



# Council Improvement Plan

A Draft Management of Change Plan for Lachlan Shire Council to Become Fit for the Future

June 2015



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## 1.0 Context

Lachlan Shire Council (LSC) is an Office of Local Government Group 10 – Large Rural Council with a proud tradition of strong independence. It covers an area of 15,000sq kms, has a budget of \$27million, a population of 6,750 and Equivalent Full Time (EFT) staff establishment of 130. Lachlan's result in the Office Local Government's (OLG) Infrastructure Audit was "weak"; and the T-Corp Financial Sustainability Report indicated a rating of "moderate with a negative outlook". LSC's financial results for the previous three years reveal that it did not meet any of the Fit for the Future benchmarks contained in the OLG self-assessment tool.

LSC acknowledges the challenges facing rural shires given widely spread population, extensive asset base (particularly roads, water and sewer) and the need to supplement services that are provided by other levels of government or the private sector in larger inland cities and metropolitan areas. These challenges were recognised by the Independent Local Government Review Panel's (ILGRP) Revitalising Local Government Paper. The ILGRP provided two options for Lachlan going forward - a council in the Central West Joint Organisation or merging with Parkes Shire Council. There was no preferred option shown in **bold** in the ILGRP's final report.

Extensive community consultation has been carried out and the results clearly indicate that the preferred option for both the community and the council; is to *Keep Lachlan Local*. This improvement plan demonstrates how we will build internal capacity and capability and make the most of regional and non-regional partnerships to meet the challenges facing us going forward. It has been developed as part of an overall review of current management practices, financial sustainability, and asset management; that commenced with undertaking a 'Better Practice Review' following OLG methodology in 2014.

Modelling based on implementation of this plan and the assumptions within demonstrates that over the next 2-3 years sufficient capacity will be built so that all benchmarks can be met. Clearly, this will require some significant change however staff, elected council and community are supportive of measures required to continue to exist as a separate council, including a proposed Special Rate Variation, review of and increase to fees and charges and improvements to operational and management practices as outlined in this plan. This plan will continue to be reviewed and implemented by the Management Executive (MANEX) Team at LSC with oversight from the Council.

In recognition of the Council's size and budget constraints, this Organisation Improvement Plan is designed to be a 'transitional' approach to change so that it can be managed without presenting significant interruption to the day to day operations of LSC.

## **Context Cont'd**

The Plan consists of numerous projects (of variable scale and size) and identifies priorities over the next five years, a number of which have already commenced. Performance against the benchmarks will be monitored through regular reporting to the Internal Audit Committee and to Council so that any variation from expected progress can be identified and addressed.

The MANEX Team acknowledges that organisation change is complex and difficult to implement, and that success will require the total commitment of the leadership team and the support of Councillors, staff and the community. As such, the overall program and the progress of each project will be monitored at a monthly MANEX meeting and regularly reported to Council and the community. Further to this, it is planned to conduct an Organisation Climate Survey involving all staff before the end of 2015. The results of this survey will be reviewed and if necessary the program recalibrated to accommodate any additional work or sense of priorities identified.

It is recognised that the successful delivery of this Plan will require community engagement around levels of service, the proposed Special Rate Variation and changes to fees and charges. In addition, there is a need to involve staff to support changes in operational practices and provide required training in areas such as asset management and risk management. Consistency and commitment of leadership will be a critical factor so that staff understand the importance of change and feel empowered to participate, projects are adequately resourced and the plan is well integrated throughout the organisation and thoughtfully executed.

## **2.0 Integration with the Community Strategic Plan; Delivery Program; Operational Plan and Resourcing Strategy**

The Council Improvement Plan is integrated with the Lachlan Shire's Community Strategic Plan – *Living Lachlan Style 2025*. The projects contained in it have been built into the Lachlan Shire's Long Term Financial Plan, 4 year Delivery Program and Annual Operational Plan in accordance with the requirements of the Integrated Planning and Reporting Legislation. The focus of this Improvement Plan has been to develop capacity so that Lachlan can continue to deliver on the adopted community outcomes.

Key tasks included in this plan for the 2015-16 period have been incorporated in the Operational Plan and progress will be reported through the quarterly, 6 monthly and Annual Reports as appropriate. Given the importance of these tasks and scale of work proposed, specific tasks for 2017-18 and beyond have not yet been identified. These will be informed by community engagement, staff engagement and progress on this plan in the next 12 - 24 months.

Detailed tasks within this plan and performance against projected outcomes will be reviewed as part of preparing the Operational Plan for 2016-17; then again as part of revising the Community Strategic Plan and preparing the Delivery Program for 2017-21.

A number of tasks relate to asset management, workforce management and long term financial modelling. As these are completed over the next 12-18 months they will be reflected in the Resourcing Strategy to inform preparation of and be adopted with the new Integrated Planning and Reporting documents in June 2017.

