

## Template 2

Fit for the Future

# Council Improvement Proposal

(Existing structure)



Office of  
Local Government



# Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

**Council name:** **Corowa Shire Council**

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**Date of Council resolution endorsing this submission:** **23 June 2015**

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## 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.

While Council was supportive of exploring voluntary merger opportunities, it was not able to secure a partner willing to consider the formation of a newly amalgamated Council. Following efforts made by Council to pursue partners to an amalgamation - the Council, with the support of the community progressed to complete its improvement program, believing that the appropriate scale and capacity does exist within Council, but can always be further developed.

Corowa Shire is a regional Council with a very low rate base but serves a growing area. The Council has maintained low general rate charges over many decades due to rate pegging, strong consideration towards the rural rate base and economic factors. Corowa Shire is a retirement destination with the median age some 9 years older than the State median. As a result of this 21% of Corowa Shire's rate base receive pension rebates which has placed further strain on available general rate income.

Some remarkable achievements have been made by Corowa Shire Council given limited rate revenue and the high level of infrastructure and service demands. For the 2013/14 financial year, Corowa Shire has achieved three of the seven improvement ratio targets set under Fit for the Future. Council has already been working towards the implementation of organisational improvement - through a program of reviews which were established by Council during February 2014 and the introduction of an organisational restructure during 2014.

Further initiatives have been identified as part of this Improvement Proposal and it is anticipated that during 2016/17, five out of the set seven

improvement measures will be achieved. A long term plan has been established to ensure the eventual achievement of Fit for the Future, but due to the extent of Council's current infrastructure backlog this was not realistic in the short to medium term as it would place an unreasonable burden on the community and Council's ability to meet genuine needs and priorities.

Council has a strong desire to grow its capacity and ensure that services and facilities are the best match to community and economic needs and priorities. Improvements measures have been placed to ensure this can be achieved with a focus on long term sustainability.

## 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).*

**No**

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).

Corowa Shire Council was identified as a Group D Council in the Final Panel Report and was recommended to join the Upper Murray Joint Organisation (JO) or to merge with Urana Shire Council. Previous panel reports suggested alternative options which included an amalgamation with other surrounding rural Councils.

Council has been open to exploring all possible options for an amalgamation or establishment of a Joint Organisation. Council believes that the formation of a Joint Organisation should occur only when amalgamation decisions have been made.

Corowa Shire Council has held discussions with surrounding Councils, but was not able to secure a partner to an amalgamation. The only alternative this left Council with was to complete an improvement proposal to stand alone.

An extensive community engagement process was led by Council to:

- Inform the community about Fit for the Future.
- Explore community views in respect to amalgamation preferences.
- Determine support for the change program Council would need to undertake.

Council received a strong level of support from the community in respect to the implementation of changes to achieve Fit for the Future and the larger majority of the community wants to stand alone. While Corowa Shire Council has been receptive to an amalgamation, the Council also believes that the appropriate scale and capacity exists within the organisation and that this can be further strengthened through the implementation of the Improvement Program. Council has already commenced the implementation of improvements. This has included a strong focus on listening to, and communicating with the community.

Council, together with the community has acknowledged that current general rates are too low to meet community and infrastructure needs. Council has commenced addressing its financial position through a number of measures including special rate variations which commenced during 2012/13. Approval is currently in place following IPART approval for increases above the rate peg until 2018/19. As part of Council's Fit for the Future proposal, and with the support of the community a further special rate variation proposal will be made to allow Council to further reduce its infrastructure backlog.

Ongoing organisational reviews will ensure Council has the appropriate skills and resources to progress further innovation and achieve key community priorities. Council has created a number of key management positions and will continue to focus on recruiting proactive executive staff. Following the achievement of operational cost savings during 2013/14, some new positions were created to ensure that gaps in the identified priority areas were appropriately resourced. These have included records management, communications, policy and planning, information technology and shire presentation.

Corowa Shire has a strong level of internal capability that is leading review and improvement across the organisation. An example of this is that Corowa Shire has recently implemented a large scale solar project. This has saved \$180,000 per annum in energy consumption and will achieve a total payback period of less than six years.

Council is proud of its diverse, committed and highly capable workforce. Corowa is a lifestyle destination and is centrally located to a number of regional centres. This has allowed Council to attract a high calibre of staff. Council's multi-skilled work force ensures a high level of collaboration between staff and a culture focused on efficient and effective solutions. For example, Corowa Shire has an advanced asset management system - which has been developed internally. This has resulted in extensive savings for the organisation and enabled us to be among the regional leaders within the sector.

