adopted level of service for each Council.</p> <p>A unified and consistent platform for the collection and maintenance of asset condition data across the Alliance.</p> <p>A unified and consistent approach to capital works planning.</p> <p>Assets Management Plans based on the NAMSPLUS3 templates.</p> <p>Identification of feasibility of delivering the proposed Level of Service standards by Alliance members.</p> <p>Progressive updating to ensure all members are to the same standard.</p>
<p>Shared Specialist Personnel - The LMWUA investigate the requirement, resources, structure, costs and contributions to engage shared specialist personnel.</p>	<p>Commence by 30 June 2015</p>	<p>A report that proposes governance and funding arrangements for shared specialist positions, and the priority for each position.</p>
<p>State and Federal Government Representations - Lobby State and Commonwealth Governments, as an alliance "entity", seeking grants and/or interest subsidies for key capital works. Apply for seed funding for project managers based on priority actions.</p>	<p>Commence by 30 June 2015</p>	<p>A report with a project brief, including likely costs and resources. A priority is to apply for seed funding for project managers to implement the high priority actions.</p> <p>Other milestones to be identified as part of Milestone 1.</p>
<p>Governance Structure - Pending the finalisation of the "Revitalising Local Government" report, it is recommended that the LMWUA consider the structure of the Alliance in terms of a subsidiary of a new Joint Organisation of Orana Councils, if such gains the support of the other Councils.</p>	<p>Commence by 30 June 2015</p>	<p>A report with a project brief, including likely costs and resources.</p> <p>Other milestones to be identified as part of Milestone 1.</p>
<p>Risk Assessment - LMWUA to undertake a comprehensive risk assessment as a pre-requisite to the implementation of the priority actions.</p>	<p>Commence by 30 June 2015</p>	<p>A report with a project brief, including likely costs and resources.</p> <p>Other milestones to be identified as part of Milestone 1.</p>

Performance against Fit for the Future Benchmarks if Water and Sewerage Funds are included in calculations:

The following table shows the extent to which Council's historical and future performance is improved if a consolidated view is taken of Council's operations.

Measure	Benchmark	Average last 3 years (From 2011/12)	KPI Met last 3 years	Average next 5 years From 15/16	KPI met
Sustainability					
Operating Performance Ratio	>= 0	-0.046	No (marginally)	0	Yes
Own Source Revenue Ratio	> 60%	58%	Yes, without FAG	65%	Yes, without FAG
Asset Renewal Ratio	> 100%	66%	No	123%	YEs
Infrastructure and Service Management					
Infrastructure Backlog Ratio	< 2%	4.77%	No	-0.03%	No (marginally)
Asset Maintenance Ratio	> 100%	96.2%	No	113%	Yes
Debt Service Ratio	> 0% and < 20%	0.93%	Yes	0.58%	Yes
Efficiency					
Real Operating Expenditure	Decrease	\$4,225	Yes	\$4,608	Yes (shows steady improvement through to 2023/24)

Section 3: Towards Fit for the Future

3.1 How will your council become/remain Fit for the Future?

Outline your council's key strategies to improve performance against the benchmarks in the 2016-20 period, considering the six options available to Rural Councils and any additional options.

Option 1: Resource sharing (Either with neighbouring councils or via a Regional Joint Organisation)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
1.1 Continue and strengthen existing resource sharing arrangements. Continue participation in current regional initiatives / organisations which provide opportunities for resource sharing, accessing skills and reducing costs by benefiting from economies of scale: a. Orana Regional Organisation of Councils / Orana Joint Organisation of Councils <i>Provides opportunities for Council to liaise, consult and jointly plan with other levels of government. Examples include the Central West/ Orana Regional Leadership Network with the NSW government and attendance by State and Federal ministers and members at Board meetings. This group is also at the forefront of regional advocacy allowing councils to work collaboratively on key issues such as drought.</i> b. Lower Macquarie Water Utilities Alliance (Winner of 2013 National Award for Local Government Collaboration). <i>Has assisted Council to achieve 100% overall compliance with Best Practice.</i> c. North West & Bogan Rural Fire Zone d. North Western Library Services e. Netwaste f. Bogan Bush Mobile (Children's Services)	a. Build on current OROC Strategic Plan – Goal 2 (Resource Sharing / Networking) which facilitates providing each Council with access to specialist advice and resources available at 11 other member Councils. Examples of this include: i. Joint procurement, for example recent OROC-wide electricity contract with a quantifiable 21% saving. ii. Access to expert advice, for example energy management. iii. Professional Groups – Human Resources, Economic Development Officers, Finance and Workplace Health and Safety. iv. General Manager's Advisory Committee. b. Formed in 2008 to cooperatively develop resource sharing opportunities and implementing best practice water management, the alliance provides Bogan Shire with access to specialist advice and project officer resources for water and sewerage operations along with 11 other OROC Councils. c. The Zone, covering 4 Shires and a distance of 57,432 square kilometres, involves Bogan in sharing Regional RFS Head Office expertise, resources and costs with 3 other Councils. d. NWLS covers 4 Shires, involves Bogan in sharing library management expertise, IT infrastructure, resources and costs with 3 other Councils. e. Providing access to skills and expertise through collaborative approaches to waste and resource management across 27 member councils. f. Mobile playgroup for children in remote areas operated by Bogan Shire Council and also servicing areas in neighbouring Shires.	N/A – already in place.	N/A – already in place.	N/A – already in place	<u>Efficiency</u> Existing arrangements save Council money and are already incorporated into financial ratio results.
					<u>Infrastructure and Service Management</u> Availability of expertise and support assists in several areas including good service delivery, data quality and staff training.
					<u>Sustainability</u> Benefits operating ratio through overall cost reduction and frees up funds for spending in other areas.

