

Draft 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.

Snowy River Shire Council (SRSC)

Council name:

Date of Council resolution endorsing
this submission:

23 June 2015

1.1 Executive Summary

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

The Snowy River Shire Council (SRSC) was established in 1906 and covers 6,030 square kilometres incorporating the towns of Jindabyne, Berridale, Adaminaby and Dalgety. The mainstays of our local economy include agriculture, tourism and water i.e. storage for irrigation and hydroelectric generation and recreational use of lakes.

The Independent Local Government Review Panel (ILGRP), in its final report, did not state a preferred option regarding SRSC, however SRSC explored both options suggested which included a merger with Cooma Monaro Shire Council (CMSC) and/or Bombala Council (BC). These three Councils commissioned KPMG to prepare a merger business case and SRSC commissioned Morrison Low to prepare a stand-alone business case. In its Executive Summary KPMG concluded, in part, that “...a merged Council is likely to materially underperform against benchmarks relating to asset renewal and infrastructure backlog, and the expected net financial benefit of the merger is unlikely to be of sufficient quantum that would enable a merged Council to invest heavily in these areas.”¹

Additionally, Morrison Low found that “It should be recognised that Snowy River delivers a high level of service that meets community needs, has a diversified revenue base, and provides a strong voice for the community. These ultimately are a measure of scale and capacity”².

The three Councils also engaged KPMG to prepare a Shared Services report and SRSC also engaged Professor Brian Dollery to analyse appropriate shared services models. Both reports indicate that SRSC can achieve the FFTF benchmarks as a stand alone Council by participating in a Joint Organisation (JO) and sharing services with other Councils.

The Stand Alone and Merger business cases suggested a range of improvement measures and SRSC has prepared an Improvement Action Plan based on these recommendations.

Independent assessment has demonstrated that the improvement actions detailed in Section 3.4 of this proposal will yield significant expenditure reductions and increased income sources that will assist SRSC in addressing the infrastructure backlog. SRSC is intending to lodge an SRV application and to implement a strategic loan program to further secure our long term financial sustainability. .

An extensive community engagement process was undertaken to gauge community support for SRSC's position as outlined in this proposal. A significant majority of our community (78% of respondents in a recent independent telephone survey) supports this proposal to remain as a stand alone Council.

SRSC has benefited from the FFTF experience by critically examining current services and operations, identifying where changes and improvements could be made and by making a commitment to the decision making required to ensure that the organisation is sustainable in the long term.

SRSC would welcome an opportunity to make direct representations to IPART during the assessment process, to support this submission.

1.2 Scale and Capacity

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

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

Yes

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

The option proposed by ILGRP for SRSC was “Council in South East Joint Organisation or merge with Bombala/Cooma-Monaro”³

SRSC’s “Yes” response to this question of Scale and Capacity is based on the ILGRP’s options outlined in its final report that there is no preferred option for SRSC to merge or stand alone.

Further support for this position is detailed in the merger and stand alone business cases as follows:

- KPMG – Merger Business Case – Final Report Pages 44-47
- Morrison Low – Stand Alone - Final Report – Pages 15-16

The Morrison Low report addresses the ILGRP’s requirement that as a ‘Group D’ Council, SRSC revise its long term asset and financial plans and prepare an updated sustainability assessment. The improvement measures outlined in Section 3.4 of this proposal will be implemented in consultation with our community to ensure that SRSC will further strengthen its scale and capacity and meet the FFTF benchmarks within 10 years.

Refer Attachment: 01 - Scale and Capacity (ED/15/26651)

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.

Since European settlement SRSC's population has grown to more than 8,000 and is projected to continue to increase. The most recent census data shows age groups similar to the broader national makeup with 48% of residents falling into the 25-54 age bracket which is a high proportion of people in the most 'economically active age group placing the residents of SRSC in the top 20% of the socio-economic index of NSW⁴.

The development of the Community Strategic Plan (CSP) for the SRSC LGA built a strong basis for our organisation to understand the community's goals and priorities as well as start the conversation regarding expectations and management of services within our capabilities.

The CSP contains seven key directions that encapsulate the community's long term goals:

- 1 Sustaining our environment for life
- 2 Expanding connections within the Shire and beyond
- 3 Strengthening our local economy
- 4 Creating a safer, healthier and thriving community
- 5 Enhancing our active lifestyle
- 6 Managing development and service delivery whilst retaining what we value

7 Providing effective civic leadership and citizen participation

The SRSC LGA has three core economic drivers: Agriculture, Tourism and Water. The Environment and Education sectors are smaller but growing drivers of the local economy. A large number of people are employed in construction, cultural and recreational sectors. Future opportunities for the economy are primarily: value adding within existing sectors, promoting our natural assets and capitalising on our physical proximity to Canberra, the Riverina and the NSW South Coast. Confidence in our economy is supported by the acquisition of the Perisher Ski Resorts by major international tourism operator, Vail Resorts.

