

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: Gwydir Shire Council

Date of Council resolution endorsing this submission: 25 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.

Gwydir Shire had two options listed under the final report from the Independent Review Panel. The options were to either consider a merger with Moree Plains Shire Council or participate in the Namoi Councils Joint Organisation.

Gwydir Shire has chosen the Namoi Joint Organisation model and has become an active participant in the pilot program. The discussions held with Moree Plains Shire Council regarding any merger potential were fruitful in developing areas where shared service delivery may be possible, and these options are being explored, but it was clear that neither organisation favoured a merger. In addition the Council held 8 community meetings throughout the Shire with an overwhelming response at every meeting against a merger of any kind.

The Council has undertaken an in house review of its scale and capacity (see attached) against the criteria outlined in the Panel's report and believes that it satisfies these criteria in the context of the expectations of the area that it serves.

Gwydir Shire was formed in 2004 as the result of a voluntary merger. Because the two former Councils (Bingara and Yallaroi Shires) each had a population of less than 5,000 the newly formed Council had a legislated requirement to maintain the core employee numbers within the former Council areas forever. Gwydir Shire complied with this requirement until 2014 when it was no longer considered practicable. This commitment over the 10 year period built into the Council's operations a level of operational

inefficiency which is now being addressed.

Gwydir Shire, in its first full year of operations, was the recipient rural Council of the A R Bluett Award, which is contested each year by councils in NSW who would like to be recognised as being the most progressive in the state.

The SWOT analysis highlights under the *Threats* the potentially devastating consequence on the Gwydir Shire economy if the Shire was to merge.

For these reasons the Council has resolved to submit template two, the stand alone option for your consideration.

The Council's submission has the current Long Term Plans (LTP) and a second long term financial forecast scenario that contains various assumptions that are outlined with Performance Measures detailed annually and is the Council's proposed Improvement Plan.

All of the ratios include Waste Fund results in addition to General Fund results as approved by the OLG following discussions.

Between August and December 2015 a series of consultation meetings will be held to outline the changes proposed in the 'second' LTP to ensure community acceptance of the proposed changes to the Council's rating structure and its various service delivery programs. Given the enthusiastic support for the Council standing alone at the various community meetings the Council is confident of receiving the community's continuing support for the changes proposed.

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?

Gwydir Shire was given two options. Gwydir Shire has chosen the Namoi Joint Organisation option.

Yes – see attached document ‘GSC scale and fit’

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).

Gwydir Shire has held two senior staff meetings with Moree Plains Shire Council's senior staff and also one joint meeting between the elected members of each Council. Neither Council supports a merger of the two Councils.

The discussions did not progress to the development of a business case either way due to the fact that both Gwydir and Moree Plains Shire Councils are facing the same difficulties in meeting the benchmarks as defined and there would have been a similar problem in meeting the benchmarks as a combined entity, especially when burden with a core number requirement for the first three years.

Eight community meetings were held throughout the Shire to gauge the mood of the residents with regard to the option of a merger with Moree Plains Shire Council. 505 residents attended these meetings and, except for one person, each meeting enthusiastically passed the following resolution:

“THIS MEETING DOES NOT SUPPORT ANY MERGER WITH MOREE PLAINS SHIRE COUNCIL OR ANY OTHER COUNCIL”.

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.

The Gwydir Shire encompasses a diverse landscape that is both picturesque and productive and is approximately 560 km north of Sydney, 160 km north of Tamworth along the Fossickers Way and 85 km north-west of Inverell. The Shire is 9,122 square kilometres in size and is situated north of Tamworth Regional Council and continues almost to the Queensland border.

The southern boundary of the Shire is the Nandewar Range where the Gwydir and Namoi Valleys meet. The Horton Valley, Rocky Creek and Cobbadah District are home to some of Australia's most highly regarded beef cattle studs. Meat sheep and merinos that grow high quality wool are grazed in this area alongside niche market pork production.

The Gwydir valley encompasses the towns of Bingara and Gravesend, it is well known for irrigated and dry land cropping as well as livestock production. In addition to the traditional crops of wheat, barley, oats and sorghum, there are olive groves and pecan nut plantations in the district.

Heading northwest from Warialda and Coolatai, the countryside opens into an undulating vista of basalt farmland. This part of the Shire includes the villages of Crooble, Croppa Creek, Yallaroi and North Star, is known as the 'Golden Triangle'. Farmers using advanced farming techniques, such as minimum tillage and satellite guidance systems, produce a variety of high yielding crops including wheat, barley sorghum, maize, chick peas, canola and cotton to name just a few. This area also has several cattle feed lots which supply grain fed beef to the Australian domestic market and export markets throughout the world.

