

## 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:** Cabonne 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.

Cabonne Council is Fit for the Future.

The recommendation of the Independent Local Government Review Panel that Cabonne merge with Orange is not supported by council based on rigorous self-assessment, community consultation and merger analysis. The future sustainability of Cabonne as a stand alone council maintaining and servicing its rural communities is very strong.

Current position:

- Council currently meets 5 of the 7 financial benchmarks and will meet all 7 from 2016/2017.
- Council can demonstrate it has scale & capacity.
- The merger business case with Orange City Council confirmed both councils are individual sustainability, and it highlighted significant risks for very low economic return.
- The communities of Cabonne have expressed strong opposition to a merger.
- Cabonne has strong future population growth of 24% by 2031.

Cabonne Council has had a program of internal reform and revitalisation in place since 2012. Key current and future improvement

strategies to strengthen council include:

1. Pursuing shared services and regional collaboration based on previous success through the WBC Strategic Alliance.
2. Managing our assets through enhanced road asset management and planning backlog reduction through \$3 million increase to 2015/2016 budget.
3. Improving service delivery through service review and business improvement programs.
4. Managing our workforce performance and implementing a new organisation structure.

A number of these improvement actions are already underway.

When lodging this improvement proposal, Council has had to balance the external views of the ILGRP and the importance of local government presence and local representation, especially to smaller, geographically dispersed communities, such as Cabonne. Council is also very aware of the residents' and ratepayers' strong desire to retain local democratic representation and service delivery.

## 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).

While any council could make an argument that it can meet the scale and capacity tests, councils need to do so recognising the stated Government position that runs contrary to that. In the case of Cabonne Council, it can demonstrate it meets the elements of scale and capacity, especially given the size of the council and the population it serves.

Council has completed a review of current and future operations against the 10 Scale and Capacity Criteria and is confident that it meets these.

In line with the ILGRP recommendation and requirement of IPART assessment criteria, Cabonne Council and Orange City Council engaged Morrison Low Consultants to complete a high level merger business case. The merger business case report is attached, however the key points identified from this analysis include:

- The risks of a merger identified are very real and could easily erode the potential savings to be achieved.

- Estimated savings of \$5.4M (which includes the \$5M merger grant) for two merging councils is absorbed in transition costs and is deemed not sufficient. (By way of comparison, the WBC Alliance average savings realise \$500k per year.)
- The degree of change on the scale and capacity criteria for the new merged council is either limited or non-existent.
- The individual councils will meet the financial indicators as standalone councils.
- The merged council would meet the financial indicators.
- The report finds it would be unlikely for Orange to improve its scale and capacity through a merger with Cabonne.
- The current rating structures are very different and there would likely be an adverse correction to harmonise rates to a number of Cabonne ratepayers.
- Service provision and levels differ significantly in both councils and are a potential risk to a merged council's capacity.
- Per capita representation would decrease.
- The community of Cabonne are strongly opposed to merger with Orange.
- The community and social context of the two council areas and residents is vastly different – one being a city/urban council and one focussing on rural services to dispersed small villages and communities.

The strategies outlined in the Improvement Plan will further strengthen Cabonne's strategic capacity.

## 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.*

Cabonne Shire is a rich rural area in Central NSW, including the towns and villages of Borenore, Canowindra, Cargo, Cudal, Cumnock, Eugowra, Manildra, Molong, Mullion Creek, Nashdale and Yeoval, as well as a number of rural localities ie Toogong, Garra, Byng, Baldry and Lewis Ponds.

Comprising 6,108 square kilometres, the Shire has a population of 13,481 with 6,876 rate assessments and a road network of 2,052km. The Department of Planning and Environment projects Cabonne's population will grow by 24% by 2031.

About 3.5 hours from Sydney and Canberra, Cabonne is located between the centres of Orange, Dubbo, Cowra, Wellington, Parkes and Forbes.

Cabonne's economy was founded on mixed agriculture, which still accounts for a large proportion of economic activity. Recently, agriculture has become more diverse and mining has played an increasing role, helping to drive economic growth. Manufacturing has also become an important economic sector, specifically for food and wine products.

Cabonne has a mostly pristine environment with many spectacular natural features.