Option 1: Resource sharing (Either with neighbouring councils or via a Regional Joint Organisation)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
g. Road and Maritime Services - Peer Exchange Group h. Regional Procurement i. Local Government Procurement j. Central West Local Land Services k. Nyngan Local Land Services Council and Bogan Aboriginal Corporation l. Nyngan Community Hub m. Inland NSW Tourism	g. Joint communication, learning and planning opportunities involving NSW RMS and Councils in OROC and other adjoining ROCs. h. Joint procurement contracts with 11 other OROC councils, for example current shared emulsion contract – major component of expenditure. i. Joint procurement contracts on a state-wide basis. j. Working together across 12 Council areas to deliver services that add value to local industries, enhance natural resources, protect industries from pests and disease and help communities respond to emergencies like flood, fire and drought. k. Continued co-operation, particularly with joint funding applications. l. Interagency Group involving Bogan Shire, sharing resources and expertise of agencies delivering community services within the Shire, e.g. NSW Families and Community Services. m. Joint tourism strategic planning, resourcing and marketing with 35 other Council members.				
1.2 Continue and strengthen existing resource / cost sharing arrangements with Cobar Water Board / Cobar Shire Council Continue as the lead agency responsible for the management of the bulk water supply to Bogan Shire Council and Cobar Water Board / Cobar Shire Council.	Continue existing activities, including: i. Maintenance of the jointly-used Albert Priest Channel ii. Liaison with Office of Water regarding regulatory matters. iii. Management of bulk water purchases iv. Management and maintenance of the existing jointly-used water storage weirs. v. Construction of new jointly-used water storage facility to enhance security of supply.	N/A – already in place.	N/A – already in place.	N/A – already in place.	<u>Efficiency</u> Existing arrangements ensure costs are shared by Bogan and Cobar Shires.
					<u>Infrastructure and Service Management</u> Existing arrangements, sharing costs, improves capacity to manage infrastructure assets.
					<u>Sustainability</u> Existing arrangements increase own source revenue via fees paid by Cobar Shire Council.
1.3 Redirect expenditure on consultants to Joint Organisation. Take advantage of opportunities to source expertise from the JO rather than employing private consultants with a view to cost savings and building expertise, potential areas include: a. ICT support (\$39k average annual spend over 3 yrs.) b. Town Planning (\$42k average annual spend	i. Fully identify costs associated with use of private consultants and confirm key areas where these skills are required (e.g. ICT support). ii. Engage in discussions with JO and other Councils to determine whether a business case exists to jointly employ suitable individuals. iii. Terminate existing arrangements and implement new ones with JO.	i. Jun 2016 ii. Jun 2017 iii. Jun 2018	Minimal additional cost – staff time involved in process of identification and negotiation.	Whether or not a business case exists for the JO to employ suitably qualified individuals. Amount saved depends entirely on costing of JO services but could be	<u>Efficiency</u> Decreases expenditure (if not redirected).
					<u>Infrastructure and Service Management</u> Frees up funding that can be redirected towards asset maintenance.

Option 1: Resource sharing (Either with neighbouring councils or via a Regional Joint Organisation)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
<p>over 3 yrs.)</p> <p>c. Accounting / Finance (\$95k average annual spend over 3 yrs.)</p> <p>d. Engineering design and major infrastructure project management (Ad-hoc as required).</p>	iv. Reduce existing consultancy budget by determined amount.	iv. Jun 2018		10% - \$18,000	<p><u>Sustainability</u></p> <p>Frees up funding that can be redirected towards asset renewals.</p> <p>\$18k savings incorporated in LTFP assumptions in 2017/18.</p>
<p>1.4 Shared Asset Management</p> <p>Bogan Shire Council has strengths in asset management, having dedicated and qualified staff resources available.</p> <p>Using this, and complementary expertise found in other rural councils within Orana JO, seek to create a partnership with these Councils to strengthen and standardise asset management practices in much the same way as the Lower Macquarie Water Alliance.</p> <p>A key component of this is the acquisition of common software which could be acquired via the Innovation Fund.</p>	<p>i. Obtain agreement from the three other rural councils within Orana JO</p> <p>ii. Make application to the Innovation Fund.</p> <p>iii. Prepare joint tender proposal.</p> <p>iv. Acceptance of best tender</p> <p>v. Installation of software</p> <p>vi. Identify available expertise.</p> <p>vii. Joint software training completed.</p> <p>viii. Commence work on software implementation.</p> <p>ix. Begin data analysis and work on procedures and standards.</p>	<p>i. Jun 2016</p> <p>ii. Jun 2016</p> <p>iii. Dec 2016</p> <p>iv. Feb 2017</p> <p>v. June 2017</p> <p>vi. Dec 2016</p> <p>vii. Sep 2017</p> <p>viii. Sep 2017</p> <p>ix. Jan 2018</p>	<p>Minimal additional cost, being mainly staff time.</p> <p>Software cost considerable – possibly \$300k between four or, possibly, seven, Councils.</p>	<p>Not getting funding from Innovation Fund.</p> <p>That the software is not appropriate or not properly used. This risk will be mitigated through a proper tender and procurement process and proper training.</p> <p>We will also actively consult with Councils who have sound asset management systems in place / seek assistance from JO partners.</p>	<p><u>Efficiency</u></p> <p>Spreads cost of establishing and managing system amongst participating Councils resulting in manageable workloads for staff obviating need for additional expenditure on staff / consultants.</p> <p><u>Infrastructure and Service Management</u></p> <p>Improves quality of data for decision-making on infrastructure asset maintenance and backlog.</p> <p><u>Sustainability</u></p> <p>No immediate cost savings but spreads cost of obtaining quality data for infrastructure asset decision-making amongst participants.</p>
<p>1.5 Identify other opportunities for resource sharing.</p> <p>Through ongoing dialogue with other Orana JO rural councils, identify opportunities for further resource-sharing, including:</p> <p>a. Ranger Services</p> <p>b. Street-sweeping (plant utilisation)</p> <p>c. Emergency works</p> <p>d. Integrated Planning and Reporting</p> <p>e. Internal Auditing</p>	<p>i. Identify current opportunities with other Orana JO rural councils.</p> <p>ii. Enter into agreements as appropriate.</p> <p>iii. Review of existing arrangements and opportunities for new ones.</p> <p><i>Savings / benefits cannot be reliably estimated at this stage, consequently these have not been included in underlying assumptions for LTFP.</i></p>	<p>i. Jun 2016</p> <p>ii. Jun 2017</p> <p>iii. Annually</p>	<p>Minimal additional cost, being mainly staff time.</p>	<p>Ensure that new arrangements do not negatively impact on our service delivery.</p>	<p><u>Efficiency</u></p> <p>Reduces overall cost / provides revenue stream.</p> <p><u>Infrastructure and Service Management</u></p> <p>Frees up funding that can be redirected towards asset maintenance.</p> <p><u>Sustainability</u></p> <p>Frees up funding that can be redirected towards asset renewals.</p>