SRSC is a place of great potential, but there are challenges that we must address. These include;

- Resourcing challenges arising from the provision of services and facilities to geographically disparate communities with a low rate base.
- The high cost of providing infrastructure, facilities and services to support high visitor numbers with limited capacity to recoup costs from users.
- Lack of shared responsibility for the maintenance and renewal of infrastructure required to support and grow local tourism by higher levels of Government and commercial operators.
- Climate change in our alpine and subalpine environment, with our main economic drivers being climate sensitive.
- Development and maintenance of additional public infrastructure facilities and services to meet community needs.
- Resource allocation to support aging infrastructure developed by Snowy Hydro Scheme that now far exceeds community needs.
- The need for boundary changes to properly address prevailing communities of interest and address existing anomalies.

Refer Attachment: 02 - 2014 NSW Projections - Regional NSW LGA Data (ED/15/26652)

Refer Attachment: 03 - ABS data 32180ds0003_2003-13 (ED/15/26653)

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strategic clarity arising from clear long term goals identified in the CSP and other strategic planning documents • Greater assurance of long term sustainability based on consistent and continuous population increases • Low debt ratio enabling increased borrowing capacity • Developed strategy for addressing aging infrastructure including a planned SRV, asset rationalisations and more accurate assessments of asset condition • Strong organisational capacity to address our infrastructure requirements and backlog through demonstrated prudent financial planning and management. • Recognised local employer of choice as demonstrated by low staff turnover and success in achieving workforce planning targets • Strong organisational capacity for innovation as demonstrated by award winning energy saving program • Ongoing staff development program to enhance 	<ul style="list-style-type: none"> • Burdens on SRSC resources caused by seasonal visitor influx in high numbers and in concentrated areas • High number of absentee rate payers and associated issues including weed and pest management, waste collection and water management • Limitations in timing of works program due to climatic conditions (harsh winter environment) • As referenced in the KPMG Shared Services Report a demonstrated historical lack of trust between SRSC and CMSC has inhibited the development of shared services agreements • Organisational structure requires realignment to achieve greater corporate efficiency • SRSC administrative facilities require rationalisation to reduce number of locations within towns and improve access for community • Lack of capacity to support and invest in economic and tourism development opportunities

<p>organisational project planning capabilities</p> <ul style="list-style-type: none">• Demonstrated community satisfaction with nature and location of SRSC services• Strong organisational commitment to and culture of community engagement• Demonstrated commitment to organisational integrity, probity and transparency including participation in Internal Audit Program with Yass and Palerang Councils	
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Opportunities	Threats
<ul style="list-style-type: none"> • Economic opportunities associated with anticipated Population Growth (expected to exceed 10,000 by 2025) • Increased efficiencies emanating from improvement measures identified within Morrison Low Stand Alone Business Case • Rationalisation of SRSC Property Assets based on completion of an independent review process (to be completed by September 2015) • Expansion of shared service and outsourcing programs through regional partnerships and cooperative arrangements with other Councils • Increased rate revenue through successful SRV application • Opportunities for expansion and development of local land arising from tourism study (to be completed by November 2015) • Potential changes to rating structures from State Government inquiry into Local Government rating system including rating of commercial activities in National Parks, bed levies, categorisation of holiday lettings, use of improved value rather than unimproved value, changes to rural residential categorisation and 	<ul style="list-style-type: none"> • Limited opportunities or abilities under current Legislation for alternate sources of income/full cost recovery e.g. regulated fees • Rate capping • Cost shifting from higher levels of Government e.g. proposed Legislation to give Crown Roads to Councils • Lack of financial sustainability of neighbouring Councils • Limited scope of Natural Disaster funding (infrastructure repair only) fails to recognise social and community impacts and their resourcing burdens on Councils • SRV not approved by IPART or not supported by Community • Untapped potential for greater economic diversity is not realised • Detrimental impacts of a lack of regional vision for economic and infrastructure development e.g. Sealing Bobeyan Road - Aaminaby to Canberra

restriction of non-rateable classifications to purpose of organisation	
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2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance Based on 2014 Financial Statements Excludes FAG	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance Based on 2016 LTFFP “As Is” Scenario A	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	Calculate using Self- Assessment Tool	Yes/No		Yes/No
	-0.152	No	-0.18	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	52.7% ex FAG	No	65% ex FAG	Yes
			82% Incl FAG	
Building and Infrastructure Asset Renewal (Ratio (Greater than 100% average over 3 years)	13.3%	No	61%	No

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

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

All benchmarks in Sections 2.3 are based on the 2016 Long Term Financial Plan (LTFP) “As Is” Scenario A and do not include above Rate Peg increases or additional debt.

SRSC's rates are between 17% - 26% lower than our neighbouring Councils (based on total Rates/Land values). Revenue is not keeping pace with the real cost of providing services and maintaining assets. This has impacted upon our Operating Performance and Building and Infrastructure Asset Renewal ratios.

SRSC is currently subsidising a number of non core services. These are proposed to be reviewed in order to redirect funds to asset expenditure.

Additional pressure is placed on SRSC through the influx of tourists in the peak winter season. SRSC is restricted in raising revenue from tourism under the current Local Government Legislation. The non indexation of Federal Assistance Grant (FAG) over three years (2015 – 2017) substantially impacts SRSC. The FAG makes up approximately 13% of SRSC's annual revenue. This decision will have a significant adverse effect on our annual budget, and consequently, our ability to provide services for our community. It is expected to cost SRSC approximately \$279,000 over 3 years, however the cumulative effect has been calculated as \$1.7M over 10 years.