Our Community has four main goals which are identified in our **Community Strategic Plan**:

**A Healthy and Cohesive Community,
Building the Business Base
An Environmentally Responsible Shire
Proactive Regional and Local Leadership**

We are moving towards achieving these goals and like many rural areas, the Shire needs to respond to challenges on a number of fronts. Agriculture remains the dominant industry in the Shire yet this industry is subject to significant change – such as the general ageing of the farming population, market changes, and the possible impacts of climate change. Gwydir Shire is also subject to the broader social pressures occurring in rural areas – such as mental health issues, urban drift of young people, and general population decline.

Balancing these challenges are the many positive characteristics of the Shire. These include its unique climate, its central geographic location, the relatively small population, picturesque and popular natural features and attractions, and strong community spirit. These are the core elements contributing to the identity of the Shire of Gwydir and its people.

The age distribution of the Shire's population also presents some interesting characteristics and challenges. The Council must provide enhanced services to the beginning and end of the life cycle.

One challenge presented as a result of the Shire's age profile is a growing skill shortage, which is closely correlated to the age profile of our community. This requires a strategy that addresses the retention of our young people, the inward migration of more people and the development of the people that are here. Council is addressing this challenge through the continued development of the Gwydir Learning Region.

2.2 Key challenges and opportunities

| Strengths | Weaknesses |
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| <p>From the initiation of the Gwydir Shire in 2004 the Council has strived to collaborate and engage with the community and regional organisations. Gwydir Shire has built a strong sense of community and embraces the challenge of developing new initiatives.</p> <p>Gwydir Shire Council excels in areas not commonly associated with Local Government; however as the Shire is isolated from most major centres in the region, the Council has taken on the responsibility of delivering essential and requested services to its community.</p> <p>The Shires strengths include:</p> <ul style="list-style-type: none"> • Champion of LG Act Section 8 Council Charter • Council owns medical centres, units for independent seniors and an aged and frail hostel. • Willingness to provide services not traditionally covered by Local Government e.g.: Bulk billing at Medical Centres, Preschools, Aged Care, Toy Libraries, Trade training facilities, 24/7 Gym facilities and new driver training. • Council owns/manages community buildings, halls, emergency services sheds, urban spaces, and recreation facilities. • Excellent aged and frail care assistance. | <p>With an area of just under 10 000 km² and a population of just over 5,000 the Council is faced with the associated challenges. A low socio economic profile contributes to the low rate base and an ageing population makes it difficult for Council to increase revenue from ratepayers.</p> <ul style="list-style-type: none"> • Large Geographical Area • Low socio economic demographic • Declining population • Population Density <p>While Gwydir has access to Country Link bus services and school bus services, the availability of inter-shire transport makes it difficult to connect the towns and villages of the Shire. The Ministry of Transport has made funding available through community transport to overcome this issue and the availability of vehicles is being developed.</p> <p>However, residents still travel to larger retail centres outside the Shire. By being part of the Regional Digital Economy Taskforce, Gwydir Shire Council is moving towards a greater understanding of the needs of our residents and assisting them to make informed choices that may promote regional development.</p> <ul style="list-style-type: none"> • Lack of public transport • Commercial leakage to neighbouring region centres eg: Goondiwindi, Inverell, Moree, and Tamworth • High reliance on grant funding and subsidies to deliver |