### 3.0 How Will Council Become Fit For The Future?

LSC proposes a combination of various measures to become and remain fit for the future. Overall there are seven key strategies being proposed that will build internal capacity, increase financial sustainability and utilise regional and non-regional partnerships. These are:

1. More robust revenue base and increased discretionary spending achieved through implementation of a new long term financial plan that includes a Special Rate Variation (SRV) of 33% over 4 years from 2016/17 and a 2.5% increase to fees and charges (based on cost recovery).
2. Revised Asset Management and Asset Planning (begun by Jeff Roorda in June 2015) that shifts expenditure from new/upgrade to renewal over the next 10 years to ensure continued optimum expenditure on renewal and an increase in professional oversight of asset management.
3. Review service levels and infrastructure standards in consultation with the community.
4. Implement an organisational re-structure and workforce strategy that includes a renegotiated enterprise agreement that will realise a range of productivity and efficiency gains.
5. Active participation in regional partnerships and non-regional alliances.
6. Develop and implement a LSC economic development plan.
7. Implement the recommendations of the OLG 2015 Better Practice Review of LSC.

Specific strategies, actions and assumptions within this plan have been grouped into sections to reflect the Fit for the Future criterion of sustainability, infrastructure and service management and efficiency. The Plan is designed to be implemented over a four year delivery timeframe from 2016-17 (based on financial years), however detailed implementation has only been planned for the next 12-18 months. The exception is tasks – primarily relating to operational practices and asset management – which will be ongoing for the foreseeable future.

Each section contains specific information on assumptions, objectives, strategies, milestones, outcomes, anticipated impact on other measures and responsibility. Costs, benefits and risks are discussed generally, rather than in relation to specific actions, as there is significant overlap.

#### 3.1 Sustainability

This section identifies the main strategies to improve performance against the Operating Performance Ratio, Own Source Revenue and Building and Infrastructure Asset Renewal Ratio. The table presents objectives, strategies, milestones,

outcomes, anticipated impact on other measures and indicates who is responsible for sponsoring each action under the current structure. Key assumptions underpinning all strategies within this section are:-

- Rate pegging to remain constant at 2.4% p.a. No allowance for access to proposed rate peg review. Rating base and population to remain static however LSC will be working hard to increase growth in the shire.
- Approval of a SRV of 5% p.a each year for 4 years plus rate pegging effective from 2016/17.
- Salaries have been increased by 3.25% and allow for predicted Award/Enterprise Agreement and superannuation guarantee levy increases up to 2018/19. They then reduce to 2.5% p.a. thereafter.
- Other rates, user charges, reimbursements and other revenue have been increased by 2.5%.
- Specific & General Purpose Grants have been increased by 2.5% excluding Financial Assistance Grant (FAG).
- The FAG will increase by 3% in 2015/16 & 2016/17 & then by 2.5%. Despite the freeze on FAGs small rural councils have been getting increases over 3% - see Attachment 6 Grants Commission June Presentation.
- Statutory Charges have been increased by 2.5% however these movements may be inconsistent.
- Interest on investments have increased by 3.1% for the first year, 3.4% for the second year and 3.5% per annum thereafter however these are subject to external influences that could cause them to move in either direction.
- Electricity has been estimated to increase by 5% per annum, property insurance by 9% per annum for 3 years then 2.5% p.a. thereafter and Workers Compensation Insurance by 3.5%.
- Street lighting costs have been increased by 13% p.a. for 3 years then by 2.5% thereafter.
- Materials and other expenses have been increased by 2.5% and these are also subject to external factors.
- Commonwealth Financial Assistance grant is considered to be “own source income” for the purpose of this Plan.
- No allowance for disasters e.g. flood grants and associated expenditure which can impact on the works program.
- No allowance for grants received from the \$4m Innovation Fund which could be used to fund some projects below.

*Key:-*

GM	- General Manager (Robert Hunt)
DCSG	- Director Community Services and Governance (Gordon Thomson)
DEP	- Director Environment and Planning (Andrew Johns)
DIS	- Director Infrastructure Services (Phil King)
CFO	- Chief Financial Officer (John Chapman)
MANEX	- Management Executive Team