Our Own Source revenue is improving from 2014 to 2017. General Fund alone is expected to be over 80% (Including FAG) by 2017.

Since 1995, SRSC has only increased rates above Rate Peg on three occasions. This has impacted upon SRSC's ability to fund operations, asset expenditure and own source revenue.

Year	Rate Peg	SRSC Increase	Variation
1997	2.70%	3.85%	1.15%
1998	3.10%	3.59%	1.49%
2009	3.20%	7.20%	4%

The LTFP estimates the Rate Peg to be 2.7% (2017); 2.8% (2018); 2.9% (2019) then 3% per annum thereafter.

Since the 2013 LTFP, SRSC has highlighted the need for increased rates to cover the infrastructure gap. The 2014 LTFP modelled scenarios of a 15% rate increase (including rate peg) each year for five years and a 10% rate increase (including rate peg) each year for five years in order to reduce the infrastructure gap. As per the 2015 LTFP (prior to FFTF) SRSC was preparing to apply for the SRV to commence in the 2017 financial year.

SRSC provides community services including Community Care, Community Transport and Respite. These are funded through Grants and User Charges. Inclusion of income and expenses relating to these grant funded programs impacts own source revenue and operating expenditure benchmarks. The internal contributions allocated to these services (2015 \$67k) to fund support services are not proportional with the cost of providing these services by General Fund resulting in SRSC subsidising them. These support services include Finance, Creditors, Purchasing, Payroll, HR, Risk Management, ICT, Records Management; Accommodation and Governance.

Residential Aged Care is also provided by SRSC and as grants and user charges do not cover the costs of operation, General Fund subsidises the facility by approximately \$165k per annum. Youth Services are another community service provided by SRSC where grants and user charges do not cover the costs of operation and SRSC subsidises the service.

SRSC's Full Time Equivalent (FTE) staffing numbers increased by 4% in 2014 while at the same time employee costs only increased by 2%. This coupled with a stable workforce with only 4% turnover ensures that staff costs are controlled.¹

Refer Attachment: 04 - Self Assessment Tool (ED/15/27060)

¹ PwC & LGPA NSW Local Government Operational and Management effectiveness Report FY14

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 Based on 2016 LTFP	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	Calculate using Self Assessment Tool 42.79%	Yes/No No	Estimate performance 22.72%	Yes/No No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	89%	No	38%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.10%	Yes	2.88%	Yes

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

Infrastructure Backlog

- Revenue not sufficient to reduce infrastructure backlog
- Infrastructure backlog may be overestimated based on subsequent work done to ascertain the backlog using industry standards

Asset Maintenance

- Revenue not sufficient to cover required maintenance
- Asset Maintenance Ratio impacted in 2014 due to expenditure on Natural Disaster flood restoration works

SRSC's current Borrowing Policy states *"Borrowings can only be used to fund new capital works or upgrade obsolete capital items"* and *"must have regard to ...Asset management principles"*. In the current 'as is' scenario there are no loans forecast for infrastructure. The Improvement Plan introduces loans into the funding of infrastructure to ensure intergenerational equity.

In 2014, SRSC's Capital expenditure per resident was \$980k compared to an average for NSW Councils of \$510k²

² PwC & LGPA NSW Local Government Operational and Management effectiveness Report FY14

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	Calculate using Self Assessment Tool 2.57	Yes/No No	Estimate performance 2.49	Yes/No Yes

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

Real Operating expenditure increased in 2012; 2013; 2014 due to flood restoration works totalling \$6.674M over this three year period.

In line with the latest ABS figures (March 2015), it is estimated that SRSC's population will increase by 1% per annum.

In November 2013, when preparing the 2015 Budget, SRSC implemented a 2.5% reduction in program net costs each year and commenced preparing four year rolling budget estimates (initially 2015 to 2018). These measures reduce expenditure, encourage innovative revenue measures, improve planning for the future and give a greater degree of accuracy in the LTFP.

2.4 Water utility performance

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

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

Yes – Refer Attachment 05 - 2013-2014 NSW Performance Monitoring Report (ED/15/26915)

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

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

- Water \$5.2M
- Sewer \$11.1M

Refer Attachment: 06 Water Fund LTFP (ED/15/26116)

Refer Attachment: 07 - Sewer Fund LTFP (ED/15/26115)

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
Combined East Jindabyne and Jindabyne Water Filtration Plant	2018 - 2020	\$15M	Possible Grants+ Reserve
Jindabyne Intake Pump Station and Fluoridation Upgrade	2016 - 2018	\$4M	Possible Grants+ Reserve
Water and Sewer Trunk and Reticulation Mains Replacement	2018 - 2020	\$4.5M	Reserves
Adaminaby STP Renewal and Replacement	2016 - 2019	\$2.5M	Possible Grants and Loans
Pump Station JS6 Leesville, Sports & Rec	2016 -2018	\$1.5M	Possible Grants and Reserves

2.4 Water utility performance

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

Yes

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

Although the Water and Sewer funds achieve a break even basis, they do not currently pay General Fund dividends. They do however contribute to General Fund through internal contributions to cover the cost of services provided by General Fund to the Water and Sewer funds. These include Finance, Water billing, Creditors, Purchasing, Payroll, HR, Risk Management, ICT, Records Management, GIS, Customer Service, Rent, Governance, Compliance and Grants management. The contribution in 2015 is \$519,000 (Water \$271k and Sewer \$248k).