Council is well placed in respect to its strategic leadership and ability to partner with Government, the community and business. Council supports the independent panel in respect to the value of a Joint Organisation in these areas. Corowa Shire has supported both the REROC and RAMROC groups of Councils which have demonstrated their performance over a number of years in these areas. We will continue to seek resource sharing opportunities and encourage regional collaboration.

## 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.*

Corowa Shire has a population of 11,000 people based in three main towns including Corowa with 5,600, Howlong 2,553, Mulwala 2,028, and 813 people in the smaller villages and rural areas of Balldale, Coreen, Buraja-Lowesdale, Daysdale, Rennie, and Savernake. The Shire covers an area of 2407 square kilometres.

Corowa Shire has benefited from low levels of unemployment with three of the Murray Region's largest employers. The current unemployment rate within Corowa Shire of 4.7% remains low compared to the regional average of 6.2% (State average 5.9%). However, the median weekly household income of \$873 is lower than the regional median of \$961 and State median of \$1,237. Education level achieved is also comparatively low. 82.6% of residents have both parents born in Australia, and 87.8% of residents were themselves born in Australia. Of the 12.2% who were born overseas, the most prevalent countries of birth were England, New Zealand, Scotland, Germany and Philippines.

The median age of 47 years is much higher than the regional median of 41 years or state median of 38 years. This presents a number of challenges for the community as Corowa Shire is a retirement destination.

Howlong and Mulwala have achieved high levels of growth by regional standards over the last decade. Current and forecasted growth rates are expected to be more marginal. Council is currently developing a number of initiatives to increase economic growth.

Manufacturing and agriculture are the largest sectors within Corowa Shire. Tourism is an important industry providing the opportunity for diversification. The predominant land use in Corowa Shire is agricultural being a mix of dryland and irrigated cropping and grazing of modified pastures, and some smaller areas of forestry.

The Murray River and Lake Mulwala play an important part in the environmental and economic sustainability of the area, through their association with agriculture, tourism and industrial development. Many visitors are attracted by passive and active water related activities.

Through the development of the Corowa Shire Strategic Community Plan - the community established the following vision:

*We are a community built on our strengths – our natural beauty, our land, our opportunities and our people. We embrace and celebrate our rich history; whilst at the same time continue to be excited in our plans for the future. We are inclusive, welcoming and compassionate. We are deeply committed to protecting our families, our environment and our economy. We are a great place to visit, to live and to enjoy. We are 'the choice.'*

As part of this, the community established a number of key priorities which included having 'a dynamic and vibrant community', 'effective and accessible services', 'quality and sustainable infrastructure', 'a prosperous and resilient economy', 'protected and valued natural environment' and 'strong and responsible leadership'.

Key themes expressed by the community throughout consultation processes have included:

- Murray River and Lake Mulwala Foreshore developments
- Maintain our infrastructure - especially our footpaths and roads
- Swimming Pool in Corowa
- Drainage improvements
- Promote Corowa Shire as a family destination and provide infrastructure to support this

Some of the future challenges for the community relate to the ageing demographic profile, increasing lack of community capacity and our ability to grow and diversify the local economy.

While Corowa Shire has long been known as a welcoming and enjoyable place to retire, there is a strong desire to be known as a wonderful place to raise a family.



## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Three of the Murray region's largest employers including major Defence facility.</li> <li>• Ability to run business arms effectively (Corowa Saleyards - fifth largest sheep exchange in NSW).</li> <li>• Central locality - Albury Wodonga/Melbourne, Rutherglen Wine Region.</li> <li>• A Council which leads in its support of community recreation.</li> <li>• Guaranteed water supply - provides sustainable opportunities for both community and industry.</li> <li>• Location along Murray River and Lake Mulwala - very few constant height lakes. Driver of tourism and residential growth.</li> <li>• Excellent understanding of our assets and focus on sustainable renewal programs.</li> <li>• Highly transparent/open Council. Reports accordingly.</li> <li>• High level of community accountability - accessible.</li> <li>• An organisation very open to change. Has continued to implement change over the last three years.</li> <li>• A cohesive, collaborative and non-political Council who are open to new ways of thinking (such as the Solar project, support for renewal vs upgrade/expansion).</li> <li>• Size of the organisation and available skill sets allow us to be flexible and ready to implement new initiatives quickly.</li> <li>• Highly committed staff - above and beyond the call of duty. Committed to voluntary activities within the community.</li> <li>• Diverse and highly capable skill sets.</li> <li>• Low debt service level ratio.</li> <li>• Strong liquidity - available cash reserves.</li> </ul>	<ul style="list-style-type: none"> <li>• Aged community.</li> <li>• Higher pensioner base and cost of subsidy.</li> <li>• Culture - community complacency.</li> <li>• Low population density vs infrastructure needs.</li> <li>• Three key centres with similar needs resulting in multiple facilities (Swimming Pools, Libraries, Sporting Grounds etc).</li> <li>• Retention of young people.</li> <li>• Education and training accessibility, especially for young people and those with limited transport.</li> <li>• Corowa Shire has overstated operating losses due in comparison to other Councils (with varying financial treatments).</li> <li>• Cross border anomalies.</li> <li>• Inability to attract State and Federal Government Grants (although high quality applications have been submitted).</li> <li>• Inconsistent financial treatment within the sector.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Diversification of industry - tourism.</li> <li>• Increase community capacity.</li> <li>• Continued leadership in technology based initiatives - to achieve improved service levels and organisational efficiencies.</li> <li>• Ongoing cost saving initiatives.</li> <li>• Additional regional collaboration for some strategic needs such as high level HR, policy development.</li> <li>• NBN - improved ability to work across regions and share information more effectively (i.e: Corowa Shire could host/manage servers for other Councils with more limited expertise).</li> <li>• Private works delivery.</li> <li>• Infrastructure development - implementation of community Master Plans.</li> <li>• Strengthen regional collaboration.</li> <li>• Flexibility to carry more long term debt.</li> <li>• Establish external funding targets and KPIs across the organisation to establish a greater focus on attracting external funding opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• IPART does not approve new special rate variation.</li> <li>• High dependence on Federal Government funding - declining Financial Assistance Grants (declining support from other levels of government).</li> <li>• Local/regional economy dependence on key industry.</li> <li>• Management of Water &amp; Sewer is removed from Council reducing critical mass.</li> <li>• Cost shifting and rate pegging, uncertainties with regards to grants.</li> <li>• Climate change - impact on people and assets.</li> <li>• Increasing public liability pressures.</li> <li>• Cross border anomalies - legislation.</li> <li>• Further increase in aged community.</li> <li>• Potential merger with low rate revenue Council/high infrastructure/service needs.</li> </ul>

## 2.3 Performance against the Fit for the Future benchmarks

### Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.14	No	-0.03	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	47.95%	No	58.37%	No
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	103.89%	Yes	121.23%	Yes

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

Council has not achieved the Operating Performance Ratio but through a number of improvement strategies already introduced and a continued focus on this, improvement of this ratio is being consistently achieved - shown in the following chart:

	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>General Fund - Operating Performance</b>									
<i>Benchmark - Greater or equal to break-even over 3 years</i>									
Formula									
<u>Total continuing operating revenue (exc. Capital grants and contributions)</u>									
<u>less operating expenses</u>	(2,179)	(2,662)	(2,135)	(1,410)	63	62	589	933	1,399
Total continuing operating revenue (exc. Capital grants and contributions)	16,216	15,693	17,118	15,999	17,029	17,078	18,010	18,736	19,485
	(0.13)	(0.17)	(0.12)	(0.09)	0.00	0.00	0.03	0.05	0.07
<b>Three Year Average</b>			(0.14)	(0.13)	(0.07)	(0.03)	0.01	0.03	0.05

Own source revenue was not achieved during 2013/14 due to significant grant funding received towards four major flood events the years prior. This was an extra-ordinary event and is unprecedented for Corowa Shire. During this period, Council fell behind in its Roads to Recovery Works and as a result - double 'catch up' payments were made during the three year period which have been measured. The Fit for the Future targets are measured as an average over three years which means that these events will not allow Council to achieve the criteria in the short term.

Significant improvement is projected to this ratio due to the completion of these events however Council has implemented organisational stretch targets in respect to attracting competitive Government grants for the implementation of community priorities. A target of \$1,000,000 has been set which will reduce the performance of this ratio. This target has already been exceeded for the next financial year.

## 2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	14.81%	No	5.64%	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	73.78%	No	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	.093%	Yes	1.89%	Yes

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

Council does not meet the Fit for the Future required level of Infrastructure Backlog Ratio (Less than 2%). This is due to the extent of Council's existing infrastructure backlog.

Significant organisational changes are being made to improve the performance of this ratio. This infrastructure backlog has accumulated over decades and it would place an unreasonable burden on the community to address this over a very short period of time.

