

## Template 2

Fit for the Future

# Council Improvement Proposal

(Existing structure)



Office of  
Local Government



**Council name:** Wagga Wagga City Council

**Date of Council resolution endorsing this submission:** 15/06/2015

(Refer to “*Attach-CouncilImprovementProposalPublic*” for a copy of the Council endorsed public version of our Proposal)

## 1.1 Executive Summary

Wagga Wagga City Council (WWCC) has the scale and capacity necessary to continue as a stand-alone Council to deliver the services and infrastructure required by the community. Through this improvement proposal WWCC has addressed the Independent Local Government Review Panel’s (ILGRP) ‘key elements of strategic capacity’ and has developed a comprehensive improvement action plan outlining how Council will work towards addressing the ‘Fit For the Future’ benchmarks by 2019/20.

WWCC is well placed to be a strong partner for the State Government and to continue to deliver the services and facilities that the community needs. WWCC will also build on its existing capacity through continued cooperation with neighbouring Councils (refer to “*Attach-BuildingCapacityThroughRegionalCollaboration*”) and by planning for and facilitating the anticipated population growth for the Riverina region.

Wagga Wagga is the largest inland city in regional NSW and is known for its quality industrial, commercial, education and defence facilities together with a rich arts community and sporting culture. Major features include the Murrumbidgee River, Charles Sturt University, TAFE NSW Riverina Institute, Kapooka Army Recruit Training Base, RAAF Base Wagga (Forest Hill), Wagga Wagga central business district (CBD), Wagga Wagga Art Gallery and home to the National Art Glass Collection, Museum of the Riverina, Civic Theatre and Performance Spaces, Wagga Wagga Botanic Gardens, Oasis Aquatic Centre, Lake Albert, Livingstone National Park, Willans Hill Reserve and a wide range of boutique wineries.

Underpinning WWCC’s commitment to the aspirations of the community is Wagga Wagga’s Community Strategic Plan ‘Ruby and Oliver’ (refer to “*Attach-CommunityStrategicPlan*”). All of Council’s operations and projects are aligned to ‘Ruby and Oliver’ through

Council's Integrated Planning and Reporting suite of documents such as the Combined Operational Plan and Delivery Program (refer to "*Attach-CombinedDeliveryProgramOperationalPlan*") which is developed and reviewed each year. WWCC has an endorsed Spatial Plan (refer to "*Attach-SpatialPlan*") that provides clear strategic indicators for the development of Wagga Wagga over the next 30 years and beyond. It is the key strategic planning document for directing and managing urban growth and change.

WWCC acknowledges the threats and weaknesses that currently exist in the Local Government Area (LGA). WWCC maintains a road network of approximately 2,300km which has a big impact on Council's depreciation expense and impacts on a number of the 'Fit For the Future' benchmarks. WWCC believes that this problem will be exacerbated if it was to merge with another rural Council such as Lockhart. WWCC has already been through mergers with the adjoining Shires of Kyeamba and Mitchell in the past which have contributed to the large road network it is now maintaining.

After completing the self-assessment tool provided as part of the 'Fit For the Future' reforms, WWCC met 4 of the 7 benchmarks set by the NSW Office of Local Government (OLG).

Through this proposal WWCC has committed to a number of key improvement strategies that will see Council meeting 5 of the benchmarks and trending towards the remaining 2 by 2019/20. Some of the key improvement strategies include conducting detailed operational and efficiency (service) reviews across the organisation; capping employee salary costs; and maintaining assets at the appropriate levels deemed satisfactory by the community.

## 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?

**Yes**

WWCC has the scale and capacity necessary to continue as a stand-alone Council to deliver the services and infrastructure identified in Wagga Wagga's Community Strategic Plan ("Ruby and Oliver").

The ILGRP listed WWCC under 'Group D: potential merger partners for Groups B and C councils'. The specific recommendation for WWCC was 'Council in a Riverina JO or merge with Lockhart'. This was not a strong recommendation and was reliant upon the specific recommendation for Lockhart which was 'Rural Council in Riverina JO or merge with Wagga Wagga'. As a result of the recommendations WWCC held various discussions with Lockhart regarding a potential merger, but both parties mutually agreed that this would not result in more efficient service delivery for both communities. A letter from Lockhart Shire Council is included with the attachments (refer to "*Attach-LockhartLetter*").