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
Build water treatment/filtration plants in: <ul style="list-style-type: none"> - East Jindabyne (supply East Jindabyne and Berridale) - Kalkite or construct pipeline connecting Kalkite to a future East Jindabyne WTP - Jindabyne 	2016-2030	Lake Jindabyne is an unprotected water source causing potential high risk to drinking water quality. Anticipated outcome is safe drinking water quality
Replace and augment Adaminaby STP to address structural integrity of aged plant and process improvement to meet EPA licence compliance	2016-2020	Pollution reduction and better environmental outcomes and also address WHS issues associated with aged infrastructure.

Upgrade pump station Leesville sewage pump station (JS6)	2016-30	Increased Capacity to service industrial estate and peak winter population (capacity at present is below its peak wet weather flow value)
Construct new reservoir or investigate and develop options to address low water pressure issue at Adaminaby	2016-30	Increased water pressure
Potential need to add reservoir capacity to East Jindabyne	2016-30	Increased reservoir capacity to supply peak day demand in East Jindabyne or Berridale.
Construct new reservoir and implement mains duplication	2016-30	Increased reservoir capacity to supply Jindabyne Water Supply Scheme Peak Day Demand forecast.
Ongoing implementation of water and sewer mains replacement program	2016-30	Reduced mains breaks resulting in loss of

		water and reduced sewer chokes resulting in pollution
Refer Attachment: 08 - IWCM Detailed Strategy (ED/15/26919)		

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.

After a review of the operations of SRSC by Morrison Low through published and provided information, a range of improvement opportunities were identified for further consideration by SRSC. Those opportunities fall into four categories as follows:

1. Improved financial reporting of asset based expenses and depreciation
2. Cost reduction measures
3. Revenue optimisation measures
4. The divesting of certain services and facilities

As a result of Morrison Low's report SRSC infrastructure backlog has been reduced by \$53.88M (from \$65.38M to \$11.5M) thereby reducing the annual funding required to bring assets to satisfactory from \$13M to \$2.3M over a five year period or \$1.15M over a ten year period.

In 2016 Snowy River allocated \$5.24M from Internally Restricted Cash Reserves to fund capital infrastructure renewals and backlog with the majority being allocated to transport assets. The budgeted SRV will provide an additional \$759k above Rate Peg in the first year (2017) and a total of \$23.42M over the 9 year period to 2025.

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.

1. Services to be outsourced or shared with other Councils must achieve at least a 10% reduction in cost of SRSC running the service.
2. Special Rate Variation as proposed is acceptable to community and receives IPART approval.
3. SRSC will receive grant funding under the Small Councils Innovation Fund to explore larger Councils providing IT and Rates Services. A previous approach for funding to explore this with Warringah Council was not approved by the Minister but it was suggested SRSC apply under this fund (ED/15/14784).
4. Introduction of Berridale Beautification Levy to fund Berridale Masterplan works.
5. Rating Review will result in rating of commercial operations in National Parks & State Forests, limiting rate exemptions, classification of holiday lettings as business, use of improved value rather than unimproved value for rating purposes and bed levy on tourism operators to fund tourism promotion and infrastructure that supports tourism.
6. Strategic use of loan funds to create inter-generational equity.
7. Canberra Region Joint Organisation (CBRJO) agreed to by State Government rather than South East Joint Organisation to maximise purchasing and shared service opportunities.
8. Bombala, Cooma, Snowy River Councils establish High Plains Alliance by December 2015.

Refer Attachment: 09 – LTFP Financial Assumptions (ED/15/26956)

Refer Confidential Attachment 05: Correspondence From Minister for Local Government (ED/15/14784)

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improved asset management methodologies	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Infrastructure and Service Management/Efficiency
2. Revenue improvements	a) Fees and charges review	a.1) August review fees and charges to ensure full cost recovery a.2) include revised fees in Draft Schedule of Fees and Charges for 2017 Operational Plan	a) Additional 90K income per annum	a) Infrastructure and Service Management/Efficiency

	b) Parking regulation	b) Employ additional parking officer to commence June 2016	b) Initial net 15K income growing to 31K by 2020	b) Infrastructure and Service Management/Efficiency
	c) Interest on outstanding rates and charges	c) Improved recovery processes immediately	c) Small improvement in interest on investment income	c) Efficiency
	d) Snowy River Health Centre	d.1) Continue promotion of allied health	d.1) Small improvement in rental income	d.1) Efficiency
		d.2) Call expressions of interest for medical centre late 2016	d.2) GP/Medical Centre to be at market rental	d.2) Infrastructure and Service Management/Efficiency
	e) Special Rate Variation Application	e.1) Community Consultation e.2) Lodge SRV for 2017 e.3) Apply approved SRV	e) \$23.423M additional Revenue raised over 9 years applied to additional Infrastructure expenditure (\$45M) and Debt costs.	e.1) Operating Performance e.2) Own Source Revenue e.3) Building & Asset Renewal e.4) Infrastructure Backlog

	f) Berridale Beautification Levy	f.1) Community Consultation f.2) Lodge SRV and Minimum Rate Variation (MRV) for 2017 f.3) Apply approved SRV & MRV	f) \$137k raised over 9 years to be applied to Beautification of Berridale township	e.5) Asset Maintenance e.6) Debt Service f) Own Source Revenue
3. Cost reduction	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Infrastructure and Service Management/Efficiency
4. Service level reductions	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Infrastructure and Service Management/Efficiency

Refer Attachment: 10 - Rate Peg and Rate Increases 2005 – 2015 (ED/15/27103)

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.