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| <p>As outlined in Section 8 of the Local Government Act, the Charter is embedded in the services Council provides and as such supports the needs of children and families by providing exceptional Preschool services, Toy Libraries and Playgroup experiences. As Gwydir's population ages, the need for frail aged care has increased and Council has met this challenge by ensuring that HACC services are continued across the Shire and also cover areas within other Local Government areas.</p> <p>Naroo Aged Care Hostel has progressively been upgraded and expanded to meet the ageing needs of the community with an additional 15 beds including 10 beds specifically for high needs dementia patients. This facility is at full occupancy.</p> <ul style="list-style-type: none"> • Continuous collaboration on a regional level. • Good relationship with State and Federal MPs • Community spirit • Strong volunteer base • Active and passionate community organisations • Diverse geography • Strong social cohesion • Drivers of the Australian Rural Road Group (ARRG) and founding members with Moree Plains Shire Council • A willingness to be innovative and try new things e.g: Biogas etc | <p>required services</p> <ul style="list-style-type: none"> • Small rate base • Number of assets and financial commitment required to maintain them. • Ageing workforce <p>Because of funding constraints our 'optimalist' approach allows for a 'minimally' resourced Council to exercise maximum leverage through innovation, initiative and continually value adding". While this has been a weakness it has also proven to be strength of our Council.</p> <ul style="list-style-type: none"> • Stress on rate payers to adequately fund services • Rate pegging • Lack of local employment opportunities • Vertical Fiscal Imbalance-declining share of tax revenues • Exposure to edicts/regulations from higher levels of government |
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| <p>According to the 2006 Allen Report “Gwydir Shire Council is a champion of Local Government and as such takes a leadership role in harnessing public, NGO and private resources to promote particular outcomes rather than attempt to fund and operate local initiatives on their own.</p> <p>The Australian Rural Roads Group is an example of perseverance and dedication to our region and the ability of Council to think outside the square. The ARRG is a non-political grouping of 114 of Australia’s most productive rural local governments, each producing over \$100 million per annum in agricultural output, with a combined output of \$18 billion – i.e. half of Australia’s total annual agricultural output.</p> <p>The group hopes to represent a rural infrastructure reform argument underpinned by efficiency and cost effective productivity; specifically, the group draws attention to both the underfunding of, and lack of efficient funding models for the rural local roads that underpin Australia’s rural productivity.</p> <p>Local volunteers and community organisations are supported and assisted wherever possible to further enhance the social cohesion of the Shire.</p> <p>As a regional leader of innovation, Council has engaged a consultant to undertake a study to inform the development of the ‘Gwydir Bioenergy Region’ Master Plan, in conjunction with the Institute for Applied Material Flow Management (IfaS). IfaS is a higher research institute attached to the Trier University of Applied Sciences located at the Environmental Campus Birkenfeld (ECB) in Germany.</p> | |
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| <p>The use of bioenergy technology will create the potential for new development opportunities within the Shire due to the availability of an energy source not controlled by poles and wires.</p> <p>The scoping study will identify the opportunities inherent in moving forward with a more detailed Master Plan, and will become the basis for seeking both private and public sector funding.</p> <ul style="list-style-type: none"> • High availability of vacant residences - Existing infrastructure will easily accommodate another 500 - 1000 residents • Good water supplies in Bingara, Warialda, North Star, and Gravesend • Rich agricultural areas such as the “Golden Triangle” • Proposed Melbourne to Brisbane Inland Rail Route will pass through the Shire <p>Development is a priority in the Shire and is supported by the availability of land and housing stock. Gwydir Council has the ability to grow exponentially and the Council is prepared to see this happen. While Gwydir boasts wide open spaces, the ability to accommodate a greater population as existing infrastructure is currently operating at 50% of its design capabilities. The Council is looking to the future in a positive way by ensuring that preparation for expansion, either residentially or industrially is covered. To ensure continuous access to and availability of a quality water supply, Gwydir</p> | |
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Shire Council actively contributes to the Border Rivers Environmental Water Network and the Murray Darling Basin Authority Board.

- Gwydir Learning Region (GLR)
- A True Learning organisation
- Trade Training Centres – Hospitality, Automotive and Primary Industries
- High level of qualified staff; over 97% of staff have Cert III or higher qualifications
- Innovative approaches to addressing market shortfalls of qualified staff
- Flexible work arrangements
- Strong leadership
- We have a good reputation with our peers and other levels of government
- We are the most trusted level of government with local residents

Gwydir Shire Council is a true learning organisation. The initiation of the Gwydir Learning Region in 2001 took place long before the amalgamation of Bingara and Yallaroi Shire Councils so a track record of collaboration and innovation was set. The GLR is featured in the New England Regional Action Plan- NSW 2012 A Plan to make NSW Number One.

“The provision of skills and training pathways are being presented to local communities to take advantage of job opportunities in the Gwydir Learning Region.

The Gwydir Learning Region is a cooperative venture between

| <p><i>the Council, TAFE NSW New England, UNE, and local schools. These organisations are providing training tailored to the skills requirements of the region. These include aged care and nursing, theatre, heavy vehicle license courses, numeracy and literacy skills courses and hospitality.”</i></p> <p>The GLR initiative is noted as an implementation Priority 1 action in the Regional Action Plan - Support Sustainable Economic Growth section.</p> <p>Trade Training Centres – Hospitality, Automotive and Primary Industries</p> <p>High level of qualified staff; over 97% of staff have cert iii or higher qualifications</p> <p>Innovative approaches to addressing market shortfalls of qualified staff</p> <p>Flexible work arrangements</p> <p>Strong leadership</p> | |
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| Opportunities | Threats |
| <p>Gwydir Shire is a land of opportunity where tourism potential is constantly being explored and grown. The Gwydir River in Bingara is an extremely popular tourist destination and Council is exploring ways to capitalise on this experience. The natural landscape and access to national landmarks makes Gwydir a perfect central location for regional touring. Gwydir Shire Council is also investigating the potential associated with the “Safe Haven Enterprise Visa Scheme” to attract new migrants to the Shire.</p> <ul style="list-style-type: none"> • Willingness to accommodate immigrants and refugees • Expansion of tourism through national platforms e.g.: | <p>By far the major threat for Gwydir Shire Council is the perceived instability associated with sustainability and cost shifting. Gwydir is a strong self-reliant community that goes above and beyond expectations with a small population and limited rate base. The knowledge that there may be forced amalgamations or reduced levels of funding make it difficult to plan for a bright future.</p> <ul style="list-style-type: none"> • Forced amalgamation and associated costs • Super Councils • Further cost shifting <p>With the onset of mining in the region many young workers</p> |