No	OBJECTIVE	STRATEGY/ACTION	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
<b>SUSTAINABILITY</b>						
3.1.1	<b>Increased Revenue Base and Increased Discretionary Spending</b>	Apply for a special rate variation of 33% over 4 years	By Feb 2016 for 2016/17	Additional \$1.5m p.a. rate revenue raised from year 4	Own Source Revenue and Operating Performance ratio improved.  Spending capacity increased to improve Building & Asset Renewal ratio, Infrastructure Backlog ratio and Asset Maintenance ratio.	GM CFO
3.1.2	<b>Increase Funding for New Infrastructure</b>	Develop and adopt a Section 94A Contributions Plan  <b>Commenced</b>	By July 2016	Estimated \$40k average extra revenue per year	Building & Asset Renewal ratio improved	DES
3.1.3	<b>Reduce Asset holdings</b>	Examine assets not required for operations such as housing, plant, commercial premises, land, etc. and utilise sale income for asset renewal and reducing infrastructure backlog.  <b>Commenced</b>	Ongoing to 2019/20	Funds estimated at around \$1m should become available over the next 4 years. Depreciation expense reduced.	Improve Building & Asset Renewal ratio, Infrastructure Backlog ratio.  Minor reduction in Own Source revenue due to loss of rental income.	GM DCSG
3.1.4	<b>Operating Costs Reduced</b>	Reduction of donations budget for community groups, schools, individuals to \$16,000 p.a.	By 2016/17	Council has additional funds of \$100,000 p.a. to reduce backlog and renew assets.	Improved Operating Performance, Building & Asset Renewal, Infrastructure Backlog and Real Operating Expenditure Ratios.	GM



No	OBJECTIVE	STRATEGY/ACTION	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
3.1.5	<b>Minimise Council's Exposure to Risk</b>	Develop, in conjunction with staff, an Enterprise Risk Management Plan	By Dec 16	Risks are identified and mitigation measures put in place	Operating Performance Ratio could be improved if financial risks minimised	GM MANEX
3.1.6	<b>Develop Internal Audit Capacity</b>	Engage an independent Internal Auditor to prepare an internal audit plan from the Enterprise Risk Management Plan and undertake internal audit function.  <b>Funding allocated in 2015-16 budget</b>	By June 2017	Improved governance and mitigation of potential financial and other risks to the organisation	Potential improvement on Operating Performance ratio if financial risks mitigated	GM MANEX
3.1.7	<b>Organisation Structure has relevant Skills and Capability to be FFTF</b>	Review organisation structure and workforce strategy (following review of service levels) to determine if staff levels and skills are appropriate to deliver services as required	By December 2016	Workforce capable of completing the Improvement Plan and functions of Council	Impact on Operating Performance ratio depending on staff requirements.	MANEX COUNCIL
3.1.8	<b>Increased Economic Development in the Shire</b>	Prepare and implement an Economic Development Plan to increase investment, employment and population.  Construct new tourism infrastructure including Jockey Garden Memorial  <b>Commenced</b>	By September 2016	Increased business activity and confidence, employment opportunities created and new residents. Sale of council land.	Impact on Operating Performance ratio if rates increase from sale of land and S94A contributions paid.  Infrastructure Backlog and building and Asset Renewal ratio improved.  Real operating Expenditure ratio improved with pop increase.	GM MANEX

### 3.2 Infrastructure and Service Management

This section identifies the main strategies to improve performance against the Infrastructure Backlog Ratio, Asset Maintenance Ratio and Debt Service Ratio. The table presents objectives, strategies, milestones, outcomes, anticipated impact on other measures and indicates who is responsible for sponsoring each action under the current structure.

Infrastructure planning and asset management is reflected in the LSC Resourcing Strategy and reviewed in accordance with IP&R requirements. This enables Council to efficiently apply its allocated resources to maintain and implement an asset renewal program for each category of infrastructure. Modelling of maintenance and renewal requirements over 10 years is based on condition assessments, statistical analysis of historical asset investment, and existing asset conditions, taking account of the need for new or upgraded services. This process forms the basis of the proposed annual Capital Works program and ensures that a longer term focus is maintained to account for which will be required in future years. Over the next 12 months the various Asset Management Plans will be reviewed and aligned with the LTFP to ensure that a robust financial model provides for the appropriate investment in assets and services.

The primary aim of the Better Practice Review program is to ensure Council delivers the appropriate services in the most effective and sustainable manner. Although generally focussing on improving services and best practice delivery LSC will also undertake a Service Level Review to examine the impact of reduced or increased budget allocations on levels of service. This will provide information around what levels of service the community is willing to pay for, which in turn will determine the optimal service level to meet community expectations while maintaining long term financial sustainability. This review also has the potential to identify any operational savings; however these have not been incorporated into the assumptions as they cannot be quantified at this stage.

Key assumptions underpinning all strategies within this section are:-

- A loan of \$1.9 million will be secured through the TCorp borrowing facility (this is in addition to borrowings in the Water Fund).
- Council's Infrastructure backlog for 2016/17 and onwards is the same as that calculated by Jeff Roorda and Associates in June 2015 – see Attachment 2 – JRA Infrastructure Assessment Report
- Asset Management Plans will gradually shift expenditure from new / upgrade to renewal over the next 10 years to ensure continuing optimum expenditure on renewal
- Renewal, maintenance and operational costs of any new assets within this period will be costed and incorporated into the Asset Management Plan
- Service level review to be undertaken in-house with extensive community consultation.