These natural attractions and inviting lifestyle options are reflected in Cabonne's 2025 Community Strategic Plan for which the vision statement reads: "Passionate people, thriving villages and caring communities respecting and sustaining our environment." The five future directions encased in the strategic plan are:

1. Connect Cabonne to each other and the world;
2. Build business and generate employment;
3. Provide and develop community facilities;
4. Grow Cabonne's culture and community; and
5. Manage our natural resources.

Providing safe, efficient and well maintained roads and bridges, particularly infrastructure to get agricultural goods to and from market, is a pillar of the strategic plan. It is a key economic driver, with better roads being vital for the growth of agriculture and the tourism industry and subsequently building business and generating employment.

A community survey held in October 2013 showed 85 per cent of Cabonne residents considered roads to be the most important service delivered by the council.

Cabonne has allocated in excess of \$60 million to road construction and maintenance in the past five years.

Mining and agriculture account for more than half the \$664 million Gross Regional Product and provide more than 40% of the Shire's employment.

Many of the 11 settlements are disparate in their community and physical characteristics, climate and geographical features. Each has a strong identity and its own particular needs.

Cabonne has a range of community assets under management, with a replacement value of \$661 million (2014 Financial Statements).

Council first went formally to community in late 2013, in response to the Independent Local Government Review Panel's work, council conducted an extensive community survey and face-to-face consultations in eight towns and villages in the Shire with the key question for community was what governance structure they wanted going forward. A survey provided 4 options:

- Stand alone
- Strengthen the WBC Alliance



- Merger with Orange
- Other?

Council received more than 1,650 responses to its survey, which represented approximately one-third of all Cabonne households. Of those respondents, **93% did not want Cabonne merging with another council.** Polls were conducted at each of the village consultation meetings where fewer than 1% favoured a merger of any kind.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Sound financial management - meets the 7 financial benchmarks by 2016/2017.</li> <li>• Success in grant applications.</li> <li>• Self-funded fleet replacement program (fleet value of &gt;\$16M).</li> <li>• Projected population growth (over 24%).</li> <li>• Committed, loyal staff.</li> <li>• Proven ability to provide rural services across large geographic area.</li> <li>• Multi skilled workforce – flexible, diverse, innovative.</li> <li>• Local knowledge – significant corporate knowledge.</li> <li>• Current councillors are keen, passionate and work together well.</li> <li>• Sense of community is very positive, village identity very strong - engaged and interested.</li> <li>• Regional collaboration and sharing through WBC Alliance and JO.</li> <li>• Well structured and managed Integrated Planning framework. Internal corporate planning and business improvement programs.</li> <li>• Council's Future Directions strategies are clear, focused &amp; relevant.</li> <li>• LEP 2012.</li> <li>• Councils of Blayney, Cabonne &amp; Orange Sub Regional Rural &amp; Industrial Landuse Strategy 2008.</li> <li>• The communities of Cabonne are made up of country</li> </ul>	<ul style="list-style-type: none"> <li>• Limited additional revenue options.</li> <li>• Higher regional costing for goods and services – freight.</li> <li>• Large area and low rate base.</li> <li>• Size of road network (&gt;2000km).</li> <li>• Being competitive in salary market.</li> <li>• Levels of service require review.</li> <li>• Maintaining services and facilities, particularly roads, over a large area and with many settlements, can be challenging.</li> <li>• Sometimes service expectations are unrealistic.</li> </ul>

<p>people with country values who are passionate about country living.</p> <ul style="list-style-type: none"> <li>• The council area is centrally located in the tablelands of Central NSW and close to major regional centres.</li> <li>• Residents enjoy rural living with easy access to the range and choice offered by the surrounding larger regional cities.</li> <li>• The economy is diverse and agriculture is a strong industry.</li> <li>• The area offers a range of destinations and experiences for visitors.</li> </ul>	
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Investigate commercial opportunities that are consistent with our key skills and increase own source revenue.</li> <li>• Partnerships with private enterprise.</li> <li>• Engaging with community to qualify and endorse service levels.</li> <li>• Continued proactive grant funding.</li> <li>• Increase maintenance spend and address assets backlog.</li> <li>• Focus on internal efficiencies through Business Improvement Program.</li> <li>• Intergenerational equity principles applied to future financial management.</li> <li>• Review/improve the salary system.</li> <li>• Reward/performance management system</li> <li>• More new technology to enable working remotely.</li> <li>• Professional development for councillors.</li> <li>• Strengthening of Alliance with new partners and a new focus on shared services (beneficial for the region and sector).</li> <li>• Improving the integration of IPR particularly between</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Freezing of FAGs and decrease in roads funding.</li> <li>• Rate pegging.</li> <li>• Cost shifting from other sectors of government.</li> <li>• Increased cost of service delivery.</li> <li>• Imposed policies and systems not tailored to local needs.</li> <li>• Loss of local representation in merger.</li> <li>• Effect on performance and culture through merger.</li> <li>• Transition stage to new Joint Organisation.</li> <li>• Loss of local employment.</li> <li>• Loss of local identity.</li> <li>• Subdivision of agricultural land into non-commercial holding sizes.</li> </ul>