In the 2013 'Financial Sustainability of the NSW Local Government Sector' report developed by NSW Treasury Corporation (TCorp), WWCC's financial sustainability was assessed as being moderate, with a negative outlook. WWCC currently meet 4 of the 7 benchmarks set by the OLG and has developed a comprehensive improvement plan on how it is progressing towards addressing all of the benchmarks over the next 5 years. WWCC has a robust revenue base with a consistently high percentage of own source revenue, demonstrating a lesser reliance on grants and contributions than other Councils in this region.

WWCC is a diverse and flexible organisation which operates businesses and facilities such as the Wagga Wagga Airport, Livestock Marketing Centre, Gregadoo Waste Management Centre and the Oasis Aquatic Centre. Wagga Wagga is a major regional centre providing the organisation with the ability to attract and retain skilled and dynamic staff with the knowledge and expertise required to deliver services and major projects to the community. Examples of major projects that the organisation has managed include Sewer 2010, Gasworks Remediation, Robertson Oval Upgrade, Main Street Upgrade and Closed Circuit Television (CCTV).

WWCC is an employer of choice offering a diverse range of initiatives and programs that support and encourage flexibility,

development, and health and well-being in the workplace. Council's flexible work arrangements strive to improve organisational performance and increase flexibility for all staff to ensure that there is an appropriate balance between work and personal commitments.

WWCC is committed to continuous improvement and has embedded this within the organisation by developing its own model called "Look, Listen Do It Better". The organisation has also developed a framework for conducting internal operational and efficiency (service) reviews to reduce costs and streamline processes.

Underpinning WWCC's commitment to the aspirations of the community is Wagga Wagga's Community Strategic Plan "Ruby and Oliver" (refer to "*Attach-CommunityStrategicPlan*"). All of Council's operations and projects are aligned to "Ruby and Oliver" through Council's Integrated Planning and Reporting suite of documents such as the Combined Operational Plan and Delivery Program (refer to "*Attach-CombinedDeliveryProgramOperationalPlan*") which is developed and reviewed each year. WWCC has an endorsed Spatial Plan (refer to "*Attach-SpatialPlan*") that provides clear strategic indicators for the development of Wagga Wagga over the next 30 years and beyond. It is the key strategic planning document for directing and managing urban growth and change.

As the largest City in inland NSW WWCC is a key stakeholder on a variety of forums including Riverina Eastern Regional Organisation of Councils (REROC), Riverina Regional Cities, Riverina Regional Library, Riverina Regional Tourism and Evocities. WWCC also plays an important advocacy and leadership role for the entire region through various groups such as Regional Development Australia and Regional Capitals Australia and by meeting regularly with both Federal and State Members of Parliament. WWCC is a capable partner for the State Government to work with and has a proven track record for delivering programs and projects the community require due to its diverse and skilled workforce.

## 2. Your council's current position

### 2.1 About your local government area

Wagga Wagga is the largest inland city in regional NSW and is known for its quality industrial, commercial, education and defence facilities together with a rich arts community and sporting culture. Major features include the Murrumbidgee River, Charles Sturt University, TAFE NSW Riverina Institute, Kapooka Army Recruit Training Base, RAAF Base Wagga (Forest Hill), Wagga Wagga central business district (CBD), Wagga Wagga Art Gallery and home to the National Art Glass Collection, Museum of the Riverina, Civic Theatre and Performance Spaces, Wagga Wagga Botanic Gardens, Oasis Aquatic Centre, Lake Albert, Livingstone National Park, Willans Hill Reserve and a wide range of boutique wineries.

Wagga Wagga is ideally located between Sydney (518km by rail) and Melbourne (432km by rail) and has a geographic area of 4,826km<sup>2</sup>. On 1 January 1981 the existing City of Wagga Wagga merged with the adjoining Shires of Kyeamba and Mitchell. These mergers contributed to the large geographic area and road network that currently exists. Our LGA includes the rural villages of Collingullie, Currawarna, Galore, Humula, Ladysmith, Mangoplah, Oura, Tarcutta, and Uranquinty. The villages and surrounding farmland offer a rural community lifestyle in close proximity to the city of Wagga Wagga.

Wagga Wagga has a strong and diverse economy without a reliance on 1 sector. Wagga Wagga's Gross Regional Product is estimated at \$3.15 billion, which represents 0.7% of the state's Gross State Product. Wagga Wagga has a total labour force in excess of 32,000 people and an unemployment rate of 4.9% compared to New South Wales (5.9%) and Australia (6.4%).

The current redevelopment of the Wagga Wagga Base Hospital is the largest single investment in health in regional NSW. The city is also the largest retail, commercial, administrative and population centre in the Riverina region. As a result of a wide reaching catchment area of over 160,000 residents Wagga has a strong retail sector, with significant investment and expansion in a number of these shopping centres indicating confidence in the sectors' future growth.