- No allowance in future budgets for any operational savings as a result of changing service levels or efficiencies identified during the reviews
- Depreciation expense overstated by \$6.6m in 2013-14 to be adjusted going forward from 2014-15.
- No allowance for natural disasters which can impact on the completion of projects in the works program.

Key:-

GM - General Manager (Robert Hunt)  
 DCSG - Director Community Services and Governance (Gordon Thomson)  
 DEP - Director Environment and Planning (Andrew Johns)  
 DIS - Director Infrastructure Services (Phil King)  
 CFO - Chief Financial Officer (John Chapman)  
 MANEX - Management Executive Team

No	OBJECTIVE	STRATEGY	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
<b>INFRASTRUCTURE &amp; SERVICE MANAGEMENT</b>						
3.2.1	<b>Assess Current Level of Customer Satisfaction</b>	Engage Micromex Pty Ltd to undertake a customer satisfaction survey to assess satisfaction and importance of services provided by LSC	By September 2016	Council gauges level of satisfaction and which services are considered less important.	No direct impact, however will assist in determining service levels that may impact on all benchmarks	GM DCSG
3.2.2	<b>Determine Levels of Service Required by the Community</b>	Review service levels using methodology developed by UTS:CLG Service Delivery Review in Australian Local Government Report.	By June 2017	Service levels and mix of services are appropriate and at levels agreed to by the community	All benchmarks could be impacted if services and service levels change	MANEX
3.2.3	<b>Building Assets Valued Correctly</b>	Engage independent professional valuer to assess all building assets and determine cost to bring to a satisfactory standard. Develop programmed maintenance plan and incorporate into the Asset Management Plan	By June 2016	Correct valuations and condition assessment of building assets. Identification of future	Potential impact on Operating Performance Ratio and Infrastructure Backlog Ratio if cost of bring to	DES

No	OBJECTIVE	STRATEGY	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
				programmed maintenance needs.	satisfactory is substantially different	
3.2.4	<b>Road Infrastructure Assets Condition Assessment is Accurate</b>	Engage independent professional engineer to assess all road infrastructure assets and determine cost to bring to a satisfactory condition.	By June 2016	Correct valuations and condition assessment of road assets	Potential impact on Operating Performance Ratio and Infrastructure Backlog Ratio if cost of bring to satisfactory is substantially different	DIS
3.2.5	<b>Reduction in Infrastructure Backlog</b>	Ensure inter-generational equity for new or upgraded long life assets by utilising loans as a source of funding	By June 2017	Showground Hall replaced from loan funds estimated at \$1.9m	Asset Renewal & Infrastructure Backlog Ratios improved  Debt service ratio increased.	DES CFO
3.2.6	<b>Asset Management Plans that align with LTFP</b>	Asset management plans to be reviewed in-house and integrated with the Long Term Financial Plan	By June 2016	AMP's that fully integrate with the LTFP	Building & Asset Renewal and Asset maintenance ratios may be impacted	MANEX

### 3.3 Theme 3:- Efficiency

This section identifies the main strategies to demonstrate a reduction in Real Operating Expenditure per capita over time. The table presents objectives, strategies, milestones, outcomes, anticipated impact on other measures and indicates who is responsible for sponsoring each action under the current structure.

With regard to operational budget savings, Council operates a long established discipline in the preparation of its annual budget of limiting operating costs, other than employment related costs, at the previous year's level plus a CPI increase. It is proposed to implement Zero Based Budgeting within the next two years to help ensure annual operational efficiencies are maximised, any "fat" in the budget has been eliminated and opportunities are provided to allow for the expansion of functional areas in a prioritised approach.

LSC must also renegotiate its expired Enterprise Agreement which has generous untaken sick leave payouts on termination. LSC is one of the last councils with this employment entitlement and management will endeavour to remove it from the Enterprise Agreement via a sunset clause for current staff and removing it altogether for future staff. Weekly pays are also a luxury that could be eliminated in favour of fortnightly pays which would allow the payroll officer to focus on other personnel matters such as management of untaken leave. Work to renegotiate this agreement has already commenced, though no assumptions have been made at this time around the level of ongoing savings.

LSC will also expand on its strategic alliances with Penrith Council and the Mid Lachlan Alliance to make further efficiencies and savings.

