Template 2

Fit for the Future

Council Improvement Proposal

Deniliquin Council

Office of Local Government

Council name: Deniliquin Council

Date of Council resolution endorsing this submission: 24 June 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

Deniliquin Council is not proceeding with a voluntary merger proposal as recommended by the Independent Local Government Review Panel as the councils identified as potential merger partners, namely Conargo, Murray and Wakool Shire Councils, have all resolved to submit templates as either a rural council, Conargo and Wakool Shires, or an improvement proposal as with Murray Shire. This has forced Deniliquin to adopt a non-preferred position and submit template 2 Improvement Proposal.

Deniliquin Council completed its first Community Strategic Plan in 2012 with community consultation at that time identifying the strong desire for amalgamations as a key priority for ensuring the long term sustainability of the region. This was based on discussion and negotiation on potential amalgamations from as long ago as 1977. Consequently the current Deniliquin councillors have been supportive of the concept of mergers as an opportunity of achieving regional strength.

Council has continued to address scale and capacity requirements over recent years as part of recovery from significant downturns in population and economy as a result of the millennium drought, global financial crisis and impact of Murray Darling Basin Plan locally. Council believes that its demonstrated ability of being able to recover from a very poor financial position will ensure it meets current and future opportunities with confidence and the ability to be able to overcome any weaknesses and threats.

The recommendation of the ILGRP in their final report *"Revitalising Local Government"* in section *11.7 Regional centres* indicated that in a number of cases there could be merit in amalgamation of councils around a regional centre that would warrant further investigation based on one or more of three reasons. These are to create a regional centre with the necessary scale and capacity to anchor a Joint Organisation (eg Deniliquin-Murray-Conargo), or to reflect closer functional inter-relationships between a regional centre and adjoining council areas, or as an option for adjoining 'councils at risk'.

At Table 6 on page 91 of this report it was identified that Deniliquin Council as a regional centre should merge with Conargo and Murray and possibly Wakool Shire Councils. The comments made were

- *Conargo and Murray create a 'doughnut' around Deniliquin;*
- *Conargo Shire is based in Deniliquin and its projected population of just 2,000 is considered too small to warrant a separate entity;*
- *Deniliquin is at present the largest urban centre but by 2036 Murray Shire will have a much larger population;* (Note: this is based on Department of Planning population projections and is disputed below)
- *Wakool might also be included and would increase projected population to 21,200*
- *Community Boards should be established in the former LGAs.*

The preferred option as detailed in "bold type" of the ILGRP's recommendation at Table 11 on page 115 was for a merger between Deniliquin, Conargo and Murray Councils with Wakool as a potential Rural Council.

Council commenced work with all of the councils within the Mid-Murray group as recommended by the ILGRP and completed a business case for merger opportunities with both Murray and Wakool Shires and another business case of a merger just with Murray Shire. While each of these business cases (please see pages 32/33 and 40 of Attachment 1 - LKSQuaero Deniliquin, Murray, and Wakool Fit for the Future Business Case) has indicated that there are economic advantages and achievement of most, or all of the scale and capacity and other criteria within the five year design period, there is not the resolve within the councils to undertake the required levels of change to improve the scale and capacity, effectiveness and efficiency of local government within the region.

Treasury Corporation assessment of Deniliquin in 2013 identified that council was moderately sustainable with a negative outlook. It was identified that council needed to focus on asset backlogs and renewals along with cost of service delivery. As a result council has continued to undertake reviews, set programs and budgets to address these areas and incorporated the actions into the Long Term Financial Plan. Based on 2013-2014 Fit for the Future self-assessment template Deniliquin failed to meet most of the benchmark criteria for long term sustainability. However, current strategies, programs and actions implemented and planned will achieve six of the seven benchmark measures within the next five years. Deniliquin will need to identify further opportunities for revenue increases and cost savings to ensure that these measures are achieved on a continuing basis.

The major area of deficiency in future benchmarks is in Own Source Revenue in that the ongoing level is slightly below 60% and will remain at this level as suitable opportunities for sustainable business for the council are not currently available.