Following a review of SRSC operations, a range of improvement opportunities have been identified. Those opportunities fall into four categories:

- Improved financial reporting of asset based expenses and depreciation
- Cost reduction measures
- Revenue optimisation measures
- The divesting of certain services and facilities

The opportunities identified have the capacity to release \$2.1M to the general revenues of SRSC, reduce the backlog by \$53.88M from \$65.38M and the required maintenance by \$1.4M.

The depreciation rate of assets is another element that influences the FFTF benchmarks considerably. The depreciation of assets is directly related to the renewals benchmark and affects a number of the FFTF Future benchmarks. As part of the roads valuation review, a number of the depreciation rates/ asset lives of SRSC's assets were reviewed. This review identified a potential increase of the useful life of the road seal component to be more in line with SRSC's historical data and industry practice.

SRSC has reviewed the rate and subsequently extended the useful life of the road seal. This has a positive impact of \$1.05M on the annual depreciation expense.

There are a number of methods used to calculate the backlog or the cost to satisfactory across NSW. This variance in the methodology across the state has seen a wide range of backlog numbers reported.

SRSC has reviewed and subsequently recommended a slight change in the current methodology being used. This method recommends using condition 3 assets as satisfactory. Subsequent work with the community to ensure that this is consistent with the community's expectations will be required.

Adopting this methodology would reduce the backlog by \$53.88M (from \$65.38M to \$11.5M) thereby reducing the annual funding required to bring assets to satisfactory from \$13M to \$1.15M over a 10 year period.

There could be more savings realised once the community engagement has been carried out. In particular, the low traffic unsealed roads where, in a number of communities across NSW, condition 4 is commonly accepted as sufficient or satisfactory.

The required maintenance value is a key component for the maintenance ratio. It is a value calculated by the Council and is supposed to represent the amount required to spend on maintenance per year. SRSC has reviewed the number and recommends this number be reduced to better reflect the industry benchmarks for these values. Further work is needed to accurately determine this value and have it consistent with the asset base.

However, based on the condition and different classes of assets, SRSC would expect that approximately \$3.5M is required to be spent on maintenance annually which is consistent with industry benchmarks. This is a significant drop of \$1.4M from the existing value.

The initial asset funding gap for General Fund will therefore change significantly as per the tables below;

Original – Based on 5 year reduction in infrastructure backlog.

Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum (5 years)	Average funding required per annum (5 years+)
Snowy River Shire Council	-1,789	-2,163	-13,075	-17,027	-3,952

VS

Revised – Based on 5 and 10 year reduction in infrastructure backlog

Snowy River Shire Council	Asset Maintenance	Renewals	Infrastructure Backlog	Average funding required per annum	Average funding required per annum (5 years+)
5 Year Reduction Infrastructure Gap	-1,440	-2,226	-1,729	-5,395	-3,666
10 Year Reduction Infrastructure Gap	-1,440	-2,226	-865	-4,531	-4,531

Implications of Special Rate Variation

With a SRV resulting in a total rate increase (including rate pegging) of 15% year 1; 10% year 2; 10% year 3 then 5% annually thereafter over the remaining 7 years of the 10 year LTFP, the Infrastructure and Service Management Benchmark will improve.

Benchmark	Snowy River (status Quo)	With Savings	Savings and SRV
Debt Service Cover	Yes	Yes	Yes
Asset Maintenance	No	No	Yes
Infrastructure	No	No	Yes

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

- Community support for use of 'Condition 3' as the agreed infrastructure service level assessment rather than 'Condition 2'
- The useful life of the road seal component is aligned with industry benchmarks
- Required annual spending on infrastructure maintenance is aligned with industry benchmarks
- Funding is received for a study into potential for Warringah Council to host SRSC's IT and Rates services
- Outsourced services to achieve minimum 10% saving on current costs to justify loss of local employment
- Debt service levels remain between 5% and 10%
- Loan funding program supports infrastructure backlog reduction and provides for intergenerational equity
- Funds raised from SRV is expended on reducing infrastructure backlog