Council has developed a comprehensive plan which will make consistent improvements to the Infrastructure Backlog Ratio, however the implementation of this is occurring with consideration towards community priorities and the willingness and capacity of the community to fund the program. Special rate variations are already in place until 2017/18 in order to help address this.

Through the implementation of the improvement program Council expects that it will meet the Fit for the Future criteria with respect to the Infrastructure Backlog by 2022/23.

## 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?
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.44	Yes	1.12	Yes

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

## 2.4 Water utility performance

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

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

**No**

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

Council has been working towards the implementation of Best Practice Management of Water and Sewer, with an increased focus on this over the last 12 months. An organisational restructure was undertaken six months ago to ensure that the appropriate resources were available to complete the requirements of the Best Practice Framework within the next 24 month period.

The primary deterrent to achieving this has been Council's concern for economic factors within the local community coupled with the availability of resource.

Over the last 12 months Council has introduced its Trade Waste Policy/Framework as well as best practice pricing for water. Best practise pricing for sewer was introduced 2009/10. Council is currently focused on achieving the remaining elements of the Framework which include:

- Developer servicing charges (and plan). The key reason for resisting this has been economic as it is expected this will be a deterrent to investment attraction.
- Preparation and introduction of a Demand Management Plan (water conservation).

These will be finalised by 1 July 2016.



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

\$11,698,000 (water)

\$7,425,000 (sewer)

\$19,123,000 in TOTAL.

## 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
Victoria Street Pump Station	2015/16	\$1,500,000	Nil
Howlong Reservoir	2017/18	\$1,000,000	Nil
Digital water meters	2016/17	\$1,200,000	Nil

## 2.4 Water utility performance

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

**Yes**

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

## 2.4 Water utility performance

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

### Improvement strategies

Strategy	Timeframe	Anticipated outcome
1. Implementation of drinking water management plan.	2019/20	Compliance
2. Develop strategic business plans for each service area in all three towns. 3 X Water and 3 X Sewer.	2017/18	Organisational improvement
3. Analyse Corowa iron contamination.	2016/17	Improved level of service
4. Further develop and review proactive maintenance programs.	2016/17	Improved level of service
5. Review and improve work protocols, standard operating procedures and SWIMS.	2016/17	Compliance
6. Revise Asset Management Plans.	2018/19	Organisational improvement

## 3. How will your council become/remain Fit for the Future?

### 3.1 Sustainability

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

Council's major challenge relates to the extent of its infrastructure backlog and long term operational losses.

A key strategy for the organisation towards improving its long term sustainability has included the adoption of limits set on expenditure relating to asset expansion (upgrade or renewal expenditure). The focus of Council's budgets is towards the renewal of its assets in accordance with asset management plans and community priorities which are being set as agreed levels of service.

Targets have been set for the allocation of capital renewal budgets and expenditure on renewal is projected to increase over time with further reductions in expenditure on any asset expansion and the consolidation of some assets.

A number of supporting strategies are in place which include targeted expenditure on key asset classes to better optimise economies of scale and to meet community expectations. Council is developing asset modelling that will help Council to anticipate the most efficient times to renew specific assets so as to reduce maintenance expenditure.

A series of organisational reviews have already been completed and are ongoing. These are focused on ensuring the optimal management of all Council functions - when considering community needs and priorities, regulatory and best practice frameworks.

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.*

- General rate revenue will increase by 11.5% for the years 2016/17 and 2017/18 and further increases will then be 7% per annum subject to IPART approval.
- A major review of fees and charges has occurred during 2015/16 and then increases are expected to be 2.5% per annum.
- Council is now forecasting that there be no increase in the General Purpose Financial Assistance Grants due to the freezing of indexation - so the amount of \$4,500,000 will be maintained and then this is projected to increase by 3% from the years 2018/19 onward.
- A \$1,000,000 organisational stretch target has been set in anticipated special purpose/competitive grant revenue.
- Roads to Recovery Grants of \$646,000 per annum are not expected to increase during the four year period.
- Employee costs are forecast to increase by 2.7% during 2015/16, 2.8% during 2016/17 and then 3% thereafter.
- Materials and contracts will increase by 3%. While inflationary pressures may exceed this, organisational reviews and increased focus on competitive tendering will negate this.
- Depreciation expenses have been derived using a 20 year asset model so amounts vary according to projected costs and allowance for capital works (including upgrade and expansion expenditure) over the course of the financial plan.
- Capital budgets have been established to ensure a balanced cash position and then the capital renewal targets set at a 20% proportion of capital expansion and the remainder of expenditure renewal.