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| <p>Soundtrails, geo caching, eco-tourism initiatives</p> <ul style="list-style-type: none"> • Geographic location. Central positioning. • Gwydir is a regional retirees' destination – events at Roxy Theatre, National Parks, riverside camping <p>The availability of rural land and the open mindedness of the population make foreign investment very attractive. On 4 June 2015, Gwydir Shire Council entered into a Memorandum of Understanding with Tasly Pharmaceuticals and Healthpac Int. (Aust) Medical Corporation to commence trials of growing herbs in Gwydir Shire for exportation to China.</p> <ul style="list-style-type: none"> • Potential for International investment in agriculture due to our clean green qualities. • Resource sharing and participation in Regional Joint Organisation • Availability of industrial sites to accommodate future industry <p>While efficiencies in service delivery are being explored the diverse nature of the staff at Council is being investigated to encompass training opportunities for external partners. The GLR as an RTO has the ability to deliver a myriad of courses throughout the region and provide an additional income for the organisation.</p> <ul style="list-style-type: none"> • Increased efficiencies in the delivery of existing services. • Suitably qualified staff to undertake contracted works for other Local Government organisations. | <p>have made the decision to chase high wages and employment opportunities outside the Shire. This has led to a skewed demographic profile showing high numbers at either end of the age profile. While Gwydir Shire Council has endeavoured to establish training opportunities for young people, the high incomes linked to mining have been very attractive.</p> <ul style="list-style-type: none"> • Loss of workers to regional mines • Declining population • Age profile of the Shire <p>The continual increase in costs associated with basic utilities has made budgeting for future rate increases above the rate pegging limit essential. While inflation rises above the rate peg limit, Gwydir will need to seek a special rate variation to meet the financial obligations associated with the basic running of the organisation.</p> <ul style="list-style-type: none"> • Increased cost of utilities e.g.: electricity, gas, telephone, fuel • Climate change • FAG distribution methodologies • Lack of constitutional recognition <p>Gwydir Shire Council has demonstrated an ability to re-examine all of its business units which has resulted in cost efficiencies across the board. This demonstrates not only fiscal responsibility but also illustrates the Councils determination to be "Fit For The Future".</p> |
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| <ul style="list-style-type: none"> • GLR accredited trainers deliver courses regionally • Greater community involvement • FFTF triggering efficiencies and improvements • RJO has potential to provide cost savings and efficiencies for the organisation | |
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2.3 Performance against the Fit for the Future benchmarks

| Sustainability | | | | |
|--|----------------------------|-----------------------------|--|-----------------------------|
| Measure/ benchmark | 2013 / 2014 performance | Achieves FFTF benchmark? | Forecast 2016 / 2017 performance | Achieves FFTF benchmark? |
| Operating Performance Ratio (Greater than or equal to break-even average over 3 years) | -0.525 | No | 0.047 | Yes |
| Own Source Revenue Ratio (Greater than 60% average over 3 years) | 62.8% | Yes | 84% | Yes |
| Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years) | 57.68% | No | 134% | No |

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

Operating Performance

This ratio shows substantial improvement as the ratio currently stands. If you include all of the factors not allowed in the formal calculations such as recurrent capital grants that support our depreciation/renewals issues and aid in our renewal targets (such as RMS contributions for regional roads, Roads to Recovery etc.) then we achieve the benchmark. Also affecting the result is

depreciation revisions due to the road revaluation process, which is expected to have a significant impact on the outcome, but could vary significantly (+-) from the forecast based on audit outcomes. This is discussed further in the improvement section.

Own Source Revenue

Again GSC is close to achieving this benchmark without modifying the calculations. There is industry discussion regarding the appropriateness of having the same benchmark regardless of each situation – the ‘one size fits all’ approach. If grants that are similar in nature to fees for service, then the results are closer to 76% average over the longer term. This is discussed further in the improvement section.