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improved asset management methodologies	Roads assets revaluation and Service Level review	1) Community Consultation August/September 2015 2) Review outcomes and report to Council October 2015 3) Implement as from July 2016	a) Reduction in calculation of backlog b) Reduction in maintenance costs	Sustainability and Efficiency
2. Revenue improvements	Refer Section 3.1	Refer Section 3.1	Refer Section 3.1	Sustainability and Efficiency
3. Cost reduction	a) Corporate structure	a.1) February 2016 appoint consultants a.2) May 2016 review consultants	a) Reduction in number of Directors and Managers	a) Sustainability and Efficiency

		report a.3) July 2016 commence new structure		
	b) Outsourcing of Jindabyne Aquatic Centre	b.1) June 2015 call EOI for management Jindabyne Pool b.2) September 2015 review submissions and determine EOI	b) Reduction in operating costs 150K	b) Sustainability and Efficiency
	c) Snowy River Hostel	c.1) Approach NGOs regarding management of Hostel August 2015. c.2) Call EOI for management of hostel November 2015 c.3) Determine responses to EOI March 2016 c.4) NGO begin management January 2017	c) Reduction in operating costs 82.5K 2017, 165K annually thereafter	c) Sustainability and Efficiency
	d) Electricity Savings	d) Achieved through current contract and further savings expected as energy usage impacted by	d) Initial saving of 87K 2016 increasing thereafter	d) Sustainability and Efficiency

		solar panel installation during 2015		
	e) Lease back vehicle reduction	e) Flow on from structure review	e) 25K annual saving	e) Sustainability and Efficiency
	f) CBRJO/LGP Savings in Materials and Contracts	f) Sept 2015 CBRJO combined purchasing established	f) 2% saving on materials and contracts est. 120K per annum	f) Sustainability and Efficiency
	g) Shared Services with Bombala and Cooma/CBRJO	g.1) Implement KPMG shared services report June 2017	g) 50K saving in operational costs	g) Sustainability and Efficiency
	h) Outsourcing IT Services	h.1) Grant application submitted and approved Dec 2015 h.2) Study completed June 2016 h.3) Implement July 2016	h) 22K per annum saving in operational costs	h) Sustainability and Efficiency
	i) Outsourcing Rates	i) Included as part of IT outsourcing review	i) 30K per annum saving in operational costs	i) Sustainability and Efficiency

4. Service level reductions	a) Closure of Adaminaby Swimming Centre	a.1) November 2015 begin community engagement a.2) Finalise alternate social capital infrastructure June 2016 a.3) Close pool July 2016	a) Initial saving 70K 2017 then 90K per annum thereafter	a) Sustainability and Efficiency
	b) Divestiture of assets and functions	b.1) Finalise appointment of consultant June 2015 b.2) Determine assets to be divested Dec 2015 b.3) Finalise process to re-categorise any community land identified June 2016 b.4) Begin disposal of identified properties b.5) Finalise disposal of identified properties June 2019	b) 1M net estimated income from disposal of properties to be allocated to address infrastructure backlog over the LTFP	b) Sustainability

Refer Attachment: 11 - Summary of Loans (ED/15/26589)

3.3 Efficiency

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

As identified in the Morrison Low report SRSC's key strategies to improve performance are:

1. Improved financial reporting of asset based expenses and depreciation
2. Cost reduction measures
3. The divesting of certain services and facilities

As well SRSC's recent decision to participate with Yass and Palerang Council in a shared Internal Audit Service will provide independent assurance and assistance to SRSC to improve the efficiency and effectiveness of its service delivery.

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

1. Our reductions in costs and additional income improve our ratio performance required to meet the FFTF Benchmarks.
2. Services to be outsourced or shared with other Councils must achieve a 10% reduction in cost of Council running the service.
3. Council will receive grant funding under the Small Councils Innovation Fund to explore larger Councils providing IT Services, previous approach for funding to explore with Warringah Council was not approved by Minister but suggested Council apply under this fund (ED/15/14784).
4. CBRJO agreed to by State Government rather than South East Joint Organisation to maximise purchasing and shared service opportunities.

5. Bombala, Cooma, Snowy River Councils establish High Plains Alliance by December 2015.
6. Community support for use of 'Condition 3' as the agreed infrastructure service level assessment rather than 'Condition 2'
7. \The useful life of the road seal component is aligned with industry benchmarks
8. Required annual spending on infrastructure maintenance is aligned with industry benchmarks
9. Debt service levels remain between 5 and 10%
10. Recently established Joint Internal Audit Service with Palerang and Yass Councils will achieve significant improvements in Council processes thereby reducing costs and improving efficiency and effectiveness

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improved asset management methodologies	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Sustainability/Infrastructure and Service Management
2. Cost reduction	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Sustainability/Infrastructure and Service Management
3. Service level reductions	Refer Section 3.2	Refer Section 3.2	Refer Section 3.2	Sustainability/Infrastructure and Service Management
4. Internal Audit	Operational Efficiency	As per agreed Program	Reduction in expenditure and increase in revenue	Real Operating Expenditure Operating Performance

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. Fees and Charges Review to achieve full cost recovery

Jun 2016 - Revised Fees adopted

2. Increased parking regulation

Jun 2016 - Increased patrols

3. Increase on investments through reducing outstanding rates and charges

Nov 2016 - Revised policy and procedures implemented

4. Improve Snowy River Health Centre financial performance

Apr 2016 - EOI process noted in 2017 Operational Plan

5. Special Rate Variation Application

May 2016 - SRV Application determined by IPART

6. Introduce Berridale Special Rate to fund Berridale Master Plan	Apr 2016 – Proposal for SRV noted in 2017 Operational Plan
7. Review of Rating Structure	Dependent upon timeline for State Government Inquiry into Rating System
8. Loan Borrowing Program	Feb 2016 – Loan Plan incorporated into LTFP, Delivery Program and Operational Plan
9. Review of Corporate Structure	Jun 2016 – New Structure adopted
10. Outsource Management of Jindabyne Aquatic Centre`	Nov 2015 – Management Outsourced
11. Outsource Management of Snowy River Aged Hostel	Jun 2016 – Assess responses received to EOI
12. Electricity Savings	Feb 2016 – Additional solar projects identified for 2017 Operational Plan
13. Lease back vehicle reduction	Jun 2016 – Review corporate restructure report to indentify possible vehicles to be reduced

