

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:

Bega Valley Shire Council

Date of Council resolution endorsing this submission: 10 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.

Bega Valley Shire Council has embraced the Fit for the Future (FFTF) program and sees it as an opportunity to clearly articulate its progress over the past four years and its plan for the future. Under the program, Council has been identified as having the scale and capacity to continue as a stand alone council as recommended by the Independent Local Government Review Panel (ILGRP) and performance against the scale and capacity key elements clearly supports this recommendation. Council has been identified as financially sound and in a strong infrastructure position. Bega Valley was one of the Council's audited onsite as part of the Local Government Infrastructure Audit in 2013.

Population 2011	Population 2031	TCorp Financial Sustainability rating April 2013	TCorp Outlook April 2013	DLG Infrastructure Audit May 2013	Merger Potential	Options
32,999	37,100	SOUND	NEUTRAL	STRONG	LOW	Member Council South East Joint Organisation

Table 1: Summary of Position

Source: ILGRP Report 2014

To be in this strong financial and asset management position Council commenced a dedicated research and planning process in 2009. In 2012 consultants "Review Today" a consortium of companies with specialist skills in asset management and financial assessment worked with the Council, Council staff and the community to refocus financial targets, asset intervention levels, asset management skills, revenue sources and allocations to achieve a pathway to reducing the infrastructure backlog gap and growing financial sustainability.

The approach included a capping of expenditure on services, a reduction in allocation to maintenance and an increased allocation to infrastructure renewal. The approach also included an income pathway focussing on rates and charges and fees and charges and resulted in a Special Rate Variation (SRV) application for three years of increases with the revenue raised to be progressively applied to roads, sports and recreation assets, and buildings. The 2015/16 year is the last year of this SRV approval and the three increases will continue to be applied in perpetuity. This series of above rate increases built on previous SRV's approved for infrastructure renewals over the period 2002-2010.

This approach has ensured a improvement over the past four years which continues into the future.

FFTF has allowed for Council to clearly demonstrate that the change chartered in 2012, implemented through 2012 to 2014 and applied, with review, since

has achieved significant benefit for the community and the Council.

Over the past two years Council has progressively amended its structure, reviewed services, participated in benchmarking programs and critically re-scoped and refocussed its Resourcing Strategy including a full review of asset management plans, the long term financial plan and the workforce strategy. Council has included the community in discussion on this process and critically for the community the outcome of the planning work is now resulting in improved asset management and achievement of capital infrastructure programs whilst allowing for service delivery appropriate to community needs.

Bega Valley Shire Council has the scale and capacity to continue as a standalone council as determined by the ILGRP.

1.2 Scale and Capacity

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

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

Yes/ 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).

Although we answered Yes to this question, our response to each of the criteria as per the OLG guidelines is provided in:

Attachment 1: Key Elements of Scale and 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).

Our Place

The Bega Valley Shire is located at the south-eastern extremity of New South Wales. The Shire's coast extends from Wallaga Lake in the north to Cape Howe and the Victorian border in the south, this 225-kilometre section forms the Sapphire Coast, the heart of Australia's Coastal Wilderness.

The main industries in the Bega Valley Shire are farming, particularly dairy farming, and the associated cheese manufacturing industry in Bega; commercial fishing, particularly in Eden, and tourism along the coast. The Shire's major industrial precincts are at North Bega, Eden and South Pambula and the main retail areas are within the town centres of Bega, Eden and Merimbula.

Bega Valley is a regional centre for both schools and higher education institutions. The University of Wollongong operates a branch campus in Bega and there is also a TAFE Illawarra campus in Bega. A new regional hospital opens in April 2016 and the Eden Port is seeing considerable growth with a \$25 million project for cruise ships and safe harbour works.

Merimbula, Eden, Bermagui and Tathra are significant tourism centres. The main tourist towns such as Bermagui, Eden and Merimbula typically experience a threefold boost in their populations during the peak summer tourist period requiring additional built infrastructure capacity particularly in water and sewer. On average, Bega Valley Shire receives over 820,000 visitors annually, more than half of whom are domestic overnight visitors, spending around \$255 million each year.

Our Community

The Bega Valley Shire has a relatively small population of approximately 34,000 people. Current projections of population growth of 1.1% per annum will see a population of 37,295 people calling the Bega Valley home by 2030. Bega Valley gains population from the Sydney metropolitan area and parts of southern NSW, and to a lesser extent, Canberra and Melbourne.

The population of the Shire showed strong growth in the last decades of twentieth century, but since 2006, population growth has slowed to more modest levels.

Data from the 2012 Census show the most populous age group in Bega Valley Shire was 50-54 year olds, with 2,857 persons. In 2030 the most populous forecast age group will be 65-69 year olds, with 3,013 persons.

Understanding our population drivers

Council has focussed its attention on managing population churn, by building or enabling infrastructure, facilities and services to attract business and visitor investment, at a level higher than comparative regional areas. Eden Port, Merimbula Airport, the Regional Hospital, education services and connectivity are key to driving this.