A top down management-based review by Advanced Dynamics has identified potential corporate risks, inherent within the current structure, which will need to be addressed. Council will also need to review its representative framework and consider whether a further reducing its Council size is appropriate if it is to stand alone.

Before implementation of a suggested altered organisational structure, Council will assess and ensure that it has the appropriate number of staff and competencies to fully support the organisation in delivering its services and achieving its long term goals. This assessment may lead to investment in staff in order to gain the required competencies.

A review of the organisational structure per se will be unlikely to yield significant cost savings. These may only be obtained through in-depth analysis of the organisation, its systems, and work processes leading to redesign of its services and the manner in which they are delivered.

Notwithstanding that degree of organisational change, there will be significant challenges to Deniliquin Council being able to fully meet the Fit for the Future financial outcome criteria in the short to medium term, however, council looks forward to opportunities with confidence of successful achievement.

1.2 Scale and Capacity

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

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

No

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

Deniliquin Council is not proceeding with a voluntary merger proposal as recommended by the Independent Local Government Review Panel as the councils identified as potential merger partners, namely Conargo, Murray and Wakool Shire Councils, have all resolved to submit templates as either a rural council, Conargo and Wakool Shires, or an improvement proposal as with Murray Shire. This has forced Deniliquin to adopt a non-preferred position and submit template 2 Improvement Proposal.

While Deniliquin will not be able to achieve the scale and capacity criteria in the short term, it is believed that this may be achieved in the medium to longer term with significant structural, organisational and procedural change. Please see Attachment 2 LKSQuaero Deniliquin Fit for the Future Business Case.

History shows population has declined over recent years due to numerous factors impacting on our economic base including:

- loss of numerous government offices from Deniliquin in late 1990s,
- loss of RPT air service in 2000,
- commencement of a 10 year (millennium) drought in 2001,
- loss of the previous abattoir in 2006,
- temporary closure of the rice mill in 2007,
- loss of the redgum timber industry through reclassification of forests as national parks in 2010,
- first season following millennium drought in 2011,

- rice mill reopens employing approximately 100 in 2011,
- Murray Darling Basin Plan introduced 2012,
- Abattoir purchased by Australian Meat Group in 2014 and commenced refurbishment of plant,

The NSW Department of Planning predicts a declining population based on a continuation of historical trends over the past two census periods (2001-2006 and 2006-2011), however, current ABS data indicates a growth of 0.8% in the last year and an overall growth of 1% in the last five years. Current significant scale of economic development in the form of an abattoir and an ethanol plant will have direct employment for 500 locally and indirect employment for another 2,500 in the region within the next five years which will assist in growing the population well above previous predictions. An estimated population of approximately 9,000 by 2036 appears to be more realistic assuming that 50% (1,500) of the total positions will reside in Deniliquin without any growth attributed to the additional family members that will be associated with these workers.

Deniliquin has achieved adequate revenue for discretionary spending during the past four years on items such as construction of a Medical Centre $2.5m and construction of water re-use scheme $2.5m along with many other smaller non-core projects. Council has taken action to increase available General Funds in investments to allow for interest to be generated as seed funding for future discretionary projects. This also demonstrates scope to undertake other major projects.

Deniliquin is recognised for its stable political and managerial leadership, regional collaboration, and a capable partner for other levels of government. Historically Deniliquin has had representatives fill the role of executive with Local Government state bodies and regional organisations.

It is the home of many key regional industries such as Murray Irrigation (one of the world's largest private irrigation companies), Intereach (a community service provider across the Riverina and Murray areas), Local Land Services (regional offices), Homes Out West (community housing provider), Vinnies Reconnect regional office (community service provider), NSW Police Local Area Command Offices, and Services NSW Service Centre.

Deniliquin also has many private industries that service a large area from their home base with an example being Sunrice (Australia's biggest supplier of rice), Deniliquin Demountables (transportable homes and office buildings), Deniliquin Freighters (major transport contractor and provider across all industries) (note this is only one of many large freight providers from Deniliquin), Watson Drilling (water and mineral research drilling across all parts of Australia), Field Air Services (aerial cropping and fire services), Wettenhall Aviation (aircraft charter), and Rhino tanks (a poly lined metal tank provider).