Building and Infrastructure Asset Renewal

There is much industry debate over the calculation methodologies and using a three year compliance period for assets that can last for decades or even over a century. This is further complicated by the fact that depreciation is a ‘historical’ financial indicator, based on asset costs as they are constructed in situ. Changes in service standards or construction costs/methodologies for example, while having a significant impact on renewal costs will not affect depreciation amounts significantly until significant portions of that asset class are replaced. Another problem is that assets identified as obsolete may either not be sold because of legislation, or have uncertain disposal dates due to inactive markets. Also affecting the result is depreciation revisions due to the road revaluation process, which is expected to have a significant impact on the outcome, but could vary significantly (+-) from the forecast based on audit outcomes. This is further discussed in the improvement section.

The result for 2017 includes additional Roads to Recovery funding announced 23/6/15.

2.3 Performance against the Fit for the Future benchmarks

| Infrastructure and service management | | | | |
|---|---------------------------|-----------------------------|--|-----------------------------|
| Measure/ benchmark | 2013 /2014 performance | Achieves FFTF benchmark? | Forecast 2016 / 2017 performance | Achieves FFTF benchmark? |
| Infrastructure Backlog Ratio (Less than 2%) | 22.41% | No | 8% | No |
| Asset Maintenance Ratio (Greater than 100% average over 3 years) | 101% | No | 100% | Yes |
| Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years) | 8.32% | Yes | 6% | Yes |

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

Infrastructure Backlog Ratio

This ratio is subjective and is the subject of much industry debate. Historical figures especially are considered unreliable due to poor definitions, lack of standardisation and because they have not been subject to audit or genuine testing. Significant improvement is evident based on improved estimates. This is discussed further in the improvement section.

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 | 4.56 | Yes | 5.01 | No |

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

This ratio is expected to deteriorate – but for the right reasons. Income is expected to rise as a result of a revised Special Rate Variation application, which will result in increased capacity to perform the functions appropriately as defined in our service level reviews discussed in our improvement plan. Improved revenues will aid in our ability to improve with the objective of meeting (over time) the benchmarks required for infrastructure renewal and backlogs.

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.

Water supply achieves 90% and sewerage achieves 89% of the criteria for Best Practice Management of Water Supply and Sewerage Framework. To achieve 100% Council is required to prepare a Developer Servicing Plan and submit the plan to the NSW Office of Water. Council had previously been considered exempt from this requirement due to growth in the Shire being less than five lots/annum.

The existing Integrated Water Cycle Management Plan is due to be revised in the 2016-17 period and the developer servicing plan will be documented during this process.

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

\$1,790,247 based on renewal cost for condition 4 and 5. Condition 3 was calculated as a percentage of uselife remaining x renewal cost to bring to condition 2.

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.

There are no significant capital works greater than \$1 Million dollars proposed for 2016-17 to 2019-20 Periods. Capital works for this period are in line with Council's Asset Management plans for Water and Sewerage.

Capital works

| Proposed works | Timeframe | Cost | Grants or external funding |
|---|-----------|-----------|----------------------------|
| Design and Construction of 0.5ML Reservoir at Gravesend | 2016-17 | \$200,000 | |
| Water main renewal Program | 2016-17 | \$140,000 | |
| Water meter replacement program | 2016-17 | \$20,000 | |
| | | | |

2.4 Water utility performance

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

Yes Economic Real Rate Return (ERRR) Water is 6% and ERRR Sewer 5.7%

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. Review Integrated Water Cycle Management Plans | 2016-17 | 100% compliance with Best Practice |
| 2. Installation of solar energy at Bingara Water treatment Plant | 2016-17 | 25% reduction in electricity costs |
| 3. Installation of recycled effluent at Bingara sewerage treatment works to various facilities. | 2016-17 | Improved environmental performance |
| 4. Implementation of Drinking water quality management system | 2016-17 | Quality assurance of water supply |

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.

This commentary will be strictly limited to the discussion related to financial sustainability benchmarks. GSC is also working on the other sustainability issues – social, environmental etc.

GSC will be working on many fronts in an effort to improve financial sustainability, but the main thrust will be significant work on service level reviews and a Special Rate Variation with the objective being a mix of services at a level that the community is willing to support financially that leads to sustainable outcomes – ie lead to improvements and compliance with sustainability ratios.

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.

There are numerous assumptions underpinning our strategies:

- A Special Rate Variation will be supported by the community
- Community discussions will lead to a mix of services & service level agreements that fit with expected future revenues,
- Significant reductions in depreciation as a result of improved methodologies and data in relation to the current road fair value revaluation process

- A reduction of depreciation in relation to revised service standards in relation to renewal and maintenance of assets.
- Fine tuning the ratios will lead to more appropriate and relevant ratios and benchmarks
- Assets identified as surplus to requirements result in sales.
- Reductions in employee costs as staff numbers are reduced due to attrition (positions not being filled as staff retire or resign) and potential redundancies due to reductions in service levels.
- Reduction in operating costs due to reduced service levels.