Bega Valley Shire understands the need to ensure that it is well-positioned to benefit from the growth expected in knowledge-intensive service sectors (professional services, health, ICT and education). Growth in these sectors will help address the current low wage profile in the Shire, and will stimulate further growth in higher value goods and services.

The Shire's economy is still in transition from the traditional structure based on commodities – forestry products, traditional fishing and agriculture, and family tourism (largely a readily substituted 'commodity') – to a more valued-based economy.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<p>ILGRP listed Bega Valley as Sound with a neutral future and as a stand-alone council</p> <p>Strategic planning and IPR plans and asset plan commitments recognized as driving excellence and resulting in a</p> <p>Asset management approach is robust and fully developed with Council listed as STRONG in the 2013 DLG Local Government Infrastructure Audit</p> <p>Well developed CLEP and associated land use planning processes</p> <p>Financial position, leadership and management, a strong long term financial plan - BVSC is listed in the top 10% of NSW Councils in TCorps financial assessment (refer TCorp)</p> <p>Strong Neutral Financial Sustainability rating from TCorp</p> <p>Strong financial reporting framework, having never received a qualification on its audit.</p> <p>Management and Councillor training in financial management ensuring ownership and voracity in long term financial planning and budget development and management</p> <p>Ongoing commitment to efficiencies and savings redirected to infrastructure renewal</p> <p>New Finance Committee of Council established to drive Councillor oversight of financial decisions and management</p> <p>Enterprise risk management embedded in the Council with a risk appetite approach overlaid on activities.</p> <p>Steadily improving insurance and workers compensation outcomes resulting in reducing premiums</p> <p>Internal audit process well established and providing excellent</p>	<p>Limited ability to grow rates due to Local Government Cost Index increases and current loss of indexation of Financial Assistance Grants</p> <p>Relatively low population growth</p> <p>Relatively low socio-economic community profile with lower than average household incomes</p> <p>Remoteness in relation to links to services, government and training</p> <p>Ageing population and workforce</p> <p>Lack of clarity of roles of levels of government</p> <p>Costs of services</p> <p>Limited public transport and freight options</p> <p>Large geographical area (6,280skm) with 225 km of coastline. It has a relatively small population around 34,000 spread across five towns and 20 villages. 78% of the Shire is National Park, State Forests or Crown Reserve and we have an extensive portfolio of infrastructure with 1,422km of roads, 78 km of footpaths, 227 bridges, a Regional Gallery, four libraries, seven pools, 20 community halls, five childcare/education services, numerous sporting and recreation reserves, 13 cemeteries, and many water, sewer and waste services</p>

<p>Special rate variations achieving infrastructure gains since 2001 with a current approval currently being implemented have achieved significant improvements in infrastructure and new project delivery</p> <p>Successful LIRS approvals for four projects</p> <p>Council's commitment to addressing its infrastructure backlog put in place in 2009 is showing results as recently reflected in the update of Asset management Plans</p> <p>Delivery of significant major capital projects including the Eden Port, Merimbula By Pass, Bega Civic Centre, Merimbula Airport works and future planning</p> <p>Success is achieving grant funding for a wide range of capital and service programs</p> <p>Independent community services undertaken every three years with specific deliberative survey work undertaken on key projects</p> <p>Move to a strong project management approach including quarterly reporting to Council and the community on top major projects</p> <p>Strong own source revenue position. Council made difficult decisions 10 years ago to construct a long term revenue path that reduced the need for external funding.</p> <p>Significant environmental programs including Tathra community solar farm at the Tathra Sewer Plant, the Love Our lakes program</p> <p>Debt service ratio – using debt</p> <p>Strong leadership and a developing workplace culture embracing change and innovation</p> <p>Community engagement and communications tool kit <i>Listen Talk Act</i> developed with the community</p> <p>Workforce strategy achieving new culture and innovation in the workplace with a</p> <p>Wide range of improvements in providing access to the community to provide input or gain information including a new website, new online tools</p> <p>Strong tourism community with 819,000 visitors in 2014 contributing \$223m to the local economy supported by a growing cruise opportunity at Eden Port funded by the</p>	
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<p>State and Federal Government</p> <p>Significant new projects being progressed via Bega Cheese</p> <p>Access available by air via Merimbula Airport with potential to grow visitation to NSW through Canberra Airport</p> <p>The Sapphire Coast and Australia's Coastal Wilderness recognized as key destinations for visitors from Victoria and the ACT</p> <p>Strong local identification and passion for the local area</p> <p>Growing health services including the new South East Regional hospital due to open in 2016</p> <p>Excellent range of education services at primary, secondary levels</p> <p>TAFE and University campuses with University of Wollongong campus in Bega and the ANU rural medical school linked with the Regional Hospital</p>	
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Opportunities	Threats
<p>Major infrastructure projects including Eden Port and Merimbula Airport and Bega Civic and Cultural Centre</p> <p>New and emerging industries including small producers and ICT start ups</p> <p>Works at the Eden Port and growing the uses both in the Port, the southern Naval Wharf and in the town</p> <p>Works and redevelopment of a range of uses at the Merimbula Airport</p> <p>Council's new economic development strategy</p> <p>New models of service delivery</p> <p>Potential service delivery refocus utilizing inter-Council agreements and as a member of the South East Joint Organisation</p> <p>The review of the Local Government Act</p> <p>The implementation of Council's new organisaitonal structure particularly in the new Place services and in the new procurement model</p> <p>Information technology uses to reduce training and travel costs</p> <p>East West links to Canberra and growing the area as part of the Capital Region with links to Canberra Airport as it grows its international profile</p> <p>Links to ACT and Victoria</p> <p>Review of Federation and Taxation review</p> <p>Natural environment and the profile through Cruise Eden, Australia's Coastal Wilderness and the Capital Region</p> <p>Strong local community commitment and activism in sustainable and alternative energies</p> <p>Development of a sustainable infrastructure gap and continued focus on financial planning and developing the financial management skills of staff and Councillors</p>	<p>Funding policy positions by other levels of government articulated through moves to new funding paradigms such as contracting, tendering, dollar for dollar and Pensioner Rebate reduction</p> <p>Complexity and "red tape" in planning and regulatory areas</p> <p>External economic forces challenging major industries for example Bega Cheese</p> <p>Attracting and retaining professional staff</p> <p>Infrastructure provision for tourism peak loads</p> <p>Ageing and widely distributed and duplicated infrastructure</p> <p>Reliance on volunteers who provide significant input in managing sportsgrounds, halls and other community infrastructure</p> <p>Community expectations of level of service brought from city areas</p> <p>Climate change impacts need to be understood and catered for</p>