Assets and LTFP

- Finalise implementation of Asset Management System.
- Integration of current and new technology throughout the organisation.
- More opportunities for young people to fully engage in community life need to be created so they can experience the full benefits of living in Cabonne.
- More opportunities for older people to continue to contribute to enrich community life and attract aged specific developments and associated professionals to the area.
- Use technology to spread the word about the advantages of living and working in Cabonne Country
- Growth in the mining, manufacturing (specifically food and wine products) and tourism industries.
- Rich fertile soil, and availability and competitively priced industrial land.

## 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)	5.8%	Yes	5.5%	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	66.4%	Yes	67.1%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	108.46%	Yes	102.03.8%	Yes

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

Cabonne Council has successfully met all three of the above ratios and will continue to do so for the life of the LTFP. As Council will exceed the benchmarks it could reduce spending on infrastructure renewals and maintenance by an average amount of \$1.5 million per annum and still meet the sustainability and infrastructure management benchmarks. (noting that its only appropriate to reduce renewals down to 100% once the backlog is under control) While this type of reduction is not advocated, it does demonstrate Council is in a strong position and can use this mechanism where necessary to respond to change or unforeseen circumstances without the need for additional revenue

## 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> (Greater than 2%)	3%	No	1.9%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	80.98%	No	109%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.1%	Yes	0.1%	Yes

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

### Infrastructure Backlog

Cabonne Council does not currently meet the Infrastructure Backlog Ratio. Projections by Morrison Low in their published merger proposal, shows council achieving the benchmark from 2020, however council has made a provision in the 15/16 annual budget of \$3 million from reserves. This investment will reduce the backlog compliance levels meaning council will meet the benchmark from 2015/2016 and will continue to do so for the entire modelling period.

#### Asset Maintenance Ratio

Council does not meet the Asset Maintenance Ratio, however projection by Morrison Low in their published Merger Business Case analysis shows council achieving the benchmark from 2015. Council's LTFP and Annual Budget also confirm that Council will achieve the required benchmark by the end of the 2015 financial year and will continue for the life of plan.

#### Debt Service Ratio

Council has successfully met the Debt Service Ratio and will continue to do so for the life of the LTFP.

*Note that the difference between the projections in the merger report and this self-assessment data is due to the application of a different methodology eg using current replacement value instead of written down value for assets.*

## 2.3 Performance against the Fit for the Future benchmarks

### Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.905%	Yes	1.887%	Yes

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

Council has successfully met the above ratio and will continue to do so for the life of the LTFP.



## 2.4 Water utility performance

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

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

**Yes**

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

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

Estimated cost to bring up to a satisfactory condition for water is \$730K and sewer is \$182K (taken from Special Schedule 7 of 2014 published financial statements).

## 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
Molong Creek Dam augmentation - Strengthen Dam Wall	2019/20 – 2020/21	\$4.2 million	To be determined when works are scheduled to be undertaken.
Cumnock and Yeoval Drinking Water Scheme and Drought Security Pipeline		\$22.2 million	Infrastructure NSW through the Restart Water Security for Regions program, has provided a grant of \$16.665m for the project. Council has committed \$1.2m to the project. Council is seeking the balance of funding through the state government.

## 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.

Council's audited financial statements as of 30/06/14 indicate a loss of \$76K for water and a surplus of \$3M for sewer (including depreciation). Council's sewer operations have been maintained on a break even basis for the last three financial years.