3.1 How will your council become/remain Fit for the Future?

Option 2 – Shared Administration (Agreements with neighbouring councils)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
2.1 Sharing Management Team with neighbouring councils Not considered to be practical. a. Firstly, distance between neighbouring Shire centres is too great, involving extended travel times. (Warren – 85kms, Cobar - 130kms, Bourke – 203kms and Condobolin - 301kms.) b. Secondly, inadequate local internet speeds, severe lack of mobile phone reception, frequent service interruptions, with lengthy response times, do not support remote office working arrangements for senior managers. c. Thirdly, senior managers, including General Managers, are very 'hands on' in a small rural Council and consequently existing workloads prohibit efficient sharing. Expressed differently, additional management staff would have to be employed to take on the workload no longer being undertaken by existing senior managers in this scenario. d. Lastly, Bogan Shire already runs a flat and lean management structure and has no Directors employed as Senior Staff as defined by the Local Government Act, running efficiently with one Senior Staff Member (General Manager) and 3 Departmental Managers. <i>Rather than sharing managers as such, the current practice of sharing OROC rural council management resources (ideas, problem-solving, experience and skills) in collaborative forums will continue.</i>	N/A	N/A	N/A	N/A	<u>Efficiency</u> N/A
					<u>Infrastructure and Service Management</u> N/A
					<u>Sustainability</u> N/A
2.2 Shared administration functions As described in paragraph 1.1 of Option 1, this Council already takes advantage of shared administration in respect of: <ul style="list-style-type: none"> Library Services Rural Fire Services and Water strategic planning and policy 	As set out in 1.1	N/A – already in place.	N/A – already in place.	N/A – already in place.	<u>Efficiency</u> As set out in 1.1
					<u>Infrastructure and Service Management</u> As set out in 1.1
					<u>Sustainability</u> As set out in 1.1

3.1 How will your council become/remain Fit for the Future?

Option 3 – Speciality Services (Marketing specialist services to other councils e.g. via a Centre of Excellence)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
3.1 Centres of Excellence Investigate options for making use of Bogan Shire staff, including retired staff, with specialist knowledge to develop local centres of excellence to service nearby Councils both inside and outside of Orana JO. Potential areas include: i. Local government software support ii. Human Resources Management iii. Building Surveying iv. Town Planning v. Engineering – particularly water vi. Asset Management – particularly valuation of road assets (new requirement to be done by external party). The role of the JO is to maintain a database of expertise throughout member Councils and coordinate requests for service.	i. Thoroughly review available expertise and opportunities. ii. Review capacity for taking on increased workload and implications for staffing / levels of service. iii. Build database of expertise within the JO for specialist staff opportunities. iv. Make opportunities known to Council's outside JO.	i. Dec 2015 ii. Jun 2016 iii. Dec 2016 iv. Dec 2016	Cost of additional (possibly lower level) wages to compensate for loss of staff time to get the job done locally.	Ability to forward plan and to manage workloads of existing staff "experts".	<u>Efficiency</u> Has the potential for reducing costs (yet to be determined) by spreading specialty services across more than one Council. This could also lead to new employment opportunities for specialist staff with their salary being jointly recovered.
					<u>Infrastructure and Service Management</u> Potential to make funding available that can be redirected towards asset maintenance.
					<u>Sustainability</u> Potential for (relatively minor) increase in own source revenue. This can, in turn, make funding available towards asset renewals. \$5k revenue / offsetting expenditure incorporated in LTFP assumptions in 2016/17.
3.2 Highway Construction Projects Bogan Shire has recognised strengths in highway maintenance and construction work. RMS has agreed to a level of highway construction to be carried out on their behalf but, in addition, Council has the capacity to do additional ad-hoc work during the year.	i. Continue annual discussions with RMS about the potential for more contract work on their behalf. ii. Obtain confirmation of the level of medium-term funding from RMS for contract work. iii. Subject to confirmation of medium-term funding, consider need to acquire additional resources if necessary to undertake work.	i. Jun 2016 ii. Jun 2016 iii. Jun 2017	Dependant on need for additional resources – yet to be determined.		<u>Efficiency</u> N/A
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance.
					<u>Sustainability</u> Potential for increase in own source revenue. This can, in turn, make funding available towards asset renewals. Based on discussions with RMS, revenue of \$325k has been allowed for construction work in 2015/16 and \$300k for additional ad-hoc work.

3.1 How will your council become/remain Fit for the Future?

Option 4 – Streamlined Governance (Reducing the number of Councillors or formal council meetings)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
4.1 Reducing the number of Councillors Not considered worthwhile based on cost/benefit. a. Bogan Shire Councillors are part-time and paid the minimum allowance permitted - \$8,130 per annum. b. Bogan Shire does not run a council complex committee system with all decisions being taken by Council as a whole at one monthly meeting. This eliminates the cost of council committee meetings and structures. Community participation in Section 355 Committees is discussed in paragraph 6.4. c. Councillors do not receive additional allowances and travel and conference expenses are minimal with no Councillors having travelled interstate on Council business in, at least, the last 5 years. d. Based on this, cutting the number of Councillors from 9 to 7, for example, would have a minimal impact on Council's expenditure with negative impacts of the level of local democracy and debate.	N/A	N/A	N/A	Loss of expertise, community voice and diversity of opinion for the sake of saving \$16,000 per annum.	<u>Efficiency</u> N/A
					<u>Infrastructure and Service Management</u> N/A
					<u>Sustainability</u> N/A
4.2 Implementing electronic business papers Consider phasing in the circulation of electronic business papers for Councillors and staff via tablet technology.	i. New Council to consider a report on the cost-benefit of this measure and proposed implementation timelines. ii. Carry out actions as determined by Council. <i>Savings / benefits cannot be reliably estimated at this stage, consequently these have not been included in underlying assumptions for LTFP.</i>	i. Jun 2017 ii. Jun 2018	Capital cost of tablets: \$700x9 = \$6,300	Changeover risks can be minimised with appropriate training.	<u>Efficiency</u> Potential to reduce overall costs in medium term, positively affecting ratio. \$5k savings incorporated in LTFP assumptions in 2017/18.
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u>