University campuses	
New regional hospital and the potential uses of the current Bega Hospital site	
Cultural sector and events with a growing profile in the cultural industries	
Tourism opportunities directly from Asia & focusing on experience seekers	

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)	-0.010	No	0.09	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	60.30	Yes	69.00	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	107.7	Yes	113.00	Yes

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

Refer to *Attachment 2: Performance Against Benchmarks*

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%)	13.65	No	2.00	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	115.0	Yes	156.00	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	3.82	Yes	5.00	Yes

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

Refer to *Attachment 2: Performance Against Benchmarks*

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	1.47	No	1.31	Yes

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

Refer to *Attachment 2: Performance Against Benchmarks*

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 / No

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

Council has achieved substantial compliance with the NSW Government Best Practice Management of Water Supply and Sewerage Framework.

Council has undertaken much of the preparatory technical work needed to complete an Integrated Water Cycle Management (IWCM) Plan. Council recently awarded a tender to GHD Pty Ltd the aim being completion of the IWCM in early 2016.

See additional comments below regarding other minor non-compliance matters relating to the Framework.

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

Bega Valley Shire Council (BVSC) is the Local Water Utility (LWU) that provides water and sewerage services to communities throughout the Shire. Following discussions in the local government sector BVSC has prepared two scenarios for consideration, one as required by the fit for the future process excluding water and sewer and one including the utility results.

Water utility performance in NSW is regulated primarily by the NSW Office of Water, NSW Environment Protection Authority and NSW Health. To help NSW LWUs manage their overall performance and regulatory compliance the NSW Office of Water has published the "Best Practice Guidelines".

The Guidelines contain six elements required for managing long term performance and financial sustainability. The six elements include Integrated Water Cycle Management, Water Conservation, Strategic Business Planning, Drought Management, Pricing and Performance Monitoring. Council's compliance with the guidelines is detailed below. It should be noted that NSW Office of Water have recently updated the Guidelines and accordingly there is some uncertainty over some of the new performance indicators.

Best Practice Framework Current Compliance

Council has undertaken much of the preparatory technical work needed to complete an Integrated Water Cycle Management (IWCM) Plan. Council recently awarded a tender to GHD Pty Ltd the aim being completion of the IWCM in early 2016.

Council has implemented a number of water conservation measures in the areas of policy, media and a long term partnership with "Save Water Alliance".

Council is substantially compliant with this element of the Guidelines.

Council has undertaken a comprehensive Strategic Business Planning (SBP) process and adopted its Water Supply and Sewerage SBP in 2014. Council is substantially compliant with this element of the Guidelines including provisions related to Long Term Financial planning.

Council has completed its Drought Management Plan and is substantially compliant with this element of the Guidelines.

Council charges for water, sewer and Section 64 contributions in accordance with NSW Office of Water methodology. Council is substantially compliant with the Guideline requirements in this area however it has yet to achieve the required 75% 25% split for water usage and access. Further discussions with NSW Office of Water are planned to resolve this aspect of Council charges.