14. CBRJO/LGP Saving in Material and Contracts	Feb 2016 – Incorporate combined procurement service into 2017 Operational Plan
15. Shared Services with Bombala and Cooma/CBRJO	Apr 2016 – Employ Executive Officer to drive High Plains Forum Shared Services
16. Outsource IT and Rating Services	Jun 2016 – Study Completed
17. Closure of Adaminaby Swimming Pool	Nov 2015 – Community Consultation Jun 2016 – Finalise alternate social capital infrastructure
18. Divestiture of assets and functions	Dec 2015 – ‘Operational’ Land to be disposed offered for sale Jun 2016 – ‘Community’ land identified to be reclassified application prepared
<p>Please attach detailed action plan and supporting financial modelling –</p> <ul style="list-style-type: none"> Refer Attachment: 12 - LTFP Consolidated General & Waste Funds FFTF (ED/15/26507) Refer Confidential Attachment: 04 - FFTF Strategies Action Plan (ED/15/26287) 	

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

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

Upon release of the State Governments response to the ILGRP's final report, SRSC held a workshop involving Councillors and Executive staff to consider how to respond to FFTF. Arising from this workshop a FFTF Working Party was established consisting of a number of Councillors, the Executive staff and chaired by the General Manager. Since being established this working party:

- reviewed all documents and timelines
- participated in strategy development
- assessed responses received during consultation
- met with the appointed consultants
- assisted in development of the improvement action plan

To progress development of the merger business case, all Councillors and Executive staff from the three Councils participated in a workshop facilitated by Ernst & Young to examine support for the merger. Upon consideration of the outcomes of this workshop SRSC participated in the High Plains Forum Executive meeting to oversee development, review and finalisation of both the merger business case and the shared services reports prepared by KPMG.

To ensure an independent review of documents was obtained, SRSC appointed Professor Brian Dollery to provide an overview report. SRSC also requested two further reports from Professor Dollery on models of shared services and past experiences with Council amalgamations.

The Stand Alone and Merger business cases suggested a range of improvement measures and following facilitated community consultation, as detailed in the attached community engagement strategy, the FFTF Working Party developed the Draft Improvement Action Plan based on these recommendations.

The efficiency savings identified in the Morrison Low Report were reviewed by staff and remodelled to take into account what is believed to be achievable. These were then endorsed by the FFTF Working Party and a workshop involving Councillors and

Executive staff incorporated them into the Draft Improvement Action Plan.

SRSC's community consultation facilitator Mr Martin Bass also assisted in reviewing the Draft Improvement Action Plan and facilitated a final workshop with Executive Staff to ensure the Draft Implementation Plan and the initial Draft Template 2 reflected SRSC's position.

Whilst some of the measures maybe considered controversial, SRSC has endorsed the action plan as it achieves the FFTF benchmarks over a 10 year period.

Refer Attachment: 13 – Community Engagement (ED/15/26654)

Refer Confidential Attachment: 01 – Ernst & Young – Cooma, Bombala, Snowy Workshop Report (ED/15/27509)

Refer Confidential Attachment: 02 – Prof. Dollery Evaluation – KPMG Merger Business Case (ED/15/27511)

Refer Confidential Attachment: 03 – Prof. Dollery Evaluation – Morrison Low Stand Alone Business Case (ED/15/27512)

3.5 Other actions considered

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

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

The two business cases that were commissioned provided SRSC with a strong independent analysis that enabled us to form a view that standing alone would best suit the needs of the diverse communities located in our LGA. In addition, KPMG's final report regarding a merger made it very clear, that even with a financial contribution from the State Government, a merged entity would not achieve all of the required sustainability, effectiveness and efficiency benchmarks. The risks of implementation far outweighed any identified benefits.

The KPMG shared services analysis report provided further opportunities to consider with our neighbours and some of the proposals identified have been included in this improvement proposal.

In preparing SRSC's improvement action plan, the following strategies/actions were considered but were not pursued;

- Metered parking in Jindabyne town centre – rejected due lack of adequate return on investment.
- Outsourcing of IT functions – rejected approaches from Queanbeyan and Tumut Council's as considered these organisations lacked capabilities required to meet the service expectations of SRSC.
- Tender for outsourced management of all SRSC public swimming pools – rejected as previous tender process indicated lack of commercial interest in Berridale and Adaminaby pool management
- Establishment of a static Jindabyne library – rejected due to excessive costs in comparison to current mobile service as determined by independent financial analysis.
- Relocation of all SRSC offices to single location – rejected due to excessive costs and community impact.