3.1 How will your council become/remain Fit for the Future?

Option 5 – Streamlined Planning, Regulation and Reporting (Exploring flexibility under current legislative provisions, as well as adopting new options following legislative review)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
5.1 Complexity of Annual Report for Smaller Local Governments Encourage the NSW Government to review the level of detail required for, and complexity of, Local Government Annual Financial Statements in NSW for smaller Councils.	Bogan Shire Council to raise through Local Government NSW.	Jun 2016	Minor	Adequate level of detail still required to account to ratepayers.	<u>Efficiency</u> Potential to reduce overall costs in medium term, positively affecting ratio.
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance.
					<u>Sustainability</u> Frees up funding that can be redirected towards asset renewals. \$10k savings incorporated in LTFP assumptions in 2016/17.
5.2 Reduction in NSW Government Red Tape Work with Local Government NSW and Orana JO to undertake a review of where efficiencies can be gained, particularly for smaller Councils, in the context of the IPART Local Government Compliance and Enforcement Review. Any efficiencies, for example, cost savings in respect of land use planning will depend on requirements of the NSW Government and are out of Council's hands except to the extent that Government can be lobbied. Council will fully participate in and support Regional planning initiatives at a JO level. Council has already participated in completion of the Western Council's Sub-Regional Land Use Strategy with the Councils of Coonamble, Gilgandra, Narromine, Warren and the Department of Planning, also participating in joint planning panels and sub-Regional State of Environment reporting (mentioned as options for consideration in the guideline to Template 3).	Request Local Government NSW to raise with NSW Government on behalf of industry.	Jun 2016	Minor	Extent of savings depends on LGNSW review and on the response from NSW Government.	<u>Efficiency</u> Potential to reduce overall costs in medium term, positively affecting ratio.
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance.
					<u>Sustainability</u> Frees up funding that can be redirected towards asset renewals. \$10k savings incorporated in LTFP assumptions in 2016/17.

Option 5 – Streamlined Planning, Regulation and Reporting (Exploring flexibility under current legislative provisions, as well as adopting new options following legislative review)

5.3 Rating Review Seek opportunity for justifiable, increased rates from Nyngan Solar Plant (largest solar power station in the southern hemisphere) via a new land category – Section 493 of Local Government Act.	Pursue request made to Minister for Local Government for consideration of a new land category, potentially based on Victorian model where level of power generation is taken into account. <i>Additional revenue cannot be reliably estimated at this stage, consequently it has not been included in underlying assumptions for LTFP.</i>	Jun 2016			<u>Efficiency</u> N/A
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance.
					<u>Sustainability</u> Potential for increase in own source revenue. This can, in turn, make funding available towards asset renewals.
5.4 Review of Unfunded Activities In addition to “Red Tape Review”, review unfunded or underfunded responsibilities, including compliance activities, relating to NSW legislation or areas of responsibility such as the Companion Animals Act, Swimming Pools Act, Regional Roads and libraries.	Request Local Government NSW to lead an initiative to seek additional revenue from the NSW State Government / alternatively a reduction in council responsibilities in respect of these activities. <i>Savings / benefits cannot be reliably estimated at this stage, consequently these have not been included in underlying assumptions for LTFP.</i>				<u>Efficiency</u> Potential to reduce overall costs in medium term, positively affecting ratio.
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance. A significant portion of Council's road infrastructure backlog is on Regional Roads for which the NSW Government provides insufficient funding to cover renewals and maintenance.
					<u>Sustainability</u> Frees up funding that can be redirected towards asset renewals.

3.1 How will your council become/remain Fit for the Future?

Option 6 – Service Review (Exploring options for improved cost recovery in service provision, or optional service delivery methods / standards)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
6.1 Unsealed Road Maintenance and Renewal Conduct Service Review for Shire Road Maintenance and Renewals. (1,400 kilometres of unsealed roads). Road maintenance makes up the majority of Council's operating expenditure (20%). Establishing / clarifying desired levels of service and identifying efficiencies could assist in reducing renewal and maintenance costs with positive impacts on FFF graphs.	i. In conjunction with new Community Strategic Plan identify, thorough community consultation, what services are most important and what levels of service are acceptable. ii. Develop revised road priority hierarchy for maintenance and renewal based on outcome of (i) and technical advice. iii. Identify extent to which Regional road costs are funded by Council's general fund and take appropriate action. iv. Engage consultants / JO to assist with identifying areas for change based on (i). v. Council to review and Implement	i. Jun 2017 ii. Dec 2017 iii. Jun 2018	Consultant costs – preferably using JO expertise. Estimated \$20,000	Community acceptance of changed levels of service, if implemented.	<u>Efficiency</u> Potential to reduce overall costs in medium term, positively affecting ratio.
					<u>Infrastructure and Service Management</u> Expected to help define backlog by refining understanding of "satisfactory" condition. Expected to help define "required" levels of maintenance.
					<u>Sustainability</u> Expected to help determine the extent to which funding needs to be redirected. \$50k savings incorporated in LTFF assumptions in 2018/19.
6.2 Plant Management Conduct Service Review for Plant Management. (Plant is a significant cost resulting from road maintenance / construction activities – 14.7% of operating budget) Identifying improved utilisation, cost recovery and service delivery could reduce costs, freeing up funding for, amongst other things, asset maintenance and renewal.	i. Engage consultants / JO to assist with process of identifying where efficiencies can be made in operations as well as an optimal change over regime. ii. Council to review and Implement	i. Jun 2016 ii. Dec 2017	Consultant costs – preferably using JO expertise. Estimated \$15,000	Need to be mindful of the balance between saving money on plant and having reliable adequate plant fit for purpose.	<u>Efficiency</u> Potential to reduce overall costs, positively affecting ratio.
					<u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance. Could reduce the (plant) cost of road maintenance works, allowing more work to be done for the same cost.
					<u>Sustainability</u> Potential to make funding available towards asset renewals. Could reduce the (plant) cost of road renewal works, allowing more work to be done for the same cost. \$50k savings incorporated in LTFF assumptions in 2018/19.