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. Increased revenues | a) Special Rate Variation (SRV) | Fully costed alternative service levels. Community consultation in relation to acceptable mix of service levels to available funding. | Special rate variation submission and acceptance. Reductions in service levels in relation to operational activities and capital renewals is a staged fashion, leading to benchmark compliance. | Increased revenues from the SRV will improve results in the Own Source Revenue ratio. Changes in capital renewal standards will have a long term positive impact on the Infrastructure Renewal Ratio due to reduction in depreciation as assets are renewed to lower service standards. Real Operating Expenditure per capital will be negatively impacted |

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| | | | | as increased revenues provide capacity to fund services appropriately and also improve infrastructure maintenance and renewal capabilities. |
| 2. Long term reductions in depreciation | <p>A) review asset renewal standards.</p> <p>b) review what is considered a 'satisfactory' mix of asset conditions.</p> <p>c) Rationalisation of assets held.</p> <p>d) review construction and maintenance methodologies for improvements in cost and effective lives.</p> <p>e) Financial modelling of alternatives</p> | <p>In conjunction with Objective 1(above), review service levels to determine what the mix of service levels and funding the community considers satisfactory. Identify assets that may be disposed of – subject to restrictions imposed and liquidity of market.</p> | <p>Reduction of depreciation as a result of lower renewal standards, potentially longer lives from assets and disposal of surplus assets.</p> <p>Long term alignment (with appropriate timeframes relative to effective lives of asset classes) of depreciation and renewal works.</p> | <p>Improvement to Infrastructure Renewal Ratio. Potential impact on Infrastructure backlog ratio as a result of lower standards being adopted as being considered 'satisfactory'. There may be positive benefits for Real Operating Expenditure per Capita over time as improved construction methodologies are put in place and</p> |

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| | | | | potential asset renewal costs are revised down as a result of lower renewal and maintenance standards being adopted. |
| 3. Industry review and acceptance of ratio methodologies and benchmarks. There is significant debate regarding the ratio calculation methodologies and appropriateness of benchmarks. | Being involved in debates and discussions regarding calculation methodologies and relevance of benchmarks. | Development of appropriate stances and viewpoints on methodologies and benchmarks. | Appropriate and industry supported methodologies and benchmarks. | Potentially applies to all ratios & measures. |

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.

Review of asset renewal and maintenance standards that tie in and are appropriate for the level of expected funding. Improvements in construction and maintenance methods will lead to lowering costs, which in turn will lead to lower depreciation costs over time.

Continued loan reductions will provide improved capabilities to fund appropriate projects as they are identified.

Consolidation of loans should result in overall reductions in the cost of current borrowings.

A Special Rate variation will improve the level of services.

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

A Special Rate Variation being accepted by the community and approved by IPART.

Depreciation reductions as a result of fair value road revaluation along with improved methodologies and data passing audit scrutiny.

Reductions in service levels being accepted by the community, resulting in reductions in depreciation.

Continued improvements in construction and maintenance costs due to improved methodologies and technology improvements.

Fine tuning the ratios will lead to more appropriate and relevant ratios and benchmarks.

Assets identified as surplus to requirements result in sales.

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. Long term alignment of depreciation and renewals | A) review asset renewal standards. b) review what is considered a 'satisfactory' mix of asset conditions. c) Rationalisation of assets held. d) review construction and maintenance methodologies for improvements in cost and effective lives. | Review service levels to determine what the mix of service levels and funding the community considers satisfactory. Identify assets that may be disposed of – subject to restrictions imposed and liquidity of market. | Reduction of depreciation as a result of lower renewal standards, potentially longer lives from assets and disposal of surplus assets. | Improvement to Infrastructure Renewal Ratio. Potential impact on Infrastructure backlog ratio as a result of lower standards being adopted as being considered 'satisfactory'. There may be positive benefits for Real Operating Expenditure per Capita over time as improved construction |

| | | | | |
|-----------------------|---|--|--|--|
| | | | | methodologies are put in place and potential asset renewal costs are revised down as a result of lower renewal and maintenance standards being adopted. |
| 2. Increased revenues | a) Special Rate Variation (SRV) b) Improvements in distribution of Financial Assistant Grants methodologies. | Fully costed alternative service levels. Community consultation in relation to acceptable mix of service levels to available funding. | Special rate variation submission and acceptance. Reductions in service levels in relation to operational activities and capital renewals in a staged fashion, leading to benchmark compliance. | Increased revenues from the SRV will improve results in Own Source Revenue ratio. Changes in capital renewal standards will have a long term positive impact on Infrastructure Renewal Ratio due to reduction in depreciation as assets are renewed to lower service standards. Real Operating Expenditure per capital will be negatively impacted |