Key assumptions include:

- A static population level over the next ten years.
- Annual operating expenditure has been deflated by the anticipated CPI and LG Index of 2.5%.
- Staffing levels remain relatively static however it is noted this could change depending on new technologies or service level reviews undertaken by Council.
- The Enterprise Agreement is satisfactorily renegotiated in a timely manner.
- LSC remains an active member of the Central West Joint Organisation which will be established later in 2015.
- No savings from the measures proposed below have been included in future budgets. Any savings made can be used to address infrastructure backlogs, maintenance or asset renewal
- Ongoing friendship agreement with Penrith City Council provides access to staff expertise and assistance across a variety of operational areas

No	OBJECTIVE	STRATEGY	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
<b>EFFICIENCY</b>						
3.3.1	<b>Zero Based Budgeting (ZBB) introduced</b>	GM has successfully introduced ZBB at Blacktown and Broken Hill and will implement it again at LSC.	For 2016/17 Financial year	Reduced operational costs and inefficiencies	Operating Performance ratio should be enhanced	GM MANEX
3.3.2	<b>Reduced overtime levels</b>	Revise current work practices	By December 2016	Reduced overtime expenditure	Operating Performance ratio should be enhanced	DIS
3.3.3	<b>Reduce costly conditions in the LSC Enterprise Agreement</b>	In conjunction with Penrith City Council HR Department negotiate a new Enterprise Agreement to eliminate payment of untaken sick leave on termination and introduce fortnightly pays.  <b>Commenced</b>	By June 2016	Reduced leave liability and improved efficiencies in payroll	Operating Performance ratio should be enhanced	MANEX
3.3.4	<b>Reduction in Employee Leave Liability</b>	Monthly leave balance report to be distributed to managers who are required to coordinate leave plans for individuals with excessive leave	Ongoing	Reduction in leave liability  Staff benefit from taking leave for the purpose it was given.	Operating Performance ratio should be enhanced.  Works program could be delayed due to staff shortages	MANEX
3.3.5	<b>Appropriate delegations are in Place for all staff and councillors</b>	Review all delegations and staff being delegated functions. Revise annually.  <b>Commenced</b>	Ongoing	Increased clarity of roles, more timely decision making and improved customer service	Works program completion rate enhanced	MANEX

No	OBJECTIVE	STRATEGY	MILESTONE	OUTCOME	IMPACT ON OTHER MEASURES	PROJECT SPONSOR & MANAGER
3.3.6	<b>A strong friendship alliance with Penrith City Council</b>	Ensure offers of assistance and expertise of Penrith Council staff are taken up to improve governance processes and build staff capacity <b>Commenced</b>	Ongoing	Increased efficiencies and reduced costs	Operating Performance ratio should be enhanced	GM MANEX
3.3.7	<b>Revive Mid-Lachlan Alliance</b>	Meet with other members and develop opportunities for Resource Sharing. Formal MOU established.  <b>Commenced</b>	By Dec 16	Increased efficiencies and reduced costs.  Opportunities to increase income from private works.	Operating Performance ratio should be enhanced.	MANEX DIS
3.3.8	<b>Be an active member of the Central West JO</b>	Continue to have relevant staff on the various working committees of the JO to take advantage of its scale and capacity.   <b>Commenced</b>	Ongoing	Improved efficiencies from greater scale of JO and reduced costs in areas such as procurement, resource sharing and tendering.  Increased opportunities for grants applied for by the JO.	Operating Performance ratio should be enhanced.  Potential grants could impact on asset renewals and Infrastructure backlog ratios.	MANEX
3.3.9	<b>Major Assets Managed Effectively</b>	Prepare plans of management for Gumbend Lake Recreational Area and Showground Racecourse.	By Jul 16	Economic & community benefits enhanced from these major assets.	Increased usage will improve Operating Performance Ratio	DIS

### 3.4 IMPROVEMENT ACTION PLAN

This section summarises the key improvement actions that will be achieved in the first year of this Plan. Key actions are also included in the 2015-16 Operational Plan.

No	ACTIONS	MILESTONES	LINK TO CSP
3.4.1	Apply for a special rate variation of 33% over 4 years	By February 2016 for 1 July 2016	Income shown in LTFP from 2016/17
3.4.2	Develop and adopt a Section 94A Contributions Plan  <b>Commenced</b>	By June 2016	Income shown in LTFP from 2015/16
3.4.3	Examine assets not required for operations such as housing, plant, commercial premises, land, etc. and utilise sale income for asset renewal and reducing infrastructure backlog.  <b>Commenced</b>	Ongoing to 2018/19	LTFP allows for sale of 3 houses and all remaining Council land in its industrial and residential subdivisions. Other assets to be identified not included at this time.
3.4.4	Reduction of donations budget for community groups, schools, organisations and individuals to \$16,000 p.a.  <b>Commenced</b>	For 2016/17	\$50,000 reduction in 2015/16 and a further \$50,000 reduction thereafter has been included in LTFP
3.4.5	Develop, in conjunction with staff, an Enterprise Risk Management Plan	By December 2016	Recommendation of Better Practice Review
3.4.6	Engage an independent Internal Auditor to prepare an internal audit plan from the Enterprise Risk Management Plan and undertake internal audit function.	By June 2017	Engagement of Internal Auditor budgeted in LTFP from 2015/16
3.4.7	Review organisation structure and workforce strategy following review of	By December 2016	To be included after service level review and after next Council election