The cities youthful population is evidenced by the average age being lower than the state average - the 2011 census revealed an average age of 34 in Wagga Wagga compared to the state average of 38 years. The city absorbs a large influx of population from the surrounding communities seeking goods and services only available in the major regional centre. Wagga Wagga's population is approximately 63,000, yet the city's medical patient catchment area reaches almost 300,000 people throughout the region, evidencing the fact that regional capitals act as service agents for populations far greater than the more obvious measures suggest. Additionally the city continues to be a major centre for net in-migration from the surrounding region and major centres including Sydney, as well as from overseas. Over the next 20 years it is anticipated that Wagga Wagga's population will grow from

approximately 63,000 in 2015 to almost 80,000. For more information on Wagga Wagga and its economy refer to “*Attach-EcomonicSnapshot2015*”.

As a community it's important for us to define how we want to grow into the future. We also need to outline what we want and need as a community now. Wagga Wagga has documented this through its Community Strategic Plan “Ruby & Oliver” (refer to “*Attach-CommunityStrategicPlan*”). The vision for our community as documented in the CSP is:

*“We are a thriving, innovative and connected community on the Murrumbidgee. We are rich in opportunity, choice, learning and environment. Wagga is a place where paths cross and people meet.”*

The objectives of the plan are balanced across Social, Economic, Environment and Civic Leadership and need to be addressed beyond the boundaries of Council – the help of other partners, stakeholders and community members contribute to the implementation of this plan.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Major regional centre (largest inland City in NSW)</li> <li>• Highly skilled workforce with scale and capacity to deliver services</li> <li>• High level of own source revenue</li> <li>• Low debt service ratio with the ability to increase borrowings</li> <li>• Employer of choice (flexible work hours, professional development and work-life balance)</li> <li>• High quality recreational and cultural facilities</li> <li>• Ability to hold major regional events</li> <li>• Strong results in the 2012 Community Survey (next survey due 2015)</li> <li>• Strong regional collaboration with a proven record</li> <li>• Consistent and manageable growth (with the capacity to increase)</li> <li>• Strong and diverse economic base</li> <li>• Educational capacity and options within the City</li> <li>• Adopted spatial plan to 2030 (endorsed by Department of Planning)</li> <li>• Lower age demographic population</li> <li>• Relative housing and industrial land affordability</li> </ul>	<ul style="list-style-type: none"> <li>• Large local road network</li> <li>• Infrastructure back log</li> <li>• Community's perception of compliance requirements</li> <li>• Ability to attract qualified and experienced staff in some professions</li> <li>• Geographical size of Local Government Area</li> <li>• Maintenance of high-level assets / facilities</li> <li>• Complexities around the supply of potable water by another entity</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Strong local industry – uni, defence, agriculture, medical</li> <li>• Location of the City, between Sydney and Melbourne</li> <li>• Increased revenue through alternative income streams</li> <li>• Special Rate Variation to fund infrastructure backlog</li> <li>• Review of developer contributions plans</li> <li>• Utilise the state borrowing facility</li> <li>• Increased collaboration / sharing of resources with neighbouring Councils</li> <li>• Joint Organisations – coordinated regional approach</li> <li>• Transport hub (Riverina Intermodal Freight and Logistics Hub)</li> <li>• Increased use of information technology to create efficiencies and streamline processes</li> <li>• Improved performance through operational and efficiency (service) reviews</li> <li>• Review of asset depreciation methodology and condition satisfaction</li> <li>• Development of new Multi-Purpose Stadium venues</li> <li>• Utilising the Evocities program to increase growth</li> <li>• Creation of Local Government controlled enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of facilities required to enable growth</li> <li>• Impact from natural disasters e.g. vulnerability to flooding</li> <li>• Cost shifting from State and Federal Governments</li> <li>• Funding cuts, vulnerability of funding sources</li> <li>• Ageing infrastructure</li> <li>• Joint Organisations becoming the 4th tier of government</li> <li>• Politics</li> </ul>



## 2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	- 0.053	NO	-0.042	NO
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	62.63%	YES	72.89%	YES
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	123.84%	YES	77.25%	NO