Council is required to complete annual performance monitoring for the NSW Office of Water. Council is substantially compliant with this element of the Guidelines and has submitted the performance report on time every year.

Council operates its Water and Sewer funds as discrete entities that are operated on a break even basis. Neither fund pays dividends to the General fund. Council drafts and publishes Asset Management Plans and Long term Financial Plans for both Water and Sewer funds to ensure that both capital renewals and the funding sources are sustainable and achievable.

Water and Sewer Capital Works

Council devotes substantial resources towards renewal and new capital works.

Currently there is a backlog in the Water Utility of \$591K which will be eliminated in 2016. Currently there is no backlog in the Sewer Utility. The following Table lists the major capital works planned for delivery over the next four years.

Strategies Towards Best Practice Compliance

The current level of compliance with the Best Practice Management Guidelines is substantial. The areas requiring work include completion of the IWCM and minor changes to the access/usage charging arrangements for water. A contract has already been awarded to complete the IWCM and as stated above, further discussions are planned with NSW Office of Water to resolve compliance issues related to water charging.

The overall strategy towards full Best Practice Guideline Compliance is simply to complete a formal audit against the Best Practice Compliance Checklist once the IWCM is completed in early 2016. The audit can be undertaken by either specialist consultants or NSW Office of Water.

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
Sewer: Merimbula Effluent Disposal Upgrade Stage 1	2017	\$7.34m	Possible NSW Government and Federal Government subsidy funding
Sewer: Merimbula Effluent Disposal Upgrade Stage 2	2018	\$4.72m	Possible NSW Government and Federal Government subsidy funding
Sewer: Bermagui Sewer Treatment Plant Upgrade	2018	\$2.1m	Not applicable
Water: Nutley's Creek Reservoir Construction	2016	\$1.06m	Not applicable
Water: Bemboka Water Treatment Plant	2016	\$2.22m	Not applicable
Water: Upgrade Transfer Main from Yellowpinch to Eden Stage 1	2019	\$1.27m	Not applicable

Water: Upgrade Transfer Main from Yellowpinch to Eden Stage 2	2020	\$3.18m	Not applicable
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2.4 Water utility performance

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

Yes / No

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

Council's water utility currently runs a deficit financial result. The primary reason for this deficit is the increase in current replacement cost of the water infrastructure on the 2011-12 Revaluation. The cash position of council's water fund is very strong with reserves of about 17 Mil.

The Water Fund Long Term Financial Plan projects a return to operating surplus by year 2017-18.

Refer to Attachment 3: Strategic Business Plan – Water and Sewer

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 and continually improve Levels of Service (LOS) and performance. <i>(See Attachment 3 - Table 8.1 of the 2014 Strategic Business Plan)</i>	Various. See Table 8.1	100% compliance with adopted Levels of Service
2. Review of Future Service Areas. <i>(See Attachment 3 - Table 8.3 of the 2014 Strategic Business Plan)</i>	Various. See Table 8.3	Service provided to 100% of customers in designated service areas meets adopted Levels of Service
3. Liquid Trade Waste and Sewer Load Management. <i>(See Attachment 3 - Table 8.4 of the 2014 Strategic Business Plan)</i>	Various. See Table 8.4	Comply with the Levels of Service for the number of sewer main breaks, chokes and sewer overflows reported to the NSW EPA.
4. Water Conservation. <i>(See Attachment 3 - Table 8.5 of the 2014 Strategic Business Plan)</i>	Various. See Table 8.5	100% compliance with Water Sharing Plan rules, median residential water usage less than 150KI per property PA and 50% recycled water use in a median year.
5. Drought Management. <i>(See Attachment 3 - Table 8.6 of the 2014 Strategic Business Plan)</i>	Various. See Table 8.6	Water supplied for essential domestic purposes 100% of the time.

<p>6. Service Pricing. <i>(See Attachment 3 - Table 8.7 of the 2014 Strategic Business Plan)</i></p>	<p>Various. See Table 8.7</p>	<p>Compliance with NSW Office of Water Pricing Guidelines.</p>
<p>7. Customer Relations. <i>(See Attachment 3 - Table 8.8 of the 2014 Strategic Business Plan)</i></p>	<p>Various. See Table 8.8</p>	<p>100% compliance with the adopted Levels of Service for customer related indicators.</p>
<p>8. Community Involvement. <i>(See Attachment 3 - Table 8.9 of the 2014 Strategic Business Plan)</i></p>	<p>Various. See Table 8.9</p>	<p>Greater than 80% of customers satisfied with consultation process as measured by survey for projects with significant community impact.</p>

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 implemented a range of measures in 2012 to transition Council to a financially strong and sustainable entity. In 2013 Council adopted a Finance Strategy and Long Term Financial plan which outlined a number of significant changes to its financial operations. Three years later, Council is seeing the benefits of those changes. The changes included:

- Shifting of operating and maintenance costs into renewals of assets.
- Implementing a priority funding approach where projects had have an identified, related, sources of funding in order to be included in the allocation of funds to support grant projects.
- Implementation of Council's "Narrow the Gap" policy. This policy forced our budget to map income sources to specific sources of expenditure and then look to alter the level of expenditure to match to that particular revenue stream. For example, the FAG was linked to governance overheads. So the overhead departments of Council had to be operated for an amount less than the value of the FAG funding.