| | | | | |
|---|--|---|---|--|
| | | | | as increased revenues provide capacity to fund services appropriately and also improve infrastructure maintenance and renewal capabilities. |
| 3. Reduction in borrowing costs. | Review loan borrowings and consolidate at lower rates where possible. | Being considered 'Fit for the Future' will result in access to lower borrowing costs via Tcorp, otherwise at current market prices. | Reduction in borrowing costs will result in more funds being available for maintenance and/or renewals and potentially increase borrowing capabilities. | Lower costs will potentially improve benchmark results for Building and Infrastructure Renewals, Infrastructure backlog ratio and Real Operating Expenditure per Capita. |
| 4. Industry review and acceptance of ratio methodologies and benchmarks. There is significant debate regarding the ratio calculation methodologies and appropriateness of benchmarks. | Being involved in debates and discussions regarding calculation methodologies and relevance of benchmarks. | Development of appropriate stances and viewpoints on methodologies and benchmarks. | Appropriate and industry supported methodologies and benchmarks. | Potentially applies to all ratios & measures. |

3.3 Efficiency

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

A full review of services and service standards, aligning services to community expectations and expected revenues will ensure services remain fit for purpose in line with standards adopted by the Council and the community.

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

Reductions in service levels being accepted by the community.

A Special Rate Variation being accepted by the community and approved by IPART.

Fine tuning the ratios will lead to more appropriate and relevant ratios and benchmarks.

Strategies aimed at improving results for sustainability and infrastructure and service management ratios will result in a deteriorating Real Operating Expenditure per capita over the short to medium term.

Continued improvements in construction, maintenance and service delivery costs due to improved methodologies and technology improvements will improve efficiencies over time.

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. Service level alignment with community expectations and available funding | In depth service level reviews for all council functions | a) Alternative service levels identified and costed (sustainably) b) Community consultation regarding mix of services, service levels and funding. | Service mix that is fit for purpose and accepted by the community, that is relevant and appropriately (sustainably) funded with proposed revenues. | Impacts all ratios. |
| 2. Industry review and acceptance of ratio methodologies and benchmarks. There is significant debate regarding the ratio calculation methodologies and appropriateness of benchmarks. | Being involved in debates and discussions regarding calculation methodologies and relevance of benchmarks. | Development of appropriate stances and viewpoints on methodologies and benchmarks. | Appropriate and industry supported methodologies and benchmarks. | Potentially applies to all ratios & measures. |

3.4 Improvement Action Plan

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

Action plan

| Actions | Milestones |
|---------------------------------------|--|
| 1. Special Rate Variation application | <p>Further preparation of case – June to February</p> <ul style="list-style-type: none"> - Community consultation (aided by the use of consultants) Sept – Jan - Submission to IPART in February 2017. - 2 x 15% SRV preliminary target for increase with final application determined in consultation with community. - |
| 2. Service level reviews | <p>A full and extensive review of service levels as proposed will take significant time – quite easily extending beyond 1 year.</p> <p>Therefore it is essential to target services that have the most impact on ratio and sustainability results.</p> <p>This process has already commence but will be significantly ‘ramped up’ so that the major contributors are included as part of the discussion with the community about the appropriate mix of services for the funding available.</p> <p>The objectives of the review must relate to sustainable outcomes.</p> |

3. Alignment of renewals and/or cash reserves and depreciation

Essentially part of the service level review process, either demonstrate alignment of renewals and depreciation or for asset classes with long effective lives that do not require renewals within the 10 year planning scope (e.g. bridges), the capacity to set aside cash reserves to fund renewals as and when required. We believe this approach should be applied to all asset classes, not just 'buildings and infrastructure'.

4. Reduction in borrowing costs

Nov-June – renegotiation of current borrowings with a view to restructure and reduce overall interest payments. Depending on FFTF outcomes this may be via Tcorp or via market mechanisms.

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

The action plan was developed internally utilising multidisciplinary teams, with Council being informed and included in the process.

No consultants were used in the preparation of this document.

There were numerous meetings involving the community in this process.

There were meetings held with Moree Plains Shire Council investigating the Merger proposal and opportunities for resource sharing.

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.

A merger with Moree Plains Shire Council - this has not been supported by either council or communities.

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) | -0.438 | -0.025 | 0.047 | -0.010 | 0.012 | -0.026 | Yes |
| Own Source Revenue Ratio (Greater than 60% average over 3 years) | 56% | 58% | 84% | 76% | 76% | 76% | Yes |
| Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years) | 25% | 84% | 134% | 94% | 93% | 79% | No |
| Infrastructure Backlog Ratio (Greater than 2%)*Less than? | 9% | 8.50% | 8.00% | 7.75% | 7.50% | 7.25% | No |
| Asset Maintenance Ratio (Greater than 100% average over 3 years) | 101% | 100% | 100% | 100% | 100% | 100% | Yes |
| Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years) | 5% | 6% | 6% | 5% | 4% | 5% | Yes |
| Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time | 5.89 | 5.24 | 5.01 | 5.19 | 5.24 | 5.60 | No |

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.