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

While WWCC is unable to meet the Operating Performance Ratio by 2016/17 it is forecast to improve over a number of years due to a range of improvement projects and cost reductions strategies such as conducting operational and efficiency (service) reviews across the organisation and applying an employee salary cost cap of 2.5% over 3 years. WWCC may be unable to achieve the benchmark by 2019/20 due to its large road network and associated depreciation value. WWCC maintains a road network of approximately 2,300km and has a depreciation value of approximately \$22M per year. Council is in the final stages of completing a revaluation of all road related assets for inclusion in the 2014/15 Financial Statements. Early indication of the current revaluation process is that this depreciation amount may significantly increase which will make it very difficult for WWCC to meet all of the sustainability 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?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	9.65%	<b>NO</b>	4.75%	<b>NO</b>
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	115.48%	<b>YES</b>	83.20%	<b>NO</b>
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	2.04%	<b>YES</b>	5.09%	<b>YES</b>

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

Some of the contributing factors to why Wagga Wagga is unable to meet some of the Infrastructure benchmarks are due to the geographical area of the LGA and the road network it maintains. Wagga Wagga also experienced major flood events in 2010 and 2012 which has further impacted the ageing infrastructure within the LGA. WWCC has refined the basis upon which the infrastructure backlog is assessed resulting in an improved forecast for 2016/17. This will be further refined once the Council has undertaken its community survey and gained further feedback on whether the community is willing to accept the condition of infrastructure assets in their present form whilst being mindful that Council may need to increase rates to improve the condition ratings of its infrastructure. The Asset Maintenance Ratio for 2013/14 is positively impacted by higher than usual expenditure related to the restoration of roads from the 2012 flood event.

## 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	Increasing	NO	Decreasing	YES

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

Council experienced higher than usual operating expenditure in 2013/14 related to the flood recovery works following the 2012 flood event. If not for this expenditure, Council would have met the benchmark in 2013/14.

## 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.

N/A

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

\$ 2.174M

## 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 Reticulation Scheme - Oura	2016/17	\$3,848,948	No
Sewer - Pump Station - SPS15 Hammond Avenue – Renewals	2019/20	\$1,054,907	No
Sewer - Pump Station - SPS22 Elizabeth Street - New Assets	2017/18	\$1,032,585	No
Sewer - Pump Station - SPS23 Ashmont - New Assets	2018/19	\$1,337,543	No
Implement Sewer Mains Rehabilitation Recurring Program	2016/17 to 2019/20	\$1,200,000 annually	No

## 2.4 Water utility performance

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

**No. Council made deficit of \$1.2M in 2013/14 after depreciation.**

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

The result includes depreciation expense of \$4.786 million.

Council has also transitioned the charging for non-residential sewerage customers from a flat Annual Charge to a Consumption based charge. To assist this transition, Council has provided a subsidy to these customers which is being progressively phased out over four years ending in 2015/16.

## 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. Progressively increase annual charges and usage charges in line with the Sewer Business Plan with the aim of achieving a surplus position	2016/17 to 2019/20	Ability to pay a dividend
2. Complete a 30 year Integrated Water Cycle Management (IWCM) strategy, financial plan and report in accordance with the July 2014 IWCM checklist	2016	100% implementation is required for eligibility to pay a dividend

## 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 overall strategy for improving its sustainability is to contain its costs through the identification of operational efficiencies and to increase revenues from fees and charges, dividends from business activities and a Special Variation to fund Council's one third share of the cost of the levee bank upgrade. Council will direct the majority of funds from its improved operating performance towards the renewal of infrastructure which will also assist in reducing the infrastructure backlog.

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.*

Council has included an SRV in its Delivery Program to fund its share of the cost of the levee upgrade. The assumption is that Council will increase ordinary rates by 3.64% in addition to the rate pegging limit for a period of five years. Council will return its rating base to the pre-SRV level once this project is fully funded.

Revenue from Fees & Charges will increase by 5% from 2016/17. The previous assumption used by Council was 3%.

Council assumes that the Commonwealth will recommence indexation of Financial Assistance Grants from 1 July 2017.

Council has applied a cap of 2.5% on employee cost increases for a period of three years ending in 206/17.