Option 6 – Service Review (Exploring options for improved cost recovery in service provision, or optional service delivery methods / standards)

6.3 Childcare Services Expansion In addition to the mobile playgroup for rural children run by Council, Council is to seek to establish a long day care centre in response to community feedback for the need for this service in Nyngan.	i. Complete feasibility study and submit request for funding to Australian Government. ii. Complete construction iii. Commence operations	i. June 2015 ii. Dec 2015 iii. Jan 2016	<ul style="list-style-type: none"> \$735k capital cost. \$x operating cost in 2016/17 	Milestone dates dependant on timing of funding announcement and construction timeframes.	<u>Efficiency</u> <u>Infrastructure and Service Management</u> <u>Sustainability</u> Increases own source revenue. \$703k in own source revenue incorporated in LTFP assumptions for 2018/19.
6.4 Cost Accounting Review – Water and Sewerage Cost accounting review – activity based costing exercise to ensure appropriate costing of council overheads. Has the potential to free up resources in the General Fund for, amongst other things, asset maintenance and renewal.	i. Commit resources to a review of cost accounting processes to establish true cost of running water and sewerage services, believed to be partially cross-subsidised by General Fund at present. ii. Council to review and Implement	i. Jun 2016 ii. Dec 2017	Minimal additional cost if own staff perform review.	Cost allocations must be realistic, based on sound principles.	<u>Efficiency</u> Reduction in overall costs, positively affecting ratio. <u>Infrastructure and Service Management</u> N/A <u>Sustainability</u> Savings to make funding available for renewal works. \$20k savings incorporated in LTFP assumptions for 2017/18.
6.5 Greater Community Involvement Identify areas of significant expense (for example community facilities, showgrounds and sports fields) that could be partially managed by volunteers via Section 355 mechanisms. Has the potential to free up resources in the General Fund for, amongst other things, asset maintenance and renewal. Council already has in place up to six Section 355 Committees to manage halls, cemetery, showgrounds and museum.	i. Identify, as part of Community Strategic Plan, assets / facilities where Council and, for example, sporting clubs could benefit from Section 355 arrangements to reduce costs of maintenance. ii. Engage community groups in discussion. iii. Depending on outcome of (ii) develop and adopt Section 355 agreements. <i>Savings / benefits cannot be reliably estimated at this stage, consequently these have not been included in underlying assumptions for LTFP.</i>	i. Jun 2017 ii. Dec 2017 iii. Jun 2018	Minimal additional staff time.	Community perceptions regarding Council abrogating our responsibilities will need to be managed Governance of Sec 355 Committees to be addressed.	<u>Efficiency</u> Potential to reduce overall costs, positively affecting ratio. <u>Infrastructure and Service Management</u> Potential to make funding available towards asset maintenance. <u>Sustainability</u> Potential to make funding available towards asset renewals.

3.1 How will your council become/remain Fit for the Future?

Option 7 – Refocus expenditure on asset renewals (Identify cash resources that can be used to address infrastructure backlog and increase spending on asset maintenance and renewals)					
Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
7.1 Confirm Depreciation Undertake a review of depreciation to confirm that assumptions regarding required renewals are valid. Concern is that depreciation is too high and does not reflect the actual condition on the ground. <i>(Assets are in good condition, cash investments increasing and yet not all depreciation is funded and renewals are less than depreciation over time = depreciation too high?)</i>	i. Engage consultants to review depreciation methodologies and assumptions across all asset categories. ii. Review effect of these changes. iii. Agree on outcome with auditors. <i>Savings / benefits cannot be reliably estimated at this stage, consequently these have not been included in underlying assumptions for LTFP.</i>	i. Oct 2015 ii. Jan 2016 iii. Jun 2016	Consultant costs. Estimated \$10,000 (Significant amount of work already done by Council staff)	Annual depreciation must be realistic, based on sound principles.	<u>Efficiency</u> Potential to reduce overall costs, positively affecting ratio.
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Marked effect on Building and Asset Renewal Ratio – expected to decrease depreciation and improve ratio.
7.2 Review of medium term capital priorities Undertake a review of the mix of proposed capital works to ensure an appropriate mix of new works and renewal works.	i. Prepare medium to long term capital works program based on asset management data, community feedback and required renewals / depreciation. ii. Annually review this program as part of the budgeting process. <i>Some basic work already undertaken and factored into LTFP assumptions for 2015/16 onwards.</i>	i. Jan 2016 ii. Annually	Minimal additional cost - staff time.	Appropriate level of new works still required to develop levels of service within the community. Community expectations for new works.	<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Initial assumptions already benefitting Building and Asset Renewal Ratio. Further work expected to support this.
7.3 Apply Roads to Recovery increase to Renewals Apply approved and increased Roads to Recovery funding to asset renewals.	i. Use recent road asset audit undertaken as part of revaluation to identify priority road renewal projects. ii. Carry out works.	i. Dec 15 ii. Jun 17 through to Jun 22	Additional costs matched with additional revenue.	None identified.	<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Assumptions show improvement to Building and Asset Renewal Ratio Additional revenue over 5 years incorporated in LTFP assumptions for 2015/16 onwards. (Increased from \$690k in 2013/14 to \$942k in 2015/16).