## 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. Reduce total infrastructure backlog.	a) Implement long term capital program focused on asset renewal. b) Consolidation of assets - land, buildings. c) Optimisation of asset depreciation. Implement non- linear depreciation schedule to identify most cost effective renewal cycles. d) Target priority asset classes (such as footpaths, playgrounds) for focused renewal and to achieve economies of scale. c) Consider short term loans to expedite priority	- Council adopt strategy by resolution 2014 (complete). - Participation in pilot Crown Lands Review 2015. - Complete Open Space Review 2016. - Review of buildings, community property. - Commence service level reviews for priority asset classes - Roads/Footpaths 2015/16.	- Total annual capital works budgets does not exceed 20% upgrade or expansion works (80% expenditure focused on renewal). - Disposal of surplus buildings/land. - Balanced budget or above (eliminate continued operational losses).	- Achievement of Corowa Shire Delivery Program. - Improvement to operating performance ratio. - Improved risk management/insurance performance. - Improved Infrastructure Backlog ratio. - Improved Asset Management Ratio.

	community projects (i.e: Corowa Swimming Pool) e) Formalise agreed service levels standards for key asset classes.			
2. Consistent and accurate financial treatment.	<p>a) Ensure financial treatment and reporting is compliant and accurately costs capital and operational expenditure..</p> <p>b) Completion of review and valuation of key Council assets - in particular roads.</p> <p>c) Seek support from State Government and Audit programs for improved focus on consistent financial and asset management treatment.</p>	<ul style="list-style-type: none"> <li>- Ensure correct treatment of capital works.</li> <li>- Ensure correct treatment of capital grants.</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in organisational operation losses due to Council overstatement of this in the past.</li> <li>- Ability for community and State Government to compare Council's financial performance against others/throughout the State.</li> <li>- Ability for State Government to make more informed/accurate decisions based on consistent treatment of information.</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement to operating performance ratio.</li> <li>.</li> </ul>
3. Increase user pays and revenue opportunities.	a) Ensure that 'user pays' principles are considered where possible in the Delivery of Council services.	- 2015/16 - Review all fees and charges in accordance with true cost of service provision.	<p>Achievement of user pays for key expense areas:</p> <ul style="list-style-type: none"> <li>- Cemetery.</li> <li>- Saleyards.</li> <li>- Waste Management.</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement to operating performance ratio.</li> <li>- Improved Infrastructure Backlog</li> </ul>



	b) Consider fee for service commercial activities	- 2017/18 Introduction of fee for service based on areas of strength/regional need (design, IT, private works)	- Planning (where permitted). - Hire of Facilities. - Aerodrome.	ratio. - Improved Asset Management Ratio.
4. Reduction in organisational fixed costs	a) Continuous organisational improvement.	- Implementation of Corowa Shire values. - Introduction of organisational competency framework. - Achievement of all Service area reviews - as per program. 2015/2016.	- Changes in operating levels of service (some increased service levels, some decreased service levels). - Competency Framework attached to all staff KPI's.	- Achievement Corowa Shire Delivery Program. - Improvement to operating performance ratio.
5. Increase general rate income	a) Remain a low rating Council. b) Implement Corowa Shire Delivery Program and 2023 and Beyond Strategic Plan. c) Ensure equitable distribution of rates and charges.	- Submit further IPART Special rate variation application December 2015. - Undertake review of rating strategy, fees and charges 2015/16.	- Special Rate variation approval.	- Achievement Corowa Shire Delivery Program. - Improvement to operating performance ratio. - Improved Infrastructure Backlog ratio. - Improved Asset Management Ratio.

## 3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Council does not meet the Fit for the Future targets set for the Infrastructure Renewal Ratio. The reduction of Council's infrastructure backlog is a major focus for the organisation. Council has formally adopted a priority of increasing renewal expenditure with limited expenditure for any upgrade or asset expansion. Further to this, there is a focus on a shift in expenditure from maintenance to capital. This has been achieved through organisational reviews already completed and cost saving outcomes.

Asset models are being utilised by Council to anticipate optimal intervention times in terms of asset renewal which will help to reduce maintenance expenses. A series of organisational reviews have been completed with more identified to commence. Service levels and user pay opportunities are being closely scrutinised, opportunities for asset consolidation are being explored. This has included Corowa Shire taking part in a pilot program with the Crown as part of a Crown Land Review. The organisation is questioning all it does and making the necessary difficult decisions and the community is embracing the change agenda.