Council has a high cost of servicing dispersed populations across a wide geographic area. Council also has to consider the community's capacity to pay in determining pricing structures. In order to meet our long term servicing requirements and considering the affordability to the community, council has adopted a plan to increase the fees and charges for water by 10% pa. The typical residential bill (TRB) is reviewed annually to monitor for consistency with the projection, with the financial plan to achieve full cost recovery.

## 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
Preparation of a supplementary paper with a 30 Year Total Asset Management Plan, Financial Plan and report. (Continue to comply with NOW Best Practice Management Framework. Cabonne is currently compliant and regarded by NOW to be "Very Good" in the latest 2013/2014 NOW Performance Reports for Water and Sewer.)	December 2015	Long term strategic planning for the water and sewer business.
Asset Management Planning <ul style="list-style-type: none"> <li>Water main renewal program - Renewal of 2km/yr mains, of hydrants, meters, services and stop valves.</li> <li>Sewer main renewal program, renewal of 3.2km/yr of sewer mains.</li> </ul>	Ongoing (2013/14-2024/25)	90% of water mains renewed by 2024/25
Annual asset inspection and auditing. Inspections of dump points, reservoirs, sewer CCTV inspection program.	Ongoing (2013/14 – 2024/25)	85% of sewer mains renewed by 2024/25.

<p>Integration of telemetry network and implementation of Clear Scada for all water and sewer treatment assets.</p> <p>- Undertake continuous monitoring of all critical control points.</p>	2013/14-2019/20	<ul style="list-style-type: none"> <li>• Improve efficiency of operations.</li> <li>• Improve response time.</li> <li>• Ensure drinking water is safe for consumption.</li> <li>• Ensure effluent reuse schemes are producing effluent that is fit for use.</li> </ul>
<p>Drinking water management plan implementation to improve drinking water quality.</p>	Ongoing	<ul style="list-style-type: none"> <li>• Continuous improvement of process.</li> <li>• Ensure drinking water is safe for consumption.</li> </ul>
<p>Staff training</p> <ul style="list-style-type: none"> <li>• Ensure that all water and sewer staff receive all the training required as the industry standard.</li> <li>• Program with operators from adjacent councils mentoring.</li> </ul>	2015/16 – 2017/18	<ul style="list-style-type: none"> <li>• Ensure staff have the experience and technical expertise to carry out all aspects of work.</li> <li>• Upskilling of staff through training and mentoring.</li> </ul>

Molong water treatment plant augmentation	2014/15 – 2015/16	<ul style="list-style-type: none"> <li>Water treatment facilities are upgraded to modern treatment facilities standard to ensure high quality safe water is produced.</li> </ul>
Water conservation and demand management through effluent reuse schemes (>500 ep sewage treatment plants) – for supply of treated effluent for road construction.	2013/14 – 2016/17	<ul style="list-style-type: none"> <li>Improve urban water security and drought resilience.</li> <li>Reduce peak demand at water treatment facilities.</li> </ul>
Implementation of Water Loss management strategies	Ongoing	<ul style="list-style-type: none"> <li>Active leak detection to reduce water loss.</li> <li>Asset management strategies to improve data available to Council for the condition rating of water related infrastructure.</li> </ul>

## 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 LTFP provides for strong Operating Performance ratio for the life of the plan.  
Council's LTFP provides an Own Source Revenue ratio above the benchmark for the life of the plan.  
Council's LTFP & Asset Management Plan provides for Building & Infrastructure Asset Renewal ratio which meets the benchmark, and improves over the life of the plan.

Proposed initiatives to contribute to enhanced sustainability include:

- Regional collaboration for the delivery of some back of house and specialist services;
- Investigate outsourcing certain skill requirements where it is more cost effective than full time 'in house' employment;
- Review the current governance model and support services;
- Development of place management strategies for villages;
- Revalue assets to ensure depreciation is as accurate as possible.

Many of these improvements will directly impact other measures. As an example Cabonne's growth/place management strategy will also influence how it plans and manages its infrastructure. It will also influence elements of strategic capacity such as collaboration with Orange City Council to manage the impact of any growth related cross boundary issues.