Option 7 – Refocus expenditure on asset renewals (Identify cash resources that can be used to address infrastructure backlog and increase spending on asset maintenance and renewals)

Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
7.4 Creation of Asset Renewal Reserve Use asset renewal reserve created in 2015/16 to reduce the asset backlog.	i. Use recent road asset audit undertaken as part of revaluation to identify priority projects. ii. Carry out works.	i. Dec 16 ii. Jun 17 through to Jun 18	Additional costs of road works matched with reserves. (\$400k in 2015/16)		<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> \$400k additional capital (renewal) works funded from reserve incorporated in LTFP assumptions.
7.5 Dedicate % of Financial Assistance Grants to renewals “Ring-fence” half of expected FAG increase, up to \$100k per annum, over the next 5 years to be applied to asset renewals. Based on statements by the Office of Local Government, Minister for Local Government and past experience half of the expected increase is conservatively expected to be in the region of \$100k (3%) per annum. <i>(Increase in FAG’s was 10% between 2012/13 & 2013/14 and 6% between 2013/14 and 2014/15 – showing the effect of the freeze.)</i> If more substantial reallocation of FAG occurs then some items below will not need to be considered and the program of renewal works will be revised accordingly.	i. Use recent road asset audit undertaken as part of revaluation to identify priority projects. ii. Carry out works.	i. Dec 15 ii. Jun 16 through to Jun 20		Low risk of not getting at least an additional \$100k increase per annum based on experience of last two years.	<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Minor benefit to Own Source Revenue Ratio. Assumptions show improvement to Building and Asset Renewal Ratio Additional revenue over 5 years incorporated in LTFP assumptions for 2015/16 onwards. (\$100k in 2015/16 increasing to \$125k in 2019/20).
7.6 Infrastructure Levy If generally acceptable to the community, investigate option of special rates variation / infrastructure levy to fund asset renewals following public consultation. (Especially if FAG grant increases are not forthcoming).	In conjunction with new Community Strategic Plan identify, thorough community consultation on levels of service whether the community will accept a special rates levy to fund particular infrastructure projects. Depending on outcome of (i), use funds generated to carry out identified works.	i. Jun 17 Jun 18 through to Jun 22		Community acceptance of paying additional rates?	<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Assumptions show improvement to Building and Asset Renewal Ratio \$42k in additional revenue from a minor (1.5%) levy incorporated in LTFP assumptions for 2016/17 onwards.

Option 7 – Refocus expenditure on asset renewals (Identify cash resources that can be used to address infrastructure backlog and increase spending on asset maintenance and renewals)

Proposal (Objectives and strategies)	Implementation (How will your Council implement the option?)	Proposed Milestones for implementation	Costs of implementation	Risks of implementation	How does this proposal allow Council to become FFF?
7.7 Fund infrastructure backlog from loans Depending on the outcome of measures 7.1 to 7.4, consider obtaining loans to finance the reduction of the infrastructure backlog to targeted level.	i. Consider new loans (Council currently has low levels of loans) to finance asset renewal works as a means to reduce backlog more quickly. ii. Depending on outcome of (i), use funds generated to carry out identified works. <i>Not considered necessary at this stage and consequently this option has not been included in underlying assumptions for LTFP.</i>	i. Jun 17 ii. Jun 18 through to Jun 22		Restricts Council from taking out new loans for other projects.	<u>Efficiency</u>
					<u>Infrastructure and Service Management</u>
					<u>Sustainability</u> Potential to make funding available towards asset renewals.

3.2 Rural Council Action Plan

Giving consideration to the Rural Council options, summarise the key actions that will be achieved in the first year of your plan.

Action plan	
Actions	Milestones
Continue and strengthen existing resource sharing arrangements. <i>Continue participation in the 13 current regional initiatives / organisations which provide opportunities for resource sharing, accessing skills and reducing costs by benefiting from economies of scale.</i>	N/A – already in place
Continue and strengthen existing resource / cost sharing arrangements with Cobar Water Board / Cobar Shire Council <i>Continue as the lead agency responsible for the management of the bulk water supply to Bogan Shire Council and Cobar Water Board / Cobar Shire Council.</i>	N/A – already in place
Redirect expenditure on consultants to Joint Organisation. <i>Take advantage of opportunities to source expertise from the JO rather than employing private consultants.</i> v. Fully identify costs associated with use of private consultants and confirm key areas where these skills are required (e.g. ICT support).	i. June 2016
Shared Asset Management <i>Seek to create a partnership with Orana JO rural councils to strengthen and standardise asset management practices.</i> x. Obtain agreement from the three other rural councils within Orana JO xi. Make application to the Innovation Fund.	i. June 2016 ii. June 2016
Identify other opportunities for resource sharing. <i>Within Orana JO rural councils, identify opportunities for further resource-sharing</i> iv. Identify current opportunities with other Orana JO rural councils.	i. June 2016

<p>Centres of Excellence</p> <p><i>Investigate options for making use of Bogan Shire staff, to develop local centres of excellence to service nearby Councils both inside and outside of Orana JO.</i></p> <p>v. Thoroughly review available expertise and opportunities.</p> <p>vi. Review capacity for taking on increased workload and implications for staffing / levels of service.</p>	<p>i. Dec 2015</p> <p>ii. June 2016</p>
<p>Highway Construction Projects</p> <p><i>With recognised strengths in highway maintenance and construction work, continue with – and expand - contract work on behalf of RMS.</i></p> <p>iv. Continue annual discussions with RMS about the potential for more contract work on their behalf.</p> <p>v. Obtain confirmation of the level of medium-term funding from RMS for contract work.</p>	<p>i. June 2016</p> <p>ii. June 2016</p>
<p>Complexity of Annual Report for Smaller Local Governments</p> <p><i>Encourage the NSW Government to review the level of detail required for, and complexity of, Local Government Annual Financial Statements in NSW for smaller Councils</i></p> <p>i. Bogan Shire Council to raise through Local Government NSW.</p>	<p>i. June 2016</p>
<p>Reduction in NSW Government Red Tape</p> <p><i>Work with Local Government NSW and Orana JO to undertake a review of where efficiencies can be gained, particularly for smaller Councils, in the context of the IPART Local Government Compliance and Enforcement Review.</i></p> <p>i. Request Local Government NSW to raise with NSW Government on behalf of industry.</p>	<p>i. June 2016</p>
<p>Rating Review</p> <p><i>Seek opportunity for justifiable, increased rates from Nyngan Solar Plant (largest solar power station in the southern hemisphere) via a new land category – Section 493 of Local Government Act.</i></p> <p>Pursue request made to Minister for Local Government for consideration of a new land category, potentially based on Victorian model where level of power generation is taken into account.</p>	<p>i. June 2016</p>