A program of community consultation has been undertaken by Council in respect to Council becoming Fit for the Future and this included majority support by the community for further increases in general rates, above the special rate variation that is already in place. Additional revenue is being directed towards asset renewal.

The following table shows that Council will make substantial improvements towards the reduction of its infrastructure backlog, although the benchmark of less than 2% is not achieved by 2019/20. Council anticipates this will fall below 2% by 2022/23.

	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>General Fund - Infrastructure Backlog</b>									
<i>Benchmark - Less than 2%</i>									
Formula									
Estimated cost to bring assets to a satisfactory condition	28,138	25,457	24,102	12,252	10,741	9,582	8,232	6,845	6,029
Total (WDV) of infrastructure, building, other structures & depreciable land improvement assets	150,037	159,746	162,747	166,843	168,690	170,039	171,021	172,227	172,894
	<b>18.75%</b>	<b>15.94%</b>	<b>14.81%</b>	<b>7.34%</b>	<b>6.37%</b>	<b>5.64%</b>	<b>4.81%</b>	<b>3.97%</b>	<b>3.49%</b>

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

- Council's projected infrastructure backlog has been calculated by the use of a 20 year financial model that optimises Council's capital budgets to limit maintenance and depreciation expenses. Once these figures are known, a ratio is calculated and depreciation expenses compared to the capital renewal budget in order to estimate changes in the infrastructure backlog.
- Council's projected infrastructure backlog has been estimated by comparing Council's projected infrastructure renewal program to the useful lives of assets.
- The required maintenance of assets is equal to the budgeted maintenance of assets.
- A new loan of \$1.5 million is expected to be utilised during 2015/16 and paid back over a five year term at an interest rate of 5%.

## 3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

### 3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Reduction in infrastructure backlog.	a) Optimise use of available funds. b) Reduce operational expenses to increase capital renewal allocations.	<ul style="list-style-type: none"> <li>- Review and consolidate current loans.</li> <li>- Consider use of short term loans.</li> <li>- Optimise use of reserve funds.</li> <li>- Review Investment Policy/strategy.</li> <li>- Targeted use of available funds (rural road re-sheeting, footpath renewal).</li> <li>- Completion of internal reviews and continual improvement programs</li> <li>- reduce fixed operational expenses.</li> </ul>	<ul style="list-style-type: none"> <li>- Key projects brought forward as per key community priorities and asset management plans.</li> <li>- Control over inflationary pressures, higher level of financial flexibility.</li> </ul>	<ul style="list-style-type: none"> <li>- Long term improvement in Infrastructure Backlog ratio.</li> <li>- Continual improvement in Asset Performance Ratio.</li> <li>- Debt Service Ratio maintained to an acceptable level.</li> <li>- Improvement to operating performance ratio.</li> </ul>

		- Review and agree on community service levels.		
2. Management of community assets in accordance with agreed standards.	a) Review community priorities and define service level standards. b) Consider opportunities for asset consolidation and prioritise based on community need/expectation.	- Completion of key function organisational reviews 2016/17.	- Update all asset management plans (10) in accordance with defined service levels - Update asset financial modelling based on agreed service level standards. - Progressive implementation of asset consolidation opportunities (playgrounds, community land, buildings).	- Long term improvement in Infrastructure Backlog ratio. - Continual improvement in Asset Performance Ratio. - Debt Service Ratio maintained to an acceptable level. - Improvement to operating performance ratio. - Improve Councils risk profile.
3. Use of loan funds to support delivery of Community Strategic Plan.	a) Secure short term loans to bring forward community renewal priorities (utilise period of low interest rates and State Government Infrastructure Renewal Program).	- Review overall loan finance opportunities in conjunction with 2015/16 budget after Fit for the Future decisions are known.	- Effective use of loan funds to decrease infrastructure backlog through economies of scale and more effective use of loan funds.	- Reduction in operating surplus. - Improvement in infrastructure backlog ratio.

### 3.3 Efficiency

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

Corowa Shire has achieved the Fit For the Future Efficiency measures. Council has always placed a high level of control over its finances to constrain spending. Council has been seen as highly conservative and has needed to place a focus on core service areas.

Community and regulatory expectations are increasing which has required Council to review all aspects of its organisation to ensure that costs can continue to be constrained, service levels reviewed and prioritised.

While there is increasing community pressure and expectation placed upon Council to extend its activities in the areas of economic, business and tourism development - this is being carefully balanced against Council's long term financial position.