No	ACTIONS	MILESTONES	LINK TO CSP
	service levels to determine if staff and skill levels are appropriate.		
3.4.8	Prepare and implement an Economic Development Plan to increase investment, employment and population. Construct Jockey's Garden Memorial.	By September 2016	Funds allowed in LTFP 2015/16 and 2016/17
3.4.9	Engage Micromex Pty Ltd to undertake a customer satisfaction survey to assess satisfaction and importance of services provided by LSC	By September 2016	Funds allowed in LTFP from 2015/16 onwards
3.4.10	Undertake a service level review in line with the ACELG Service Delivery Review in Australian Local Government Report.  <b>To commence in 2016</b>	By June 2017	Refer Page 9 of CSP
3.4.11	Engage independent professional valuer to assess all building assets and determine cost to bring to a satisfactory standard. Develop a buildings programmed maintenance plan	By June 2016	Consultant costs included in LTFP in 2015/16
3.4.12	Utilise loans as a source of funding for the construction of the Showground Hall – access TCorp borrowing facility.	By June 2016	Included in LTFP 2015/16
3.4.13	Asset management plans to be reviewed in-house and integrated with the Long Term Financial Plan	By June 2016	Included in Resourcing Strategy
3.4.14	Engage independent professional engineer to assess all road infrastructure assets and determine cost to bring to a satisfactory condition.	By June 2016	Consultant costs included in LTFP in 2015/16
3.4.15	Introduce Zero Based Budgeting (ZBB)	In place for 1 July 2016	In-house by existing staff – No savings identified at this time

No	ACTIONS	MILESTONES	LINK TO CSP
3.4.16	Revise current work practices to reduce costs and improve efficiencies	By June 2016	In-house by existing staff – No savings identified at this time
3.4.17	Negotiate a new Enterprise Agreement and eliminate payment of untaken sick leave on termination and introduce fortnightly pays.  <b>Commenced</b>	For 2016/17	In-house by existing staff – No savings identified at this time
3.4.18	Establish leave plans for individuals with excessive annual and long service leave  <b>Commenced</b>	Ongoing	In-house by existing staff – No savings identified at this time
3.4.19	Review all delegations and staff who have delegated functions.  <b>Commenced</b>	Ongoing	In-house by existing staff – No savings identified at this time
3.4.20	Strengthen Friendship alliance with Penrith City Council and utilise their staff and expertise to improve governance processes.  <b>Commenced</b>	Ongoing	In-house by existing staff – No savings identified at this time
3.4.21	Develop a formal MOU with the Mid Lachlan Alliance (Forbes, Parkes and Lachlan) setting out opportunities for Resource Sharing.  <b>Commenced</b>	By December 2016	In-house by existing staff – No savings identified at this time
3.4.22	Assign relevant staff to the various working committees of the CENTROC JO.	Ongoing	In-house by existing staff – No savings identified at this time
3.4.23	Develop Management Plans for Gumbend Lake Recreational Area and Condobolin Showground/Racecourse.	By December 2016	In-house by existing staff – No savings identified at this time

## Key processes underpinning the development of the Action Plan:

- Community consultation was initially undertaken in 2013 following the release of the Independent Local Government Review Panel's second report and the suggestion of a possible merger. The public meeting saw some 700 persons opposing any merger and this resulted in the "Keeping Lachlan Local" campaign.
- Council staff have been made aware of the Plan at various staff meetings and consultative committee meetings held by MANEX members and through staff newsletters.
- The Long Term Financial Plan and FFTF Submission have been peer reviewed by Penrith City Council following a visit to the Shire on the 17<sup>th</sup>-19<sup>th</sup> June 2015.
- Asset Management Plans, Infrastructure backlog and Required Maintenance have been reviewed and adjusted where necessary by Jeff Roorda & Associates (see Attachment 2) and incorporated into the Resourcing Strategy and relevant targets and measures.
- An Independent Community Survey was conducted by Micromex Pty Ltd in June 2015 (see Attachment 4). The results indicated that the community is 90% against any merger with Parkes and 61% are supportive of the proposed Special Rate Variation seeking 33% over 4 years to ensure LSC meets the IPART targets and measures into the long term.
- A Preliminary Economic Development Plan has been prepared by the Foundation for Regional Development (see Attachment 8) which provides a roadmap to economic growth and employment.
- Various Council/MANEX strategic workshops have been held in the preparation and development of this Plan which was adopted on the 24<sup>th</sup> June 2015. Despite significant cost cutting measures, fees and charges increases and the proposal for a Special Rate Variation it could be expected that a Council could be divided over certain issues. However, Council has been united throughout the process as it realised that much needed to be done for it to become FFTF. Prior to 2015/16 LSC did not meet any targets (Unless FAG included in own source income). From the start of the 2016/17 financial year and into the future LSC meets all the FFTF targets.