When considering options, SRSC modelled a number of different financial scenarios to assess the impact of rate increases, capacity to pay, intergenerational equity and loan increases. Those that would not achieve the benchmarks over the next 10 years

were not pursued and included;

- 7% increase each year. This resulted in a General Fund Debt Service Ratio (DSR) of over 14% which was unacceptable to Council
- 7% increase each year but maintain the DSR at 10%. This resulted in a General Fund infrastructure gap of 9% at 10 years which is outside the Benchmarks set for FFTF.
- 15% (2017); then 5% ongoing
- 10% (2017); 10% (2018) then 5% ongoing
- 10% (2017); 10% (2018) then 7% ongoing
- 10% (2017); then 7% ongoing

When considering the Merger proposal, modelling was undertaken in relation to rates harmonisation. The modelling suggests that SRSC Ratepayers would contribute approximately \$1M more in general rates than they do currently. This is before any SRV to cover the merged Council infrastructure gap. It was considered that this was not in the best interest of SRSC ratepayers.

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)	-0.37	-0.13	-0.17	-0.13	-.07	-.06	Achieved 2023
Own Source Revenue Ratio (Greater than 60% average over 3 years)	80%	79%	83%	82%	83%	83%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	69%	94%	89%	86%	95%	99%	Within 1% Achieved 2025
Infrastructure Backlog Ratio (Greater than 2%)	9.74%	8.16%	8.16%	7.89%	7.60%	7.12%	Achieved 2025
Asset Maintenance Ratio (Greater than 100% average over 3 years)	64%	98%	97%	100%	105%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	4.97%	4.93%	4.11%	6.06%	5.4%	6.38%	Yes

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

2.65	2.44	2.59	2.48	2.49	2.54	Yes
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4.1 Expected improvement in performance

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

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

SRSC's current position in regards to its finance and infrastructure is a result of long term restrictions applied to rate increases. In order to ease the financial burden on ratepayers SRSC proposes a phased achievement of the FFTF benchmarks over a 10 year period. In doing so, SRSC will implement a range of measures including an SRV application, a strategic loan program, rationalisation of property assets and alignment of asset service levels with industry standards as part of its strategy to ensure SRSC's financial sustainability.

For those benchmarks not achieved within five years the following timetable is anticipated:

- Operating performance benchmark is met in 2023
- Infrastructure backlog benchmarks is met in 2025.
- The asset renewal ratio is fully met by 2021 (102%)

The asset ratios are impacted by SRSC's waste service infrastructure planned expenditure being undertaken periodically to meet the needs of waste assets. SRSC has modelled these benchmarks separately for the General & Waste Funds to ensure separate sustainability is achieved. The ratio's shown above are the consolidation of the two.

Snowy River focused asset expenditure firstly on asset renewal and maintenance. As they became available, additional funds are directed into reducing the infrastructure backlog to the acceptable level of 2% written down value.

The real operating expenditure per capita includes the additional expenditure on asset maintenance (average \$1.44M per annum) Exclusion of this additional asset maintenance from the ratio results in a benchmark of 2.63 at 2025.

The LTFP supporting SRSC's Improvement Proposal can be found in Attachment 12.

FFTF Benchmarks from 2015 to 2025 and Graphs thereof can be found in the Attachments 15, 16 and 17.

The assumptions built into the FFTF LTFP are;

- SRV of 15% (2017); 10% (2018); 10% (2019) then 5% ongoing. This will raise an additional \$23.4M over 10 years above rate pegging.
- A balancing of rate increases and loans to service Infrastructure
- Debt servicing levels are kept to 10% or below
- The acceptable level of service for infrastructure assets is Condition 3. This will be verified through future Community Consultation prior to SRV application.
- \$5.237M expenditure on General Fund Capital Assets undertaken in 2016 from Internally Restricted Reserves to address both renewals gap (\$3.508M) and backlog gap (\$1.729M)
- 10 year total asset expenditure (Capital and Repair and Maintenance) of \$85M of which \$45M is additional expenditure funded from rate increases, loans and efficiency savings
- Efficiency savings and additional own source revenue as detailed in Attachment 18.

Refer Attachment: 14 - Required Asset Expenditure (ED/15/26793)

Refer Attachment: 15 - 10 Year Benchmark Graphs (ED/15/27019)

Refer Attachment: 16 - Summary of 10 year Benchmarks (ED/15/26514) and;

Refer Attachment: 17 - 10 Year Benchmark Ratio Components - Improvement Plan (ED/15/27066)

Refer Attachment: 18 - Summary of Efficiency Savings (ED/15/26519)

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

From the independent reports provided by Morrison Low, KPMG and Professor Dollery, SRSC has been able to assess all options available for appropriate reform. In assessing the options, SRSC has developed a detailed Improvement Action Plan which is attached to this proposal.

The plan provides detail regarding individual actions and measures for improvement, responsibility for implementation, partners in achieving the action and timelines for completion.

Rather than create a separate reporting mechanism progress against this plan, it will be incorporated into SRSC's Integrated Planning and Reporting (IPR) framework together with identified performance targets.

¹ Page 2 – KPMG – Merger Business Case – Final Report – 18 May 2015

² Page 4 – Morrison Low – Snowy River Shire Council – Fit for the Future – Stand Alone Business Case – April 2015

³ Page 115 - Final Report of the NSW Independent Local Government Review Panel - October 2013

⁴ Page 27-28 – Morrison Low – Snowy River Shire Council – Fit for the Future – Stand Alone Business Case – April 2015