Council has recently undertaken an organisational re-structure which has placed a priority towards more effective informational management. A critical part of Council's efficiency strategy is centred around improved use of information and reporting to ensure that available resources are being used at their optimal level and priority is placed on activities that deliver the highest level of community benefit.

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

- Conservative estimates have been made towards growth in Corowa Shire's population. The average annual increase in long term population growth is 0.48%
- Employee costs are forecast to increase by 2.7% during 2015/16, 2.8% during 2016/17 and then 3% thereafter.
- Materials and contracts will increase by 3%. While inflationary pressures may exceed this, organisational reviews and increased focus on competitive tendering will negate this.
- Depreciation expenses have been derived using a 20 year asset model so amounts vary according to projected costs and allowance for capital works (including upgrade and expansion expenditure) over the course of the financial plan.

### 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. Continue to reduce operating expenditure - per capita	a) Ongoing achievement of organisational cost saving through service reviews. b) Improve organisational purchasing performance. c) Accurate allocation of organisational expenses. d) Implementation of resource sharing opportunities across the region. e) Scrutinise value proposition of all fixed costs.	- Capture correct proportion of on-costs to relevant cost areas, not general expense areas. - Understand true project delivery costs to inform future decision making in relation to works being conducted internally or externally. - Set cost saving stretch targets for all purchasing staff and	- Decrease in real operating expenditure. - Redirection of funds to capital renewal works to achieve reduction in infrastructure backlog.	- Long term improvement in Infrastructure Backlog ratio. - Continual improvement in Asset Performance Ratio. - Improvement to operating performance ratio. - Improved management of Councils risk profile.

		<p>implement appropriate reporting mechanisms and improved purchasing control.</p> <ul style="list-style-type: none"> <li>- Review use of stores.</li> <li>- Undertake more regional/state tenders for high value expenditure areas.</li> <li>- Ensure fixed operational contracts deliver on value proposition.</li> </ul>		
2. Improved reporting and scrutiny	a) Effective management and community reporting mechanisms	<ul style="list-style-type: none"> <li>- Implementation of a structure of ongoing Council/Management reporting to ensure improvement in ability to make informed and strategic decisions for all functional areas.</li> </ul>	<ul style="list-style-type: none"> <li>- Improved levels of service and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>- Decrease in real operating expenditure.</li> <li>- Achievement of Corowa Shire Delivery Program.</li> </ul>



## 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
Further Special Rate Variation as per option 1.	December 2015
Review of rating strategy.	April 2015 and April 2016
Optimal use of Council investment funds and loans. Establish Council debt strategy.	2015/16 - 2016/17
Improved accuracy and use of Council information - Accurate allocation of expenses to relevant activities - review timesheets, plant charges, on costs. Establish more effective management and community reporting programs.	2015/16
Council to set and implement renewal targets and limit expansion or upgrade expenditure.	May 2015

Review/implement additional user pay opportunities.	June 2015 and June 2016
Continue to reassess and develop the most effective Asset Management Plans and ensure non linear asset modelling is utilised to inform work programs and reduce depreciation and maintenance levels.	2015/16
Review of Public Open Space - participation in pilot Crown Lands Review.	December 2015
Review of buildings and playgrounds.	June 2016
Implementation of Waste Review - key actions identified. (Review hours, better recording of usage levels etc).	December 2016
Implementation of recommendations from Quarry Review.	September 2015
Cost saving stretch targets set and purchasing reviews. Set tendering program for major expense items and better use of stores system (ongoing).	September 2015
Full implementation of Water and Sewer Best Practice Framework.	June 2016
Complete action plan for resource sharing opportunities with surrounding Councils.	August 2016

Review organisational focus and achievement of risk management and WHS objectives. (ongoing).	November 2015
Continue to implement review of Section 355 committees and organisational expense attached to involvement so many committees.	September 2015
Complete review of equitable access to community funds.	December 2016
Set organisational stretch targets (for all work areas) in relation to securing of grant funds.	July 2015
Assess opportunities to bring forward capital works programs for key community priorities - swimming pools, foreshore, footpaths, roads. Focus on renewal and reduction in infrastructure backlog.	June 2015
Formalise service levels within key operational areas - roads, parks and gardens & buildings.	June 2016
Organisational focus on information technology. Establish effective training program.	2015/16 - ongoing
Increasing on total staffing expenditure capped at 2.5% per annum	2015/16

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

A strong focus has been placed by Council in respect to the engagement of the community with regards to the Fit for the Future Program.