- Public meetings were held at Tottenham, Condobolin and Lake Cargelligo during June 2015. The results of this community engagement also revealed strong support for both not merging with Parkes and ensuring LSC is FFTF.

### **Costs, benefits and risk associated with the Action Plan**

Costs associated with this action plan have been estimated, and where funding is required it has been allocated in the budget for 2015-16. Overall, specific funding allocated to implement this plan over the first 12 months totals \$167,000 (excluding the loan of \$1.9m and funds from the \$4m Innovation Fund). In addition to calculable financial costs the scope of work proposed by this plan also presents an opportunity cost. Staff involved in some of the larger scale projects will have to divert time from other activities that would normally be carried out. In some cases productivity may be impacted as a change in culture or work practices comes about – for example productivity may decrease once payout of sick leave is stopped as more staff take leave. Similarly, there may be some initial productivity decrease resulting from changes to work practices to reduce overtime. Overall, these costs will be short term and are considered manageable as they will translate into long term benefits.

In many cases financial benefits are not calculable at this time, though it is possible that significant ongoing savings will be generated. As the plan is implemented savings and efficiencies will be monitored wherever possible and included in regular reporting within the IP&R framework. Savings identified for 2015-16 are estimated at \$450,000; the majority are ongoing and will be enhanced by the SRV commencing from 1 July 2016.

There will also be, however, significant non-financial benefits resulting from implementation of this plan. Improved work practices, asset management, community engagement and active partnerships and non-regional alliances will deliver significant benefit both to Council as an organisation and the community of Lachlan Shire. Improved services and infrastructure, plus greater capacity for discretionary spending will allow Lachlan Shire Council to continue to meet the needs of the community into the future.

There are also risks associated with implementation of this plan. Broadly, they can be grouped as follows:

- Assumptions prove inaccurate over time, particularly in relation to revenue and savings, including failure to secure a Special Rate Variation, lower than expected Financial Assistance Grants and failure to access the TCorp borrowing facility
- Failure to implement recommended changes to work practices, resulting in expected efficiencies and savings not being realised, including negotiation of the new enterprise agreement

- Failure to resolve conflicting priorities between Council and community expectations resulting in competing demands for limited resources
- Inaccurate costing of recommendations resulting in expected benefit not being realised
- Recommendations not being implemented within anticipated timeframes, resulting in reduced or slower realisation of benefits
- Failure of other parties to endorse regional and non-regional alliances resulting in reduced or no benefit flowing from these opportunities, including failure of the Central West Joint Organisation of Councils
- Detailed investigation of assets will reveal lower than expected condition resulting in higher than anticipated cost to bring to satisfactory and renewal requirements
- Natural disaster for example fire, severe weather causing drought or storm damage to infrastructure
- Significant reduction to LSC population as a result of severe weather, new technology or closure of mines

Preparation of an Enterprise Risk Management Plan as a task within the first year of this plan is a key strategy to mitigate these (and other) risks. Independent assessment of assets will increase the reliability of information used in asset management planning reducing risk associated with inaccurate planning going forward. Council is already proposing that any uncalculated savings will be allocated to asset maintenance and renewal which will also mitigate the impact of this risk, should it occur.

In addition, comprehensive and ongoing engagement with staff, Councillors and the community will be undertaken over the next 12-18 months. This engagement will provide the opportunity for clear communication of why change is needed and the capacity of the organisation to deliver on expectations, as well as early understanding of issues of concern and potential conflict. This will in turn reduce risks associated with resistance to change and competing priorities. Regular monitoring and reporting of progress on key actions and changes in the financial benchmarks will enable early identification of benefits or costs not being as expected, and allow remedial action to be planned if required.

The Plan is subject to LSC having its first ever Special Rate Variation application under Section 508A approved in full by IPART for the 2016/17 year onwards and increases in the Financial Assistance Grant (FAG) of 3% for the 2015/16 and 2016/17 years despite the current “freeze” on indexation. Risks associated with these assumptions are therefore critical.

A presentation by the NSW Local Government Grants Commission in June 2015 at the LGNSW Rural & Regional Issues Workshop (see Attachment 6) advised that they were assisting smaller rural communities by reallocating funds from metropolitan councils to rural communities. They stated they have doubled the standard cost for unsealed local roads in the General Purpose component (LSC has the largest unsealed road network in the State), removed and reassessed many

disability factors for metropolitan councils, relaxed the upper capping limit to facilitate the move of grant funds to smaller rural communities and will move two metropolitan councils to the minimum grant.

All these measures indicate that LSC will not have a freeze on its total FAG and indeed in the first year of the “freeze” in 2014/15 our FAG increased by 3.4%. Based on the above, the assumption that LSC will get a further two increases of 3% p.a. during the “freeze” is considered to be conservative, with increases greater than this being likely. Although there is no other way to mitigate risks associated with assumptions around the SRV and FAG it is considered that, with currently available information, this risk is minimal.