It was these changes that largely allow Council to meet most of the current ratios in place through the FFTF benchmarks.

Going forward Council has identified a number of initiatives to continue the progress already made. In Council's 2015 updated Finance Strategy and Long Term Financial Plan, the "Narrow the Gap" policy was retained. This allows Council to structure its finances to ensure that each service/activity is matched to an identified funding source. Council also adopted a position on grant funding and the associated risks of having external funds setting policy direction. Controls have been put in place to ensure that Council only accepts grants that fit within its IPR framework and help achieve agreed outcomes.

Council also adopted a policy to continue the process of implementing full cost recovery fees and charges, ensuring that where possible fees charged cover the cost of delivering the respective services. This policy has been underway for the past four years and continues to alleviate pressure on Council's rating yield.

Council also recognises that for the services currently being offered to the community no further rating increases would be needed. However, if a level of service is changed (by either government cost shifting or by community expectation) then further rating increases may be necessary.

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

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

1. Valuation/Property Growth 0.5%
2. Further Special Rates Variation not assumed.
3. Recovery of full costs on all fees will result in an increase in fees and charges revenue above CPI by 2.6%
4. Roads to Recovery funding and Financial Assistance Grant will continue through to the future, the current FAG indexation freeze is accomodated

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. Apply the “Narrow the Gap” policy.	<ul style="list-style-type: none"> a) Map expenditure activities to relevant funding sources. b) Full cost recovery fees and charges. c) Review capitalisation of operating costs. d) Review useful life of assets in line with IPWEA guidelines. e) Implement priority based budget platform. 	<ul style="list-style-type: none"> • Complete fees and charges recovery review project. • Complete capitalisation exercise with Auditors. • Complete IPWEA asset Review. • Managers commitment on Priority Based Budget platform. 	<ul style="list-style-type: none"> • Clear list of recovery status of fees and charges. Able to then set price paths on individual fees to bring them in line with full cost recovery expectations. • See more accurate capital costings as operating costs are allocated to the relevant capital jobs. • Will have more accurate asset base data with more accurate useful lives. • Priority based budgeting will allow for more direct linking of expenditure to IPR framework. 	<ul style="list-style-type: none"> • These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.

2. Continuous improvement in financial management.	<ul style="list-style-type: none"> a) Implement project based ledger system. b) Apply consistent asset management framework across asset owners and finance staff. c) Implement real time management reporting. 	<ul style="list-style-type: none"> • Adoption of headline projects balanced scorecards. • Delivery of asset management training for all asset and finance staff. • Delivery of real time management reporting module. 	<ul style="list-style-type: none"> • Clear and concise plan of capital projects and associated funding sources. • Consistent asset management practises with common terminology. • Provide current and informative management data to provide for better decision making. 	<ul style="list-style-type: none"> • These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.
3. Improved budgeting practises.	<ul style="list-style-type: none"> a) Review budgetary method. b) Provide financial management upskill program for managers. c) Implement priority based budget platform – link funding to IPR outcomes. 	<ul style="list-style-type: none"> • Adopted Budgetary platform. • Deliver financial management training for managers. • Adopt priority based budgeting transition program. 	<ul style="list-style-type: none"> • Provide a more direct link between expenditure and the IPR outcomes. • Better financial management skills over the management team. 	<ul style="list-style-type: none"> • These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.
4. More efficient use of indexation through application of Local Government Cost Index	<ul style="list-style-type: none"> a) Link indexation to LGCI calculation. 	<ul style="list-style-type: none"> • Mapping of variable indexation to respective expenditure types. 	<ul style="list-style-type: none"> • A more accurate application of indexation reflecting real world price movements. 	<ul style="list-style-type: none"> • These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.

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.

As listed above under Sustainability, Council undertook a fundamental change to its financial management practises in 2012 to ensure Council had long term financial sustainability and addressed infrastructure backlog issues. A critical factor in the change was the linking of Council's Asset Management Plans to the budgetary process. Council was thereby able to identify and shift in excess of \$4m per annum from its operating budget into its capital budget. This reduced maintenance spend by more than 6% over the past four years.

Going forward, Council has reassessed its capital funding structure and determined that the level of service relating to asset maintenance is now set at a more realistic level. The newly adopted Long Term Financial Plan (June 2015) shows that Council can continue to increase the funding to its capital budget to allow for the reduction in Council's asset backlog. Council achieves this result through a number of initiatives including:

- Reassessing Council's Asset renewal needs over time.
- Addressing the priority of funding. That is, identifying funding sources which should be used to fund the various types of capital projects. For example borrowings used only for major, priority capital projects allowing for intergenerational contribution.
- Commencing the debate as to what assets the community need over the longer term and making sure they can be planned for, budgeted for, and provided for in Council's IPR plans.