Operating performance Ratio

The forecast results above include improvements in

- Depreciation based on improvements in data and methodology in relation to roads revaluation,
- Depreciation improvements due to sales and changed service levels (note: actual depreciation for these will not change until these sales or renewals actually occur and therefor will be phased in possibly over significant periods of time as depreciation deals with assets as they are currently in situ with current costs & construction methods)
- Depreciation improvements due to improvements in methodology and technologies (note: actual depreciation for these will not change until renewals actually occur after these improvements eventuate and therefor will be phased in possibly over significant periods of time as depreciation deals with assets as they are currently in situ with current costs & construction methods)
- Special Rate Variation income increases
- Phased reduction in employee costs due to staff reductions due to changes in service level definitions
- Phased reductions in material costs due to changes in service level definitions
- Recurrent capital grant revenues that contribute to maintenance & capital renewals and therefore in reality do offset depreciation costs, such as Roads to Recovery grants and Regional Road contributions.

While technically benchmark results are not achieved in the required timeframe, there are very significant improvements and the shortfall in achieving benchmark is considered insignificant. The result for 2016 & 2017 includes additional Roads to Recovery funding announced 23/6/15.

Own Source Revenue Ratio

The forecast improved results include improved revenues from SRV and also recurrent operating grants that are more akin to fees for service. Recurrent grants included as discussed include recurrent grants for preschool services, HACC and Community Transport services, Aged Care Facility funding etc. Including these sourced demonstrates benchmark is fully achieved. The result for 2016 & 2017 includes additional Roads to Recovery funding announced 23/6/15.

Building infrastructure backlog ratio

There is much discussion about the appropriateness of how this ratio is calculated and the relevance of a 3 year average when many if not most of the assets in question have effective lives in the decades or in some cases over a century.

The above ratio results have:

- Excluded bridge asset depreciation (with the exception of one bridge) as no renewals are expected within the next 10 years.
- Added back a safety margin on depreciation allowed for in our LTP/Operational plan budgets given the uncertainty of revaluation results/audit outcomes
- Depreciation excluded for as new buildings that no renewal works are expected on within the next 10 years
- Reduction in depreciation due to revisions in construction methodologies
- An adjustment for items currently costed to maintenance that are more appropriately considered capital renewals (e.g. heavy patching on roads). Further investigations may result in further transfers over the coming months.
- Revision of service levels.
-

While benchmark results are not achieved there are significant improvements. Further improvements in outcomes are expected as a result of in depth service level reviews aimed at matching long term expenses with available revenues. It is also expected that this ratio methodology and appropriate benchmarks will be further improved over time.

The result for 2016 & 2017 includes additional Roads to Recovery funding announced 23/6/15.

Infrastructure backlog ratio

This ratio result is significantly improved as a result of roads fair value revaluation and improved data collection and methodologies to determine backlog amounts. There could be significant improvements as a result of community consultation and revised definition of what is considered 'satisfactory'. Revisions of service levels and improved strategic planning in asset maintenance could also result in significant savings that are currently difficult to forecast. There is also industry debate over ratio methodology and benchmarks so it is expected that changes in these may also improve outcomes for this ratio. The result for 2016 & 2017 includes additional Roads to Recovery funding announced 23/6/15.

Asset maintenance ratio

There is some debate over when it is appropriate to class work as operation maintenance expenses vs capital renewals. There also seems to be a lack of clarity regarding 'required' maintenance.

Debt Service Ratio

Improvements in this ratio provide capacity to borrow further if/when appropriate opportunities arise.

Real Operating Expenditure per capita

Not achieving benchmark on this ratio is to be expected as a result of improvements planned in infrastructure ratios and potential improvements in some services as a result of improved revenues tied to the SRV. The effectiveness of this ratio and benchmark are subject to debate.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The responsibility for implementing the proposed Improvement Plan will rest with the General Manager and Council's senior staff in consultation with the elected Council and the community.

With regard to the three primary improvement areas where additional work is required (Special Rate Variation request; Service Level Reviews; and; Depreciation Level Review) the proposed project outline is attached.

A middle management team with oversight of the service level review will continue to undertake the review with the assistance of an external consultant yet to be appointed by the Council although quotations have been called. An appointment is expected to be made at the July Council Meeting.

Each October annually a report will be presented to the Council's Ordinary Meeting outlining the Council's audited financial results against the projected benchmark targets detailed in Table 4.1. The results outlined in this report will be publically advertised.