## 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. Ensure the organisation is efficient in delivering the outcomes identified in Ruby and Oliver	a) Reduce operating expenditure through formal operational and efficiency (Service) reviews and other cost saving initiatives	<ul style="list-style-type: none"> <li>Review of all Council services completed by 30 June 2017</li> <li>Review day labour hire use across the organisation by 30 June 2016</li> <li>Review operational overtime use across the organisation by 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>\$800,000 annual savings by 2016/17 (This may also include salary savings and other efficiencies on top of the existing salary cap. Savings to be directed to infrastructure renewals)</li> </ul>	This will also impact on the Infrastructure Backlog and Asset Maintenance ratios as the savings will be directed to these priority areas
	b) Cap employee salary costs to reduce operating expenditure	<ul style="list-style-type: none"> <li>Cap employee salary costs at 2.5% for 2015/16, 2016/17 and 2017/18</li> </ul>	<ul style="list-style-type: none"> <li>Annual savings of approx. \$2.8M by 2017/18 (already included in the existing LTFP)</li> </ul>	This has impacted positively on the Real Operating Expenditure Per Capita ratio
2. Increase revenue through fees and charges	a) Review and develop discretionary fees and charges strategies with a focus on cost recovery where applicable	<ul style="list-style-type: none"> <li>Develop a fees and charges cost recovery strategy by 30 June 2016</li> <li>Develop a strategy</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate targets and measures put in place to incrementally increase certain charge types</li> <li>Increased usage of</li> </ul>	This will also impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

		<p>to identify existing facilities and how we can increase existing usage by 31 December 2016</p> <ul style="list-style-type: none"> <li>• Increase revenue from discretionary fees and charges by 5%</li> <li>• Review and update Leasing and Licensing Policy - POL 038 by 31 December 2016</li> </ul>	<p>existing facilities and potential increase of revenue through usage fees</p> <ul style="list-style-type: none"> <li>• Additional annual income of approx. \$300,000 by 2016/17</li> <li>• A more up to date policy reflecting current pricing</li> </ul>	
	b) Apply for a Special Rate Variation for the Main City and North Wagga levees	<ul style="list-style-type: none"> <li>• Community consultation completed by 31 December 2015</li> <li>• S508(2) SRV application to IPART completed by 16 February 2016</li> </ul>	<ul style="list-style-type: none"> <li>• Increased income of \$7.7M over the 5 year term of the SRV (2016/17 to 2020/21) (this is already included in Council's LTFP as the preferred scenario)</li> </ul>	
	c) Investigate opportunities for paid car parking within the CBD	<ul style="list-style-type: none"> <li>• Complete the CBD car parking strategy by 30 June 2016. Strategy is to include analysis and impact of paid parking within certain areas of the CBD</li> </ul>	<ul style="list-style-type: none"> <li>• Potential additional income from paid parking</li> </ul>	<p>This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas</p>

<b>3. Increase income through business operations and third party providers</b>	a) Conduct a review of the Livestock Marketing Centre (LMC) business operations	<ul style="list-style-type: none"> <li>• Complete development of the LMC MasterPlan by November 2015</li> <li>• Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>• Identify future commercial opportunities for the LMC</li> <li>• Potential increase in annual dividend (dependant on review)</li> </ul>	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	b) Analyse potential future revenue streams at the Airport commercial precinct and increase the dividend payable	<ul style="list-style-type: none"> <li>• Review the potential to Increase dividend from the Airport by 30 June 2016</li> <li>• Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>• Potential increase in annual dividend (dependant on review)</li> </ul>	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	c) Analyse the potential to pay a dividend from the Sewer business once a surplus position has been achieved	<ul style="list-style-type: none"> <li>• Update the Sewer Business Plan in 2015/16</li> </ul>	<ul style="list-style-type: none"> <li>• Potential increase in income through dividends (dependant on review)</li> </ul>	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

	d) Request Riverina Water County Council pay a dividend to its constituent Councils	<ul style="list-style-type: none"> <li>Review the potential to receive a dividend from Riverina Water once they have achieved best practice pricing which will result in meeting all eligibility criteria for paying dividends</li> </ul>	<ul style="list-style-type: none"> <li>Potential annual dividend of approximately \$250,000 by 2018/19</li> </ul>	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	e) Riverina Intermodal Freight and Logistics (RiFL) Hub future revenue streams	<ul style="list-style-type: none"> <li>Continue to investigate the viability of the RiFL Hub</li> </ul>	<ul style="list-style-type: none"> <li>This project aims to increase economic growth within the city and may provide Council with another source of income</li> </ul>	
<b>4. Ensure that development contributions reflect the required community infrastructure the development requires</b>	a) Review existing developer contribution plans and the associated methodology utilised	<ul style="list-style-type: none"> <li>Conduct full review of Contribution Plans by 31 December 2016</li> </ul>	<ul style="list-style-type: none"> <li>Potential realignment of the funding mix between developer contributions and general purpose revenue for new capital works</li> </ul>	
<b>5. Strengthen partnership opportunities with state and federal agencies and community groups</b>	a) Increase successful grant funding outcomes and negotiate partnership in kind agreements	<ul style="list-style-type: none"> <li>Successful grant applications submitted</li> <li>Finalised partnership in kind agreements negotiated</li> </ul>	<ul style="list-style-type: none"> <li>\$100,000 targeted annual increase in grant funding and partnership in kind contributions to go toward improving Council assets and the delivery of services and programs to the community.</li> </ul>	