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

The LTFP assumes:

- 2.4% increase in rates for 2015/16 with a 3% forecast increase in subsequent years of the plan.
- Wages growth of 2.7% in 2016, with the forecast of 3% in subsequent years.
- 2.4% increase in Financial Assistance and all other operating grants with 3% in subsequent years.
- 2.4% increase in depreciation for the 2015/16 year and 3% in subsequent years.
- All other expenses including capital expenditure and other revenue items have increased by 2.4% in the 2015/16 year and the model assumes a 3% increase for the remaining life of the plan.

Council has not modelled any special rate variation as the current LTFP, in conjunction with Council's asset management plans, shows sustainability in the current and future years.



## 3.1 Sustainability

Outline your strategies and outcomes in the table below.

### 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Ensure services are delivered effectively, efficiently and sustainably.	Regional collaboration/ outsource (where possible) elements of: <ul style="list-style-type: none"> <li>• Back of house services;</li> <li>• IT;</li> <li>• Property Management;</li> <li>• Design and project management.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration investigations complete and agreement reached.</li> <li>• Business case complete.</li> <li>• Procurement arrangements complete.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced cost.</li> <li>• Increased skills and specialisation.</li> <li>• Increased innovation.</li> </ul>	This impacts efficiency measures.
Improved Council governance.	Councillor reduction.	<ul style="list-style-type: none"> <li>• Representation model reviewed.</li> <li>• Council decision on representation.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced cost.</li> <li>• Increased governance skills for elected members.</li> <li>• Strategic decision making enhanced.</li> </ul>	All three sustainability benchmarks will be enhanced.

Improved strategic planning.	<ul style="list-style-type: none"> <li>• Place Management Plan for growth;</li> <li>• Section 94 Plan.</li> <li>• Place management plans for villages.</li> <li>• Economic &amp; tourism strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Growth management plan.</li> <li>• Section 94 Plan.</li> <li>• Place management plan framework adopted.</li> </ul>	<p>Improved strategic decision making.</p> <p>Key stakeholders consulted and informed of Council's future plans.</p>	This impacts on all Fit for the Future measures.
Ensure depreciation of council assets is accurate.	Revaluation of assets and reset of depreciation values.	Revaluation completed.	Correct depreciation on assets.	Most sustainability and infrastructure benchmarks.
Review current borrowing philosophy to meet intergenerational equity.	<ul style="list-style-type: none"> <li>• Enhanced Capital Infrastructure Plan.</li> <li>• Contemporary review financial management practices.</li> </ul>	Review completed.	<p>Debt is managed more equitably.</p> <p>Capital works can be brought forward in planning.</p>	This impacts on all Fit for the Future 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.

Not only has council identified strategies which will result in savings but it is proposing to invest in strengthening organisational understanding and management of current and future assets. Proposed initiatives which contribute to improved sustainability include:

- Improvements to Councils management planning data, processes and systems;
- Asset management benefits through enhanced decision making and investments;
- A \$3 million increase in roads funding to reduce asset backlog in 2016.

Ultimately better asset management will lead to more sustainable and efficient decision making and the modelling provided by Morrison Low confirms that once the infrastructure gap is addressed, financial sustainability improves further leaving Council with the financial flexibility and resources to address growth related projects, or respond to unforeseen changes.

Cabonne Shire Council will implement the strategies outlined in the following table in order to build on its already strong performance in infrastructure and service management.

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

Council's LTFP provides for a Backlog ratio for the life of the plan that meets the benchmarks.

Council's LTFP provides for an investment in asset maintenance that keeps the Asset Maintenance ratio at or above the benchmark for the life of the plan.

Council's LTFP & Asset Management Plans indicate it has no debt and that debt is not required to develop or maintain its assets, therefore it meets the Debt Service ratio for the life of the plan.

In addition to meeting these benchmarks a number of the strategies in Council's improvement plan target improved infrastructure management flowing into benefits for overall sustainability.

## 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
Asset optimisation.	Optimise utilisation of assets (internally): <ul style="list-style-type: none"> <li>• Fleet;</li> <li>• Plant &amp; equipment;</li> <li>• Depots.</li> </ul>	Review completed.	Asset rationalisation and reduced cost.  Increased utilisation.	Most sustainability measures and the efficiency measure.
Improved asset management capability.	Asset Management: <ul style="list-style-type: none"> <li>• Data validation and accuracy.</li> <li>• Improved network decision making and investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase confidence in asset data.</li> <li>• Improved asset management.</li> <li>• Accurate asset renewal and maintenance program funded in LTFP.</li> </ul>	<ul style="list-style-type: none"> <li>• More effective application of funding.</li> <li>• Improved assets.</li> </ul>	This impacts on the sustainability measures.
Reduce road infrastructure backlog.	Backlog reduction.	Backlog cleared.	Road assets meet levels of service.	This impacts on the sustainability 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.