No allowance has been made for funding from the \$4m Innovation Fund for projects included in this Plan.

### **3.5 Other Strategies Considered**

As it was an option presented by the Independent Local Government Review Panel, a merger with Parkes was considered as part of preparing the Fit for the Future submission. The results of the community survey plus feedback at community forums indicated that the Lachlan Shire community is not in favour of this option and would prefer to support a Special Rate Variation and increased fees and charges in order to secure Lachlan’s long term financial sustainability. Parkes Shire Council was also not in favour of merging.

Once the option to merge had been considered and rejected the majority of strategies suggested by staff, Councillors and the community have been incorporated into this Plan. Modelling based on these strategies indicates that LSC will meet benchmarks from 2016/17 onwards and additional strategies are not considered necessary at this time. As actions within the plan are complete it is expected that additional follow on actions will be identified. Lachlan is committed to a program of continuous improvement so future strategies to increase sustainability will be investigated, evaluated and, where appropriate, implemented. This will ensure Lachlan continues to build the long term financial sustainability required to deliver services to the community.

## 4.0 How Will the Plan Improve Performance?

This Draft Council Improvement Plan is designed to further improve the corporate and financial capability of LSC and to prepare the organisation to meet the challenges of the future. It is both ambitious and measured in its approach to enable the Council to build capacity whilst continuing to deliver day to day services to the community.

The plan will improve performance in a number of ways. These include:

- Increasing income long term through the proposed SRV
- Updating practices around asset management, including linkages to the long term financial plan
- Reviewing the organisational structure, work practices and policies to ensure that they are contemporary and reflect the needs of the organisation going forward
- Working with the community to build economic growth and maximise opportunities provided through tourism
- Building on regional and non-regional partnerships to increase skills, access expertise and look at opportunities for cost saving

These changes are all long term, reshaping council to better meet the challenges faced by rural councils going forward. They will also instil a culture of change and productivity. This recognition of the need to change is a critical part of implementing this plan and will also deliver long term improvements to performance.

It should again be noted that LSC will meet all the performance targets and measures (excluding averaging from previous years' results) from 2016/17 onwards. Council is implementing this comprehensive program to ensure that it continues to improve its performance against the benchmarks and to deliver the services and facilities requested by the community at the most optimal cost. The recent Better Practice Review recommendations by the OLG which are included in this Plan will be implemented by September 2016 and these will also assist in improving LSC's ongoing future performance.

## 5.0 How Will We Implement the Plan?

As stated in Section 1.0 the General Manager in conjunction with the other members of the Management Executive Team (MANEX) will be responsible for implementing the plan and for reporting progress of the Plan on a monthly basis to both Council and the Internal Audit Committee. This plan outlines individual responsibilities within this group for each action. A standard Report will be presented detailing the status of each strategy and action, the owner or owners of the strategy/ action and the expected completion date for the action.

While this Plan details actions from 2016/17 onwards it is expected that a number of the actions will be either well progressed or completed in the coming 12 months. Funding and resources have already been allocated in many cases and work required incorporated into the Operational Plan for 2015-16.

Some actions such as the service level review and Special Rate Variation application will require community consultation. Other actions involving partnerships include the Internal Audit function, the Internal Audit Plan and the engagement of professional consultants to assess building valuations and the infrastructure backlog that will withstand independent audit scrutiny. This has been planned for and will occur in the coming months. In some cases the results of this engagement will shape future actions. LSC will be applying for funds under the \$4m Innovation Fund to assist with the plan implementation.

Council will be fully utilising its membership of LGNSW, IPWEA, LG Professionals, CENTROC Joint Organisation, Mid Lachlan Alliance and Penrith City Council Friendship Alliance to provide it with the necessary scale and capacity for effective regional collaboration, credibility for effective advocacy, innovation, knowledge and resource sharing and for being an effective partner with other levels of Government and their agencies.

All the projects and actions are linked to future Operational Plans and Delivery Programs however those actions that may result in cost savings have been excluded from the Long Term Financial Plan at this stage as the quantum of savings is unknown. These include actions such as the introduction of Zero Based Budgeting, renegotiation of the Enterprise Agreement, sale of assets such as the Condobolin Nursing Home (which could net in excess of \$10m plus reduction in ongoing costs) organisational staff reviews, reduction in employees leave liability and savings from alliances and the CENTROC JO - estimated 5% in the future (see Attachment 7). Should these actions result in net savings it will simply improve performance against all benchmarks and allow Council to deliver a higher quality of services to the community.

**Further details about this Plan can be obtained from LSC's General Manager, Mr Robert Hunt, by telephone on 6895 1900 or e-mailing [robert.hunt@lachlan.nsw.gov.au](mailto:robert.hunt@lachlan.nsw.gov.au).**