b) Increase sponsorship opportunities

- Review and identify additional sponsorship opportunities by 30 June 2016

- Increase annual sponsorship by \$10,000 by 2016/17 with an incremental increase of \$5,000 per year until 2019/20 (Additional income to be directed to the facilities ongoing maintenance and renewal)

This will have a slight impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

## 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.

The improvement strategies detailed below seek to gain a clearer picture on the extent of the infrastructure backlog. Council will gain community feedback over the next 12 month period on whether the community is satisfied with the current condition of infrastructure facilities/assets and if not whether they are willing to pay more for improving the condition. The potential for a further SRV is flagged in 2021/22.

As indicated above under the Sustainability Improvements, Council will also be directing any improvements in its operating performance towards the renewal and maintenance of assets.

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

The existing assumption applied is that all assets in either condition 4 or 5 are deemed to be unsatisfactory which forms the calculation of the infrastructure backlog. Council has not made any changes to existing assumptions related to the reassessment of infrastructure backlogs and changes to depreciation methodology

Council has included capital income from asset sales realising an estimated \$7.74M commencing from the 2015/16 financial year. These funds are being utilised to fund a major new capital project in the Riverina Intermodal Freight & Logistics hub and to repay borrowings related to the remediation of a former gasworks site.

Council has budgeted to expend \$8.5M in 2015/16 for the renewal of road and road related assets. This amount will increase by \$800K per annum as funds are reallocated from the identification of operational efficiencies and savings achieved through the service review process.

Council has assumed a rate of 6% in 2015/16 for new borrowings. A lower rate (4%) is expected and included in our assumptions if Council is able to access the TCorp borrowing facility.

## 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
<b>1. Reassess infrastructure backlog and confirm the methodology utilised</b>	a) Review and update asset management plans	<ul style="list-style-type: none"> <li>Review and update asset management plans by 30 June 2017</li> </ul>	<ul style="list-style-type: none"> <li>More realistic assessment of required levels of asset maintenance and renewal, including a risk based approach rather than just a technical assessment</li> </ul>	
	b) Review and benchmark depreciation methodology	<ul style="list-style-type: none"> <li>Review and benchmark depreciation methodology by 30 December 2015</li> </ul>	<ul style="list-style-type: none"> <li>Depreciation expense to more closely reflect how assets deteriorate over their useful life</li> </ul>	This will also impact on the Operating Performance, Building and Infrastructure Asset Renewal, and Operating and Real Operating Expenditure ratios
	c) Review existing asset revaluation process, methodology and timelines	<ul style="list-style-type: none"> <li>Investigate if it is feasible to conduct annual revaluations on all assets by 31 December 2015</li> <li>Benchmark unit rate costs with similar sized Councils by 30</li> </ul>	<ul style="list-style-type: none"> <li>More accurate and up to date valuation / depreciation information</li> </ul>	This will impact on the Operating Performance ratio

		June 2016		
<b>2. Manage assets to meet the required level of service for present and future generations</b>	a) Consider applying for a Special Rate Variation in 2021/22 to fund infrastructure maintenance and renewal	<ul style="list-style-type: none"> <li>Seek Council endorsement to commence community engagement following the 2016 election</li> </ul>	<ul style="list-style-type: none"> <li>Potential increase in rates revenue to address infrastructure backlog and asset maintenance and renewal</li> </ul>	This may impact on the Building and Infrastructure Asset Renewal and Operating Performance ratios
<b>3. Investigate opportunities to dispose of surplus Council owned assets</b>	a) Conduct strategic property review	<ul style="list-style-type: none"> <li>Strategic property review completed by 31 December 2015</li> </ul>	<ul style="list-style-type: none"> <li>Complete sale of properties identified in the strategic property review and the LTFP (within the periods already identified)</li> </ul>	
	b) Review and develop policies for strategic property acquisitions and sales	<ul style="list-style-type: none"> <li>Develop a strategic property acquisitions and sales Policy by 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>Provide a clear framework to dispose of properties that don't align with current objectives and to acquire those that will assist in meeting the objectives of the CSP</li> </ul>	
<b>4. Utilise state borrowing fund for major capital projects</b>	a) Transfer loans to new state borrowing facility if Council is deemed "fit"	<ul style="list-style-type: none"> <li>Transfer existing loans once the funding source is available</li> </ul>	<ul style="list-style-type: none"> <li>Lower repayments included in preferred scenario</li> </ul>	This will impact on the Operating Performance ratio