Cabonne has recently undertaken various internal and external initiatives to improve service delivery and efficiency, including:

- community surveys and resultant improvement actions;
- staff surveys and resultant improvement actions;
- departmental reviews – actions forthcoming;
- a business improvement manual;
- investigations into business excellence opportunities;
- a review of shared service opportunities – results reflected in part of this template;
- a review of fleet and resultant improvement actions;
- various procurement initiatives;
- process mapping of key functions;
- development of risk management framework;
- developing a full suite of core asset management plans;
- new software to manage operational plan delivery;

While Council has been focused on generating efficiencies it sees this as a journey and therefore has outlined a number of other projects as part of an ongoing program to ensure Cabonne remains an efficient local government.

Proposed initiatives which contribute to improved efficiency (and impact sustainability and infrastructure management) include:

- Service reviews of roads infrastructure and internal services;
- Workforce skill assessment, gap analysis and improvements;
- Continue business improvement program;
- Improve workforce performance;
- Complete and implement organisation review.

Council's LTFP provides a continuous decline in Real Operating Expenditure for the life of the plan.

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

In addition to the strategies in 3.1 contributing to improved performance against the operating performance ratio benchmark, both the service reviews and shared services will increase the efficiency with which Council operates, contributing to a greater reduction in real operating expenditure 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
Review key services.	Service reviews: <ul style="list-style-type: none"> <li>• Road maintenance – rural</li> <li>• Road maintenance – urban.</li> <li>• Road construction.</li> <li>• Depots, workshops and plant.</li> <li>• Customer service.</li> <li>• Records.</li> </ul>	Service reviews complete.	<ul style="list-style-type: none"> <li>• Reduced cost.</li> <li>• Increase service efficiency.</li> <li>• Service levels agreed with communities.</li> <li>• Improved service performance and monitoring.</li> </ul>	This impacts on all Fit for the Future measures.
Implement business improvement program.	Business Process Improvement/Reengineering: <ul style="list-style-type: none"> <li>• Service delivery;</li> <li>• Service support;</li> <li>• Community support;</li> <li>• Governance;</li> <li>• Continuous improvement;</li> <li>• Red &amp; green tape reduction.</li> </ul>	<ul style="list-style-type: none"> <li>• Program adopted.</li> <li>• Performance against targets monitored and reported.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved business processes.</li> <li>• Improved delivery of services.</li> <li>• Increased customer satisfaction.</li> </ul>	This impacts on almost all Fit for the Future measures.



Enhance workforce performance.	Workforce performance improvements: <ul style="list-style-type: none"> <li>• Skills gap resolution;</li> <li>• Capacity enhancement.</li> </ul>	<ul style="list-style-type: none"> <li>• Skills gaps identified and managed.</li> <li>• Performance management adopted.</li> </ul>	<ul style="list-style-type: none"> <li>• High performing and stable workforce.</li> <li>• Improved strategic capacity.</li> </ul>	This impacts on almost all Fit for the Future measures.
Complete organisational review.	Organisational structural review: <ul style="list-style-type: none"> <li>• Strategic alignment;</li> <li>• Capability and accountability;</li> <li>• Review and update position descriptions and duty statements.</li> </ul>	<ul style="list-style-type: none"> <li>• Review adopted.</li> <li>• Implementation plan developed and actioned.</li> </ul>	<ul style="list-style-type: none"> <li>• High performing and stable workforce.</li> <li>• Improved strategic capacity.</li> </ul>	This impacts on almost all Fit for the Future 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

##### **Ensure services are delivered effectively, efficiently and sustainably**

- Continue to explore regional collaboration for common back of house service provision or part FTE specialist functions either through the WBC or JO.
- Complete a business case for the sharing of specialised functions.
- Dependent on regional collaboration or business case, establish alliance or contract documentation.

- Collaboration investigations complete and agreement reached.
- Business case complete.
- Procurement arrangements complete.