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

1. BVSC's Asset Management Plans (AMP's) reflect an accurate maintenance profile for all of Council's \$1.5 bil of assets.
2. BVSC's Major Project list reflects accurate costing for all of Council's known major projects over the term of the LTFP.
3. That BVSC's current service standards are at the required levels i.e. there are no expected increases to level of services in any of Council's operational areas.
4. That Council's mandated requirements will remain unchanged.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improved planning and resourcing around asset renewals and maintenance.	a) Improved asset management planning.	<ul style="list-style-type: none"> Updated AMP's with direct ties to IPR outcomes. 	<ul style="list-style-type: none"> Clear links from strategic documents through to operational work plans. 	<ul style="list-style-type: none"> These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.
2. Improved identification and planning of capital projects and associated funding sources.	a) Continue to implement priority of funding policy across Council.	<ul style="list-style-type: none"> Implemented headline projects framework. 	<ul style="list-style-type: none"> Clear funding sources identified for all major capital works projects for the next 10 years. 	<ul style="list-style-type: none"> These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.
3. Continuous improvement in asset management.	a) Introduce a consistent asset management framework. b) Introduce consistent project management framework.	<ul style="list-style-type: none"> Delivery of asset management project training for all asset and finance staff. 	<ul style="list-style-type: none"> Consistent asset management project practises with common terminology. 	<ul style="list-style-type: none"> These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.
4. More effective use of Debt in planning for Capital Projects.	a) Commence headline projects review. Identify large scale capital projects and the ability to generate revenue sources to repay debt.	<ul style="list-style-type: none"> Implemented headline projects framework. 	<ul style="list-style-type: none"> Clear funding sources identified for all major capital works projects for the next 10 years. 	<ul style="list-style-type: none"> These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.

3.3 Efficiency

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

As part of Council's 2013 Finance Strategy, Council adopted an efficiency program aiming to reduce operating expenditure by 1% per annum compounding into the future. The identified efficiencies were then mapped to increase capital spending on asset renewals. Council was able to achieve over 10% efficiency gains in the preceding four years. Going forward, Council has recently undertaken service reviews of all of its functions and in particular is moving to restructure its procurement function to move to a best practise model for delivering procurement services. Council believes these changes will put significant downward pressure on the costs currently being incurred. Council is also working on a priority based budgeting system which will look to map all expenditure to the achievement of CSP outcomes. All expenditure not directly linked to the delivery of a community outcome will be reviewed.

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

1. Assets will be rationalised as they fall due for renewal in over serviced areas.
2. Selective treatment will achieve a reduced lifecycle cost.
3. Rollout of modern technology will reduce administrative overheads.
4. Reduced maintenance requirement will be retained through current renewal program.

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. Reduction in operating expenditure.	a) Implement findings from service reviews. b) Implement priority based budget platform. c) Identify reduced pricing from suppliers post procurement service review.	<ul style="list-style-type: none"> • Adopt priority based budgeting transition program. • Implement procurement review findings. 	<ul style="list-style-type: none"> • See more accurate capital costings as operating costs are allocated to the relevant capital jobs. • Will have more accurate asset base data with more accurate • Realise reduction in supply costs across Council. 	<ul style="list-style-type: none"> • These changes will affect all three FFTF categories through improved asset information, reduced operating costs, and better financial practises.

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 (2015-16)
Finance and Asset Management Best Practice	
Refine Long Term Financial Plan (LTFP) process to ensure financial sustainability and the provision of quality data	<ul style="list-style-type: none"> • Review of Long Term Financial Plan through the review of Asset Useful Life • Review of Long Term Financial Plan through the integration of headline projects into Long Term Financial Plan
Comprehensively review fees and charges and implement four year regime of approaching full cost recovery.	<ul style="list-style-type: none"> • Finalise the review of fees and charges
Seek additional and enhanced funding through a centrally coordinated and strategic approach ensuring projects are identified priorities and any matching funding or sunset clause aspects are considered	<ul style="list-style-type: none"> • Use cross functional teams for Grant Funding to establish organisational guidelines and procedures on grant funding.
Implement procurement best practice to ensure cost effective expenditure throughout Council	<ul style="list-style-type: none"> • Implement recommendations from procurement review with quarterly reporting to General Manager; report to Council on full saving profile in March 2016 • Continue to collaborate regionally on procurement templates and practices. • Implement Contract Management system
Develop the integration of Asset Management Financial Reporting systems	<ul style="list-style-type: none"> • Complete implementation / integration of Asset Management System using a cross functional Asset Management Team • Continue to identify, report and direct 1% savings to infrastructure
Provide more effective business reporting to Council's functional areas	<ul style="list-style-type: none"> • Scope dashboard reporting process to embed into Council's Intranet to enable managers to have greater budgetary visibility • Continue further professional development of managers in areas of budget and review budget methodology, preparation, and management and asset management planning and move to a bottom up budget process