### 3.3 Efficiency

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

Council has already achieved a significant number of operating efficiencies which has translated into an improved financial result and forecasts in future financial years. Council has forecast that it will meet the Efficiency benchmark but there is still further work to be done in demonstrating that WWCC is an efficient organisation and operating at 'best' or 'better' practice across all major service areas.

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

Council will continue to maintain population growth of at least 1% per annum.

A reduction in operating costs of \$800K per annum resulting from the service review process is assumed

In addition, the salary cap of 2.5% will continue to deliver annual savings of \$2.6M per annum. This saving is already factored into Council's Long Term Financial Plan (refer to "*Attach-LongTermFinancialPlan*").

### 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. <b>Achieve a decrease in real operating costs per capita</b>	a) Conduct operational and efficiency (Service) reviews across all Council services and operations (as identified in the response to Operating Performance ratio)	<ul style="list-style-type: none"> <li>Operational and efficiency (Service) reviews embedded into Council's continuous improvement process</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in real operating expenditure per capita</li> </ul>	This will impact on the Operating Performance, Building and Infrastructure Asset Renewal and Infrastructure Backlog measures

## 3.4 Improvement Action Plan

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

### Action plan

Actions	Milestones
1. Reduce operating expenditure through formal operational and efficiency (Service) reviews and other cost saving initiatives	<ul style="list-style-type: none"> <li>• Review of 12 Council services completed by 30 June 2016</li> <li>• Review day labour hire use across the organisation by 30 June 2016</li> <li>• Review operational overtime use across the organisation by 30 June 2016</li> </ul>
2. Cap employee salary costs to reduce operating expenditure	<ul style="list-style-type: none"> <li>• Cap employee salary costs at 2.5% for 2015/16</li> </ul>
3. Review and develop discretionary fees and charges strategies with a focus on cost recovery where applicable	<ul style="list-style-type: none"> <li>• Develop a fees and charges cost recovery strategy by 30 June 2016</li> <li>• Increase revenue from discretionary fees and charges by 5%</li> </ul>
4. Apply for a Special Rate Variation for the Main City and North Wagga levees	<ul style="list-style-type: none"> <li>• Community consultation completed by 31 December 2015</li> <li>• S508(2) SRV application to IPART completed by 16 February 2016</li> </ul>
5. Investigate opportunities for paid car parking within the CBD	<ul style="list-style-type: none"> <li>• Complete the CBD car parking strategy by 30 June 2016. Strategy is to include analysis and impact of paid parking within certain areas of the CBD</li> </ul>

<b>6. Conduct a review of the Livestock Marketing Centre (LMC) business operations</b>	<ul style="list-style-type: none"> <li>• Complete development of the LMC MasterPlan by November 2015</li> <li>• Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016</li> </ul>
<b>7. Analyse potential future revenue streams at the Airport commercial precinct and increase the dividend payable</b>	<ul style="list-style-type: none"> <li>• Review the potential to Increase dividend from the Airport by 30 June 2016</li> <li>• Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016</li> </ul>
<b>8. Increase sponsorship opportunities</b>	<ul style="list-style-type: none"> <li>• Review and identify additional sponsorship opportunities by 30 June 2016</li> </ul>
<b>9. Review and benchmark depreciation methodology</b>	<ul style="list-style-type: none"> <li>• Review and benchmark depreciation methodology by 30 December 2015</li> </ul>
<b>10. Establish realistic community satisfaction levels on infrastructure (fit for purpose)</b>	<ul style="list-style-type: none"> <li>• Community engagement completed by 30 June 2016</li> </ul>
<b>11. Review existing asset revaluation process, methodology and timelines</b>	<ul style="list-style-type: none"> <li>• Investigate if it is feasible to conduct annual revaluations on all assets by 31 December 2015</li> <li>• Benchmark unit rate costs with similar sized Councils by 30 June 2016</li> </ul>
<b>12. Review and develop policies for strategic property acquisitions and sales</b>	<ul style="list-style-type: none"> <li>• Develop a strategic property acquisitions and sales Policy by 30 June 2016</li> </ul>
<b>13. Analyse the potential to pay a dividend from the Sewer business once a surplus position has been achieved</b>	<ul style="list-style-type: none"> <li>• Update the Sewer Business Plan in 2015/16</li> </ul>

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

The process involved in developing WWCC's Improvement Action Plan was a collaborative effort involving staff and Council's elected representatives. An internal project team consisting of staff members from across the organisation was set-up and meetings were held every fortnight to drive the development of this plan. A project steering committee was established consisting of members of Council's Executive Team (General Manager and Directors). The steering committee were provided with regular updates and participated in a number of internal workshops to identify actions to be included in this plan.