##### **Improved asset management capability**

- Improved AMPs to accurately reflect current condition and usage.
- Improve core AMPs.
- Improve integration with LTFP.

- Accurate asset renewal and maintenance program funded in LTFP.

##### **Optimise utilisation of assets**

- Fleet utilisation review.
- Increase 'e' service provision to improve efficiencies.
- Review and potentially rationalise depots and staffing.
- Look at current technology assets to ensure maximisation of usage both internally and for external business opportunities.

- Review completed.
- New 'E' services are implemented.
- Project plan including costings for centralisation of staff is finalised.

##### **Ensure depreciation of council assets is accurate**

Revaluation of assets per current market allowing for reset of depreciable values and associated budgeting for depreciation.

- Revaluation completed and adjustments made.

<p><b>Reduce infrastructure backlog</b> Transfer \$3 million from reserves to reduce road asset backlog.</p>	<ul style="list-style-type: none"> <li>• Backlog benchmark met.</li> </ul>
<p><b>Review Key Services</b> Review the following services:</p> <ul style="list-style-type: none"> <li>• Road maintenance – rural;</li> <li>• Road maintenance – urban;</li> <li>• Road construction;</li> <li>• Depots, workshops and plant;</li> <li>• Customer service;</li> <li>• Records.</li> <li>• DA approval.</li> </ul>	<ul style="list-style-type: none"> <li>• Service reviews complete.</li> <li>• Service costs identified.</li> <li>• Services levels agreed with community.</li> </ul>
<p><b>Review Financial Management Strategies &amp; Policies</b></p> <ul style="list-style-type: none"> <li>• Review current borrowing philosophy in context of intergenerational equity principles.</li> <li>• Enhanced Capital Infrastructure Plan.</li> <li>• Contemporary review financial management practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Review complete and new policies or procedures adopted.</li> </ul>
<p><b>Implement business improvement program</b></p> <ul style="list-style-type: none"> <li>• Reengineering individual business processes and sub-processes to improve efficiency of delivery.</li> <li>• Establish a continuous improvement framework and culture.</li> <li>• Red tape reduction.</li> <li>• Green tape program to address environmental requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Program adopted.</li> <li>• Performance against targets monitored and reported.</li> <li>• Enhanced performance reporting.</li> </ul>
<p><b>Enhance workforce performance</b></p> <ul style="list-style-type: none"> <li>• Complete skills gap and training needs analysis.</li> <li>• Review and adopt enhanced performance review process.</li> <li>• Design and implement leadership development program.</li> </ul>	<ul style="list-style-type: none"> <li>• Skills gaps identified and managed.</li> <li>• Performance management adopted.</li> </ul>

<p><b>Complete organisational review</b></p> <ul style="list-style-type: none"> <li>• Revisit the organisational review recommendations.</li> <li>• Prioritise actions.</li> <li>• Consult with affected staff.</li> <li>• Develop implementation plan.</li> <li>• Develop position descriptions that reflect current roles, organisational outcomes and behaviours.</li> </ul>	<ul style="list-style-type: none"> <li>• Review adopted</li> <li>• Implementation plan developed and actioned.</li> </ul>
<p><b>Improved strategic land use planning</b></p> <ul style="list-style-type: none"> <li>• Long term planning for growth.</li> <li>• Place management plans for villages.</li> </ul>	<ul style="list-style-type: none"> <li>• Place management plans developed and adopted.</li> <li>• Section 94 Plan</li> <li>• Village planning framework adopted and capital works identified and funded.</li> </ul>
<p><b>Improved Council governance</b></p> <ul style="list-style-type: none"> <li>• Review representation model.</li> <li>• Development program for elected members.</li> </ul>	<ul style="list-style-type: none"> <li>• Representation model reviewed.</li> <li>• Council decision on representation.</li> </ul>
<p><b>Rationalise office space</b></p> <ul style="list-style-type: none"> <li>• Review office space/s and manage shire from centralised location.</li> <li>• Look at sharing space to better utilise current or new assets.</li> </ul>	<ul style="list-style-type: none"> <li>• Review complete.</li> </ul>

**DETAILED ACTION PLAN ATTACHED.**

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

Senior management worked with all councillors and groups of staff from all functional areas to identify opportunities for improved efficiencies and review of service provision.

Council undertook a process of identifying, investigating and testing a range of improvement opportunities.