Operational Effectiveness

Effective processes established to enable community engagement and understanding of Council decision making

- Review of process and presentation of budget templates for Council quarterly reporting.
- Coordinate Council Finance Committee meetings to address specific financial issues/concerns.
- Facilitate open Q&A session to answer public questions/ concerns
- Full review of IPR documents and development for the next Community Strategic Plan with community, Council input - process developed October 2015 drafts completed September 2016
- Conduct three yearly community survey and community budgeting workshops and online tool Feb/March 2016
- Publish end of term report 2016 outlining financial and asset position and performance against targets set
- Project management approach developed and implemented to cover all headline projects with quarterly reporting to council and community
- Utilise new web-based community strategic plan site to engage effectively with community
- Work with new place-based officers when appointed (July/August) to refine service delivery in towns/villages
- Work with new library and information section on delivery of Council services across the Shire and at the new Tura facility due to open October 2015

Council attracts, retains and develops a skilled workforce that meets the needs of the organisation

- New organisation structure implemented fully October 2015
- Manager development program completed March 2016
- Employee performance management and salary structure review completed December 2015 with move to new salary structure linked to skills steps only
- New recognition program trialed in 2014 further developed and implemented
- Quarterly performance survey against values based behaviours undertaken
- Leadership program across the organisation to support innovation completed
- Identify opportunity to utilise new short term contracts to access required staff skills for short term projects

Continuous improvement and efficiency through implementation of internal and independent reviews

- Utilise outcomes from 2015 service reviews to inform level of service update as part of the IPR review
- Continue internal audit utilising external review process covering the items listed in the response to scale and capacity - and complete the identified days of audits
- Continue benchmarking activities including the Local Government Professionals/PwC - NSW local government operational and implement improvement plan against core internal services and the new regional reporting tool
- Continue program of external service reviews including children's services and planning, building, development engineering in 2015/16
- Develop a profile for reporting in University of Canberra national community wellbeing survey and work towards developing a statewide system for benchmarking councils
- Continued review and drive to reduce staff leave liabilities

Utilising technology to improve our efficiency

- Continue implementation of ICT strategy including roll out of new phone system and SharePoint and document realisation of savings from new telephone account
- Complete transmission fibre optics upgrade between Council offices
- Implement online induction program and e-recruitment and e-planning projects
- Continue implementation and roll out of the Council's targeted energy efficiency program across all Council assets.

Business Activities

Providing the foundations to support a growing community through improved planning, infrastructure and services

- Adopt economic development strategy placed on public exhibition 1 July 2015
- Appoint new economic development manager to drive internal and external business opportunities
- Review and update the Digital Economy Strategy particularly focussing on opportunities for Council and the local community
- Continue resolution of management models for the Merimbula airport and financial applications as resolved by Council
- Business plans fully developed for Council owned business assets including Merimbula airport when operating model and funding is finalised and Bega Civic and Cultural Centre
- Develop marketing approach to new Civic Centre in Bega and training centre in Merimbula to leverage appropriate income to ensure break even or better income for the centres
- Continued implementation of property function covering leases and licenses leveraging appropriate income and maximising return from commercial arrangements
- Review Land Investment Strategy and progress development of marketing packages for Merimbula lands identified for sale as per Council resolution
- Finalise land matters in Merimbula relating to the Merimbula Bypass and other land and property matters and report fully to Council to inform financial strategy review
- Develop business plans for key facilities including Merimbula Airport when operating model and funding is finalised and Bega Civic and Cultural Centre

Councils Working Together

Council has partnerships with government agencies and other parties to address priority issues

- Continue working with other council's including coastal councils from Wollongong to boarder, Australia's Coastal Council's, SEROC/CBRJO/Bombala/Eurobodalla to establish most effective, efficient shared services and determine a relevant joint organisation structure and establish pathway to possible shared services model
- Continue to participate in current joint council programs in areas of procurement, training and risk management, weeds, resource recovery and consider more options
- Investigate services potentially offered by other councils for example Queanbeyan as a regional administrative services model
- Review models of integrated service delivery and remote servicing to provide options for consideration in move to a joint organisation

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

Council made formal submissions to the ILGRP on its draft report and to the Local Government Act Task force after considering the reports in detail. Council has been involved in the discussions and workshops about Fit for the Future since the announcement of the Government's response of the ILGRP report. Council has considered formal reports focussing on the issues of scale and capacity and the benchmark ratios and also considered issues relating to mergers and joint organisations. Council has also participated through the Mayor, some other Councillors and the General Manager in discussions with members of Southern Councils Group and the South East Regional Organisation of Councils. Council has been represented at various forums organised by the OLG and LGNSW focussing on FFTF and has planned a Local Government Leadership Forum for December 2015 looking at assisting the sector consider the role of elected members and staff in leading in times of uncertainty and change.