Wagga Wagga City Councillors were involved through 3 Budget workshops and a further 3 specific Fit For the Future workshops. These workshops provided Councillors with the ability to have input into the plan and influence decisions made in Council's long term financial plan. Councillors were also provided with regular updates through Council's Councillor Bulletin publication and emails.

The community were informed about the Fit For the Future process after Council resolved in January 2015 to complete 'Template 2 – Council Improvement Proposal' and to not pursue any merger with Lockhart Shire Council. Further information was provided to the community during the public exhibition of the 2015/16 Combined Delivery Program and Operational Plan. A specific section was included in the plan and comments were sought from the community through Council's community engagement platform 'yoursaywagga'.

### 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.

**Mergers**

WWCC opposes any proposal to merge with any neighbouring rural councils due to the issues already experienced after merging with the adjoining shires of Kyeamba and Mitchell in 1981. WWCC already maintains a geographical area of approximately 4,826km<sup>2</sup> which includes a road network of approximately 2,300km. WWCC is committed to supporting its neighbouring Councils through the Riverina Joint Organisation process and already has a number of resource sharing arrangements in place with adjoining Councils.

**Special Rate Variation to Fund Infrastructure Backlog**

WWCC currently has a Special Rate Variation (SRV) included in its long term financial plan as the preferred scenario to fund its portion of the upgrade to the Main City and North Wagga levee banks. This makes it difficult to seek an additional SRV to fund infrastructure backlog during the same period of time. WWCC has also included a scenario which includes an option for an SRV commencing from 2021/22 to fund additional infrastructure renewal and maintenance priorities. The timing of this SRV coincides with the completion of the SRV for the levee banks.

## 4. How will your plan improve performance?

### 4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	- 0.070	- 0.064	- 0.031	- 0.010	0.007	0.012	YES
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	67.13%	69.20%	72.25%	74.00%	76.26%	77.44%	YES
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	124.21%	83.59%	86.40%	93.78%	108.00%	106.65%	YES
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	4.80%	5.56%	6.70%	6.97%	6.93%	6.38%	NO
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	98.74%	89.09%	83.20%	83.07%	83.41%	83.90%	NO
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	3.16%	3.86%	4.85%	5.55%	5.97%	5.92%	YES
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Decreasing	YES

Refer to “*Attach-FinancialModelling*” for financial modelling.

## 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.

WWCC is not forecast to meet the benchmarks for the Infrastructure Backlog and the Asset Maintenance ratios, but it will be trending closer towards achieving the benchmarks by 2019/20.

The key reasons why WWCC is not forecast to meet these benchmarks are as follows:

- A very extensive and relatively large road network of approximately 2,300km results in a higher depreciation expense and higher maintenance and renewal costs relative to most Councils in the State.
- The current methodology for determining the infrastructure backlog needs further review as highlighted in the improvement plan. The current methodology counts assets rated as either condition 4 or 5 to be in an unsatisfactory condition even though a portion of these assets remain 'fit for purpose' and are not the subject of a large number of complaints from residents/ratepayers. WWCC plans to reassess the current methodology for measuring the backlog and transition to a risk based approach to measuring the infrastructure backlog.
- WWCC acknowledges that it is not allocating sufficient funds to infrastructure maintenance and renewal. The improvement proposal details a strategy which gives priority to directing budget savings or additional revenue into the infrastructure maintenance and renewal budgets.
- WWCC receives very limited amounts of funding from other levels of Government to assist in funding the maintenance and renewal of infrastructure assets.



## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

WWCC will implement its Improvement Action Plan by including specific actions in its Combined Delivery Program and Operational Plan (DPOP) and will regularly report on progress through its quarterly performance reports and annual reports.

The General Manager's Performance Management Plan is aligned with Council's DPOP and these activities are passed down to all staff through the Individual Performance Development Plans.

The General Manager will be responsible for the ongoing implementation and monitoring of the improvement action plan and assessing progress towards addressing the necessary benchmarks within the timeframes specified.