<p>Review of Unfunded Activities</p> <p><i>In addition to “Red Tape Review”, review unfunded or underfunded responsibilities, including compliance activities, relating to NSW legislation or areas of responsibility.</i></p> <p>i. Request Local Government NSW to lead an initiative to seek additional revenue from the NSW State Government / alternatively a reduction in council responsibilities in respect of these activities.</p>	<p>i. June 2016</p>
<p>Plant Management</p> <p><i>Conduct Service Review for Plant Management.</i></p> <p>iii. Engage consultants / JO to assist with process of identifying where efficiencies can be made in operations as well as an optimal change over regime.</p>	<p>i. June 2016</p>
<p>Cost Accounting Review – Water and Sewerage</p> <p><i>Cost accounting review – activity based costing exercise to ensure appropriate costing of council overheads.</i></p> <p>iii. Commit resources to a review of cost accounting processes to establish true cost of running water and sewerage services, believed to be partially cross-subsidised by General Fund at present.</p>	<p>i. June 2016</p>
<p>Confirm Depreciation</p> <p><i>Undertake a review of depreciation to confirm that assumptions regarding required renewals are valid.</i></p> <p>iv. Engage consultants to review depreciation methodologies and assumptions across all asset categories.</p> <p>v. Review effect of these changes.</p> <p>vi. Agree on outcome with auditors.</p>	<p>i. Oct 2015</p> <p>ii. Jan 2016</p> <p>iii. Jun 2016</p>
<p>Review of medium term capital priorities</p> <p><i>Undertake a review of the mix of proposed capital works to ensure an appropriate mix of new works and renewal works.</i></p> <p>iii. Prepare medium to long term capital works program based on asset management data, community feedback and required renewals / depreciation.</p>	<p>i. Jan 2016</p>

<p>Apply Roads to Recovery increase to Renewals</p> <p><i>Apply approved and increased Roads to Recovery funding to asset renewals.</i></p> <p>iii. Use recent road asset audit undertaken as part of revaluation to identify priority road renewal projects.</p>	<p>i. Dec 2015</p>
<p>Dedicate % of Financial Assistance Grants to renewals</p> <p><i>“Ring-fence” half of expected FAG increase, up to \$100k per annum, over the next 5 years to be applied to asset renewals.</i></p> <p>iii. Use recent road asset audit undertaken as part of revaluation to identify priority projects.</p>	<p>i. Dec 2015</p>

Outline the process that underpinned the development of your action plan.

The Action Plan was developed from the proposals outlined in Section 3.1 and informed by the SWOT analysis in Section 2.1.

Council resolved to endorse this submission following extensive deliberation. The process of developing the Plan involved discussions at Council meeting, a public meeting, community survey, Council workshops, meetings with three adjoining Group C councils and Manex input. No external consultants were used.

Discussions and collaboration amongst Council management, discussions with council fit for the future committee, Council workshop and finally with the full council. Collaboration with other nominated “rural councils” within OROC

3.3 Community involvement

Outline how you have consulted with your community on the challenges facing your council, performance against the benchmarks and the proposed solutions.

The options presented by the Panel for Bogan Shire Council were a merger with Warren Shire Council or a Rural Council.

Council's main strategy in addressing performance against benchmarks is to redirect capital funding from new works, mainly towards renewal of assets but also to maintenance.

In the absence of clear guidelines on the role, functions and responsibilities of a Rural Council it was not possible for Council to engage meaningfully on this concept vs. any other option with the community. Confusion and concern over what a Rural Council was and whether the Independent Panel's recommendations for local boards were being adopted by the NSW Government was not put to rest until April 2015 when, in FFF Newsletter 12, the Office of Local Government confirmed:

"The Independent Local Government Review Panel originally proposed a Rural Council Model. Consultation with the sector has shown the needs of rural communities are so diverse that a single legislated model, creating a new type of council, may not be the best solution. The model is no longer being proposed.

Instead, councils have the option of preparing a Rural Council Proposal (Template 3) to show how they will improve performance within their current structure. This allows them to choose from solutions, developed through consultation, that particularly suit small rural communities.

There will be no change to the way that councils are named, nor mandated changes to operations."

Even at this late stage it's not clear how a Rural Council will interact with the Orana Joint Organisation.

None of this has made it easy to present the options and implications to our local community. Council has however progressed this submission based on the understanding that a Rural Council under the Fit for the Future process is just a rural council and not anything different – based on statements made by the NSW Government such as the one above.

Direct personal contact

The primary method of engagement with our community has been direct personal contact and conversations between councillors and the community. This is one of the great strengths of being a small rural council. Bogan Shire Councillors are well-known to community members and regularly mix with them at social occasions, on the sports field and in other more formal settings.

Survey

Council sent out a survey in February 2015 to all residents - essentially to gauge whether there was any appetite within the community for engaging in discussions with Warren Shire Council on a merger or for a "local board" concept where the management of the council would be based at the Joint Organisation in Dubbo. The overwhelming response was that people wanted the Shire to remain as it is, locally based in Nyngan and not merged with Warren Shire.

Survey questions and results were as follows:

1. Would you support a merger between Bogan Shire Council and Warren Shire Council?
(No - 95% of responses)
2. Do you support Bogan Shire Council becoming a Rural Council if this means handing over local decision-making / control over services to a JOC based in Dubbo?
(No – 98% of responses)
3. Would you support a Council submission to the government for us to remain as we are promoting our good financial and service-delivery track record whilst showing ways we can improve?
(Yes – 98% of responses).

Public Meeting

The survey was followed up by a public meeting held on 18 March 2015 in Nyngan where the mayor and general manager explained the merger / rural council options and presented the council's improvement strategies followed by a question and answer session relating to Fit for the Future process and council's strategies. At the conclusion of that meeting, those present unanimously passed the following resolution:

1. Bogan Shire Council remains a fully-autonomous Council retaining all current elements of local democracy and decision-making for the benefit of the local community with no diminished legal status, as a rural council.
2. Bogan Shire Council supports the Joint Organisation concept provided it operates on similar lines to the current Orana Regional Organisation of Councils with the following functions:
 - Regional Planning
 - Regional Purchasing
 - Lower Macquarie Water Utilities Alliance
 - Other joint operations that will benefit the Councils involved

Other

Community consultation has been backed up by numerous radio interviews done by the mayor as well as newsletters in the local paper.