The process was as follows:

1. Council reviewed its recent business improvement opportunities, i.e. organisational review, fleet review, workflow analysis, etc.
2. Senior staff identified Improvement Opportunities through templates such as a 'mini business case' to investigate opportunities in terms of: ease of implementation; net financial benefit (or cost); impacts; legacy issues; risk; stakeholder consultation and implementation steps.
3. Council collated the opportunities into a list of proposals for consideration by Councillors for inclusion as part of Council's Improvement Proposal.
4. Council modelled the identified financial benefits into its LTFP so the impact on the FFTF ratios could be modelled as Council's improved position.

Not all improvements result in direct financial savings. Some improvements require council to invest in further building of strategic capacity, or alternatively result in non-financial efficiency gains which will either improve service levels or customer service. Some improvements impact on one or more of the sustainability, infrastructure management or efficiency benchmarks.

Along with completion of SWOT, this analysis provides a range of strategies and actions aligned with the 10 areas of scale & capacity which informed the Improvement Plan. Council also engaged Morrison Low to assist with this plan. Morrison Low had completed the Orange/Cabonne merger business case analysis and had also worked with Cabonne on the organisational review completed in 2014. These were also aligned to the council's future sustainability strategies adopted by council in 2012 and work already underway as part of council's Business Improvement Program.

Council officers participated in workshops including:

- LGNSW Bootcamp, Dubbo.
- IPART Assessment Methodology Workshop, Dubbo.

- Peer Review with OLG, Blayney.

Additional research data was provided through Western Research Institute.

The Action Plan was workshopped with Councillors on 9 June 2015 to clarify objectives and outcomes.

### 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.

Council used the ILGRP recommendation as the starting point for decision making.

Cabonne subsequently underwent due diligence to:

- Reflect on **current performance** and operation in consideration of the Fit for the Future criteria.
- Complete a business case analysis on the **impact of a merger** between Orange and Cabonne councils (attached).
- Consult with community on their preferred future (outlined in supplementary report) – a community wide survey in 2013 about the community's preference for structure, ie stand alone or merge, resulted in 30% of shire households responding of which 93% were opposed to a merger with Orange. More recently in consultations with the community as part of the FFTF response the **community again strongly oppose** any merger with Orange City Council and have formed a community led anti-amalgamation group.

Based on this, Council determined that it more than adequately meets the FFTF criteria and that the significant risks of a merger far outweigh the perceived benefits. Furthermore, the lack of adequate savings and improvement to efficiency were not substantiated or, more importantly, preferred, by the Cabonne communities. Council strongly believes the ILGRP recommendation is erroneous and would appear to be based on perceptions influenced by our geographic location (and shape of local government area) and theoretical concepts rather than future sustainability.

More supporting evidence is found in the attached report "Cabonne Council is Fit for the Future – Supplementary Report" and the merger business case report.

## 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)	5.8%	5.5%	7.3%	8.4%	8.5%	8.5%	Yes
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	66.4%	67.1%	67.3%	66.8%	66.9%	67%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	108.4%	102.3%	101.4%	105.4%	110.2%	111.8%	Yes
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	3%	2%	2%	2%	1.7%	1.6%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	80.98%	148%	147%	147%	147%	147%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.1%	0.1%	0%	0%	0%	0%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.905	1.887	1.876	1.864	1.853	1.842	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 will achieve all benchmarks. The proposed Improvement Plan will strengthen Cabonne Council as a strong, fit, efficient Council – more than fit for the future.

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council adopted the Improvement Action Plan as part of the Template 2 submission at the 23 June 2015 council meeting.

The actions outlined in the Improvement Plan will be worked up into projects with project plans (timelines/budgets) that the General Manager will be sponsor/owner (accountable through his contract). He will then delegate project management to the most suitable Director or Manager.

Council will map out and prioritise the key actions and tasks for each improvement and assign ownership/accountability (through a Gantt Chart to map the sequence and dependencies and then using your performance software to monitor tasks).

The Executive will be the project team monitoring progress through Council's internal Taskforce (a group already in place that promotes and monitors continuous improvement projects)

Progress on the actions (projects) will be reported to Council on a quarterly cycle (linked to the QBR cycle)

Actions will also be worked into the new Delivery Plan for the 2016/20 period.