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

The township of Deniliquin is the third largest centre in the Riverina area and is situated along the Edward River with the council area covering 143.2km^2. The Deniliquin township is 200kms west of Albury and 250kms southwest of Wagga Wagga and 230kms south of Griffith. Deniliquin is 80km north of the Victorian border and the nearest larger urban centre of Echuca. The township is 750kms west of Sydney and 550kms by road west of Canberra. The closest capital is Melbourne, some 300km south by road with Adelaide being 650kms to the west.

Deniliquin is classified as a Group 4 council under the NSW Division of Local Government, Department of Premier and Cabinet, groupings of councils and as a Medium Rural Council under Section 239 of the Local Government Act. It should be noted that the Australian Classifications used by the ABS vary from the State derived ones.

The council has a population of 7,437 at 30 June 2014 (ABS Report 3218.0 of 31 March 2015) and a population density of 51.9 per km^2. The population has grown by 0.8% in the twelve months from June 2013.

The median population age is 43.8 years compared with a state median of 37.3 years. There are 21.3% of the population aged 65 years and above with 6.4% being aged 80 years and above.

Aboriginal and Torres Strait Islander people make up 3.6% of the population while 13.2% identify as being born overseas.

A total of 3,168 make up the local workforce with a participation rate of 54.9% and unemployment of 4.6%. The largest employment industry is health care and social assistance (14.7%), followed by retail trade (13%), manufacturing (8.3%), construction (7.5%), accommodation and food services (7.1%), education and training (7.0%), public administration and safety (6.6%), with agriculture forestry and fishing only employing 6.1%.

As one of the largest towns in the south western Riverina, there is a range of government and commercial services provided to residents of the town and the surrounding agricultural region. The region includes both dryland and irrigated areas. The dryland areas support cereal growing, grazing, in particular beef and dairy cattle and wool growing. Deniliquin is home to many famous Merino studs and the saltbush plains produce quality medium class wool. The irrigated areas produce a range of high yield crops. Rice was a major crop until the recent millennium drought. The largest rice mill in the southern hemisphere is in Deniliquin, producing large packs and bulk, medium grain rice for export markets.

Deniliquin is also the headquarters of Murray Irrigation Limited, an irrigator owned private company and one of the largest privately-owned irrigation supply companies in the world. Murray Irrigation manages the operations of the Berriquin, Deniboota, Denimein and Wakool Irrigation Areas in the Murray Valley. These areas produce 50% of Australia's rice crop, 20% of NSW milk production, 75% of NSW processing tomatoes and 40% of NSW potatoes.

The Deniliquin Community Strategic Plan 2025 identifies four strategic directions for Council to follow and they are;

- Our Community – aiming to become a place that embraces diversity and values its citizen. It will provide its members with the services, support and opportunities they need to grow and thrive as a vibrant regional centre.
- Our Economy – will be a thriving regional hub and have the business and industry sectors that are responsive to emerging opportunities.
- Our Environment – with resources managed responsibly and enjoyed and valued by the community. Through a considered approach and strategic resource allocation, our natural resources and built environment are sustainable, preserved and enjoyed by the community.
- Our Leadership – is fostered, encouraged and facilitated so that all members of the community have an opportunity to be involved and contribute to the decisions that affect them.

2.2 Key challenges and opportunities

Strengths	Weaknesses

• Stable non-political, elected Council
• Sound financial planning
• Willing to merge with others
• Regional service centre to surrounding areas in both goods and services
• Vision of the community as a regional centre.
• Growth in Deniliquin as a tourist destination.
• Significant business development applications in Abattoirs (440 employees), Ethanol Plant (50 employees), new retail and service businesses.
• Currently working with other councils and across border with Victoria on Local Government issues.
• Already reduced governance and administrative costs through organisational changes.
• Sound Strategic Planning structure
   o Community Strategic Plan 2012 - 2025
   o Delivery Program 2013 – 2017
   o Operational Plan 2015-2016
   o Local Environmental Plan 2014
   o Strategic Business Plan for Water Supply and Sewerage Services 2012
   o Economic Development Strategy 2014-2018
• Strong relationship with other levels of government
	• Previously declining population now in slow growth only.
	• Lack of scale and capacity at present.
	• Difficult to attract professional staff to smaller organisations because of lack of career opportunities within.
	• High operating costs in many service areas.
	• Small rate base to maintain regional services.
	• No other councils willing to merge with Deniliquin.
	• Early stages of integrated ICT system needs finalisation.
	• Aging population
	• Rate pegging
	• No access to natural gas
	• High cost of energy
	• Distance from RPT airline services
	• Lack of NBN service