Over the 2014-15 period Council completed a detailed review of its Resourcing Strategy. This has involved a detailed review of Council's:

- Financial Strategy and Long Term Financial Plan
- Asset Management Strategy; and
- Workforce Strategy.

As part of the process, Council's suite of Asset Management Plans (AMPs) have also been fully updated utilising new asset management software and refined and more mature data. This has enabled a full assessment of progress under the adopted long term financial plan and highlighted areas of positive movement and some minor gaps. This work was integral to the development of Council's Delivery Plan and Operational Plan and integrated into the development of the Council's performance against the FFTF scale and capacity key elements, ratios, benchmarks and this CIP.

Council has also completed a full service review utilising templates applied in other councils and best practice methodology, and engaged consultants to carry out external reviews of some key services to identify future opportunities, and refocus activity realising efficiencies and savings. The areas covered include:

- Library Service - full service review utilising external consultants and resulting in a full service refocus
- Procurement - full function and service review relating to risk and exposure
- Ageing and Disability Services – external review prompted by need to understand the impact and future options relating to the move to NDIS
- Business Growth/Economic Development
- Communications and community engagement
- Tendering
- Contract management
- Project management

Council formally placed all aspects of the Resourcing Strategy review (as outlined above), Asset Management Plans, Delivery Plan, Operational Plan and budget on public exhibition throughout May 2015. To ensure an informed discussion about the Council Improvement Proposal and its links to these documents a separate document was prepared outlining what FFTF is all about, what options there were for Council, the Council's scale and capacity discussions, and explanations about the benchmark ratios and Council's performance against them. The Council's website and e-newsletter focussed on the availability of the documents and encouraged people to engage with Council on the directions proposed.

Through May 2015 the Bega Valley community were provided with opportunities to access all information and actively participate in discussions with Councillors and staff on the IPR documents and the CIP. Community information/drop in sessions were held in the major towns of Eden, Merimbula, Bega and Bermagui and presentations and handouts (clear simplified PowerPoint presentation on FFTF) were also available. All documents were available on

Council's website and in hard copy at libraries across the Shire.

Following this period of public consultation and exhibition Council formally resolved to adopt the full suite of documents including the Council Improvement Proposal on 10 June 2015.

Refer to:

Attachment 4: Asset Management Plan available here:

http://www.begavalley.nsw.gov.au/cp_themes/default/page.asp?p=DOC~JKI-32-16-87

Attachment 5: Resourcing Strategy

Attachment 6: Long Term Financial Plan

Attachment 7: Integrated Planning and Reporting Documents available here: <http://opplan.begavalley.nsw.gov.au/>

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.

Early in the FFTF process Council entered into discussions with Bombala Shire Council. Bombala Council was identified, in the recommendations from the ILGRP, to consider merger options with Cooma-Monaro and Snowy Mountains, and had resolved to also consider a merger with Bega Valley Shire and subsequently listed the Bega Valley option as their first priority. Discussions were held and Bombala resolved to commence the process by reviewing the ILGRP option first of the three Monaro communities.

Bega Valley currently provides a number of service supports such a ICT, planning, health and ranger services to Bombala and will continue to do so if required into the future.

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)	2%	11%	12%	13%	14%	15%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	67%	72%	72%	72%	72%	72%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	125%	103%	110%	111%	113%	115%	Yes
Infrastructure Backlog Ratio (Less than 2%)	2%	2%	2%	2%	2%	2%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	141%	188%	140%	139%	139%	139%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5%	5%	6%	5%	5%	4%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.47	1.40	1.31	1.30	1.29	1.28	Yes

Note: IPART will assess this table in accordance with section 3.3 in the [Methodology for Assessment of Council Fit for the Future Proposals](#)

*if your council is including FAGs in this calculation please provide information for years 2020/21 to 2024/25 on the following page.

4.1 Expected improvement in performance (rural with FAGS considered*)

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	N/A	N/A	N/A	N/A	N/A	Yes/No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	N/A	N/A	N/A	N/A	N/A	Yes/No

*Includes councils in OLG groups 8,9, 10 and 11 only. See page 42 of IPART's [Methodology for Assessment of Council Fit for the Future Proposals](#)

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.

N/A

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council adopted its reviewed Resourcing Strategy including the Asset Strategy and Asset Management Plans, The Long Term Financial Plan and Workforce Strategy at its meeting on 10 June 2015.

These informed the Council's Delivery Program review to 2017 and the Operational Plan and Budget 2015-2016.

The links between activities articulated in the Council Improvement Proposal and the Integrated Planning and Reporting document is shown in the IPR documents. The CIP will therefore be implemented as actions in the Delivery and Operational plans linked to specific sections.

Council will now report progress of the FFTF ratios and performance to its quarterly Finance Committee Meetings and subsequently to Council, and annually, as part of its annual report.