***Please find attached to the proposal a summary community engagement report.***

Corowa Shire Councillors have worked closely with the community and the Council Leadership Group. Corowa Shire was highly proactive in respect to its attempts to collaborate with surrounding Councils. There has been a strong level of representation particularly with Urana Shire Council to ensure that Council could explore opportunities for amalgamation due to this being a specific recommendation within the final report.

Corowa Shire Council made formal resolutions in respect to it being open and willing to explore amalgamation opportunities. When Council could not establish a partner to an amalgamation - Council continued to work closely with the community in respect to the Fit for the Future Program and development of an Improvement Proposal.

The action plan was prepared by Council's Leadership Group and embedded in departmental business plans. Work is underway to build a high performance culture that exceeds customer expectation through listening to our customers. Council has a strong understanding of local issues and is enjoying the opportunity to improve community outcomes.

The key strategies within the Improvement Proposal were adopted early in the program and Council has held ongoing workshops and committee meetings so that Councillors could work closely with the Leadership Group in respect to its final position and approach to the program.

The final draft plan was adopted by Council on 19 May 2015 and then placed on public exhibition. This was well advertised, however no feedback was received from the community in response to the draft plan.

The Final Plan is expected to be adopted by Council on 23 June 2015

### 3.5 Other actions considered

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

#### Voluntary Merger

Corowa Shire Council wished to explore potential merger options with surrounding Councils. Consideration and efforts were placed towards exploring the creation of a large regional Council as this was referred to in the second report by the Independent Panel. Additional focus was placed on exploring merging opportunities with Urana Shire Council. Surrounding Councils, including Urana Shire Council resolved that they did not want to partner with Corowa Shire to consider the the formation of a new Shire as part of an amalgamation.

Should forced amalgamations proceed, Corowa Shire believes it is critical that incentives still be provided to ensure that the cost of these amalgamations are properly funded and do not place a further burden on our regional community.

#### Joint Organisations

Corowa Shire has been working with Riverina and Murray Regional Organisation of Councils (RAMROC) regarding opportunities for a possible Upper Murray Joint Organisation and resource sharing to improve its scale and capacity.

Council is supportive of this option but believes this will depend on the outcome of amalgamations.

## 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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.13	-0.07	-0.03	0.01	0.03	0.05	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	51.55%	53.88%	58.37%	59.11%	61.58%	62.64%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	125.59%	130.97%	121.23%	134.30%	134.32%	131.92%	Yes
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	7.34%	6.37%	5.64%	4.81%	3.97%	3.49%	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	81.11%	90.06%	100%	100%	100%	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	1.20%	1.17%	1.89%	2.90%	4.02%	4.25%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.25	1.16	1.12	1.10	1.08	1.06	Yes

## 4.1 Expected improvement in performance

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

Council has achieved or is close to achieving most Fit for the Future benchmarks, with the exception of the Infrastructure Backlog Ratio.

This is due to Council's existing infrastructure backlog being too significant to address in the short or medium term period. This infrastructure backlog has accumulated over decades and it would place an unreasonable burden on the community to address this over a very short period of time.

Council has developed a comprehensive plan which will achieve radical improvements to the Infrastructure Backlog Ratio, however the implementation of this is occurring with consideration towards community priorities and the willingness and capacity of the community to fund the program. Council will continue to work with the community and continue to make some very difficult decisions. Regardless of this we expect that it will take some 15 years to allow Council to meet the Fit for the Future Infrastructure Backlog benchmark.

Corowa Shire has historically maintained almost the lowest general rate charges in New South Wales. Council policy has now changed and the Council understands the need for a nexus between rate levels and expenditure needs. Special rate variations are now in place and more are planned, it will take Council several years for these rate increases to gain a level of momentum that will allow Council to adequately address its infrastructure backlog.

More work is needed to improve confidence in condition assessments as it is likely Councils standards are relatively high.

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The Improvement Action Plan will be implemented through its integration with and the adoption of the four year Delivery Program and Resourcing Strategy - including a Long Term Financial Plan, Asset Management Policies/Plan and a Workforce Management Strategy.

Council now has in place a reporting program which will more efficiently allow monthly management reports to be provided and quarterly community reports will be developed from this. All actions will have set timeframes and allocate areas of responsibility so that accountability is very clear throughout the organisation.

These reports and organisational performance will be summarised as part of the Corowa Shire Annual Report and also the 2030 Community Strategic Plan end of term report for the outgoing Council in September 2016.

The Council, Leadership Group and Council staff all own the need for significant improvement in performance. Together these groups will continually improve all of the important performance areas of the organisation. The action plan will be reported quarterly to the public through the council agenda and community newsletters