All Fit for the Future discussions regarding options, analysis of ratios and improvement strategies have been held during open, public, Council meetings.

Further community consultation regarding levels of service, infrastructure levy and capital spending priorities will take place during the completion of Council's next Community Strategic Plan.

3.4 Other strategies considered

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

All Rural Council Options were considered with comments made under Section 3.1

The merger option was given some consideration in the initial stages of the Fit for the Future process but not pursued as there is no clear benefit – and several disadvantages - for the community in joining two large-area, low-population, high-productivity Shires with similar financial profiles, into one Council that would take over 2 hours to drive through at highway speeds.

Also, overwhelmingly clear community direction was given that this was not a preferred option (95% of survey responses did not support a merger / personal feedback received by councillors).

Section 4: Expected outcomes

4.1 Expected improvement in performance

Measure/Benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total improvement over 10 years
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.007	-0.040	-0.039	-0.023	-0.013	0.001	0.004	0.003	0.003	0.001	0.003	-.0006% change
Own Source Revenue (inc FAG) Ratio (Greater than 60% average over 3 years)	83%	85%	88%	88%	89%	88%	88%	88%	88%	88%	88%	5% change
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	62%	69%	115%	117%	118%	129%	131%	123%	125%	127%	129%	65% change
Infrastructure Backlog Ratio (Less than 2%)	2.36%	3.08%	2.87%	2.65%	2.44%	2.02%	1.61%	1.41%	1.21%	1.02%	0.82%	1.34% change
Asset Maintenance Ratio (Greater than 100% average over 3 years)	84%	85.7%	87.3%	89.0%	90.8%	92.5%	94.3%	96.1%	98.0%	100%	102%	16% change
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.02%	0%	0.93%	0.89%	0.85%	0.81%	0.78%	0.76%	0.74%	0.72%	0.70%	0.70% change
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$3,945	\$4,117	\$3,908	\$3,879	\$3,897	\$3,873	\$3,850	\$3,823	\$3,796	\$3,762	\$3,735	4.6% change

4.2 Factors influencing performance

Outline the factors that you consider are influencing your council's performance against the Fit for the Future benchmarks, including any constraints that may be preventing improvement.

Financial Assistance Grants

Growth in the FAG has been conservatively estimated at 6% over the next five years in the Long Term Financial Plan. This figure is based on historical data and is considered conservative as between 2012/13 and 2013/14 Bogan Shire Council FAG increased by 10% and between 2013/14 and 2014/15 it increased by 6% which reflects the national freeze on overall FAG increases.

Should the Federal and State Governments implement the recommendation of the Independent Panel to "Change the distribution formula for general purpose grants to reduce or eliminate grants to councils that have considerable unused revenue capacity" (Box14 of Revitalising Local Government), then Bogan Shire Council's FAG grant should increase substantially which will have significantly positive benefits for our long-term financial sustainability. **However, this substantial increase has not been taken as a given and has not been included as an assumption in our Long Term Financial Plan.**

Cost Shifting

Cost shifting is a real burden on rural councils, preventing them from further financial performance improvement, and has come about either by State Government enabling legislation or regulation (swimming pool inspections) or, secondly through rural council's having to provide services that should be the responsibility of State Government (health) or by State Government withdrawing funding leaving councils to fund the services needed by the community (libraries and regional roads).

A conservative estimate is that cost shifting in Bogan Shire Council in 2013/14 amounted to \$641,000 or 26% of general rate income.

Extensive Asset Base

Council has about 1,400 Km of unsealed roads to maintain as well as a significant amount of buildings. Depreciation of these assets amounted to almost \$2.9 million in 2013/14. The large roadwork not only benefits to small local community but also the national economy, by allowing agricultural and mining produce to get to market.

Regional Roads

Regional Roads were vested in councils as a result of the 1993 Roads Act but were intended to be funded by the State Government via the Block Grant.

The amount provided to Bogan Shire Council to maintain and renew Regional Roads is not sufficient to cover the cost, including depreciation, and this has contributed to the fact that **31%** of our infrastructure backlog for roads comes from Regional Roads.

Rural Council Characteristics

Rural Council characteristics including low density of population, low rate base and tyranny of distance are all limiting factors.

Section 5: Implementation

5.1 Putting your plan into action

How will your council implement your Rural Council proposal?

The overall framework for the implementation and monitoring of council's Fit for the Future strategies will be the Delivery Program and Operational Plan and Budget.

A new Outcome, under the section *Responsible Local Government*, is to be inserted in these Plans:

6.3 Fit for the Future – Council's business is well-managed so that our Fit for the Future strategies contribute towards ongoing financial sustainability, sound infrastructure / service management and efficiency.

Council's seven Fit for the Future strategies shown under section 3.1 of the template will be reflected as strategies under this Outcome in the Delivery Program and Operational Plan and Budget.

In this way, Fit for the Future strategies - and progress towards meeting the goals of those strategies - will be publicly available through regular reporting by the General Manager to Council in line with Delivery Program statutory reporting requirements. (*Section 404(5), Local Government Act*).

As with other Delivery Program / Operational Plan activities a senior manager will be designated as the "Council Lead" for each Fit for the Future activity to allocate responsibility. Managers will regularly report back to Manex and to Council on progress with actions and will be expected to develop their own project plans to ensure goals are met.

A section on Fit for the Future strategies and progress towards targets will also be included in Council's Annual Report.

Attachments:

- Attachment 1 – Letter to IPART Chairman.
- Attachment 2 – Long Term Financial Plan (General Fund)
- Attachment 3 – Long Term Financial Plan (Consolidated Fund)
- Attachment 4 – Note on changes to Special Schedule 7
- Attachment 5 – Report on Revaluation of Transport and Stormwater Assets 2014