Opportunities	Threats

• Significant opportunities for merger with surrounding councils and economically feasible
   o Increased scale and capacity
   o Joining of very similar organisational structures.
   o Shared skill and knowledge as many staff worked in more than one of the councils.
   o Common objectives for regional area.
   o State contribution to merged councils up to $13.5m for four councils.
   o Access to reduced interest loans for infrastructure.
• Capacity to operate as a regional centre with history of providing regional services
• Build on individual strengths within organisations
• Expanded roles across the region because of scale
• Develop Deniliquin airport as a regional aviation facility
• Resource sharing with development of Joint Organisation.
• Willing to merge with surrounding councils
• Limited rental accommodation but land stock available for development
	• Non-decision of potential merger councils.
	• Reduction in funds available to all councils.
	• Forced merger with hostile partners.
	• Loss of key staff to larger more stable councils.
	• Loss of regional voice due to lack of scale.
	• Loss of essential services due to further population decline if development stops.
	• Lack of suitable office accommodation to attract staff in the short term.
	• Continued hostile interaction between potential merger councils.
	• Application of Section 218CA of Local Government Act
	• Smaller rural towns suffering at expense of regional cities
	• Cost shifting to local government
	• Freezing of Financial Assistance Grants
	• Increasing demand for higher levels of service

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	**2013 / 2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	**(0.019)**	**NO**	**0.036**	**YES**
Own Source Revenue Ratio (Greater than 60% average over 3 years)	**56.88%**	**NO**	**48.04%**	**NO**
	73.98%	**YES**	**65.89%**	**YES**
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	**89.28%**	**NO**	**162.46%**	**YES**

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

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

General:
Council notes that the forecast figures provided above are three year rolling average as required by the template, however, it is believed that a point-in-time measure is often more appropriate as it will immediately demonstrate any action taken for improvements.

Operating Performance:
Operating performance varies over time dependent upon the types and scope of projects undertaken. Larger projects may often result in a small deficit in one year with a consequential negative performance on three year average.

Own Source Revenue:
The table shows the own source revenue without FAGs and the calculation with FAGs below. Own source revenue is averaging 50% without consideration of Financial Assistance Grants but is limited by the range of business opportunities available in smaller rural towns. FAGs are a source of funding under the *Local Government (Financial Assistance) Act 1995* which has a specific objectives at section 3(2)(c) to improve the certainty of funding for local government bodies, therefore it is considered these should be included as certain funding in these ratios.

Building & Infrastructure Asset Renewal:
The Infrastructure asset renewal target of 100% average over three years will not be achieved on a regular basis in many smaller councils as the capital renewal work is not consistent over the life of assets. This results in large variations in the ratio with achievement in some years and non-achievement for others.

The building and infrastructure renewal ratio being set at 100% or greater average over three years is also considered to result in uneconomic replacement of assets and may be over servicing especially if asset maintenance is maintained throughout their life. The majority of assets remain in useful service well beyond their design and depreciated life resulting in either an extension of life, revaluation or a decision to hold the asset in service for a number of years at zero value. Each of these will have an impact on the percentage of renewal expenditure.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	**2013 /2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Infrastructure Backlog Ratio (Less than 2%)	9.2%	NO	0.4%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	87.45%	NO	>100%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.52%	YES	5.53%	YES

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

Infrastructure Backlog Ratio:
Infrastructure backlog ratio has been over-estimated in Special Schedule 7 up to and including 2013-2014 year. Historically the backlog has included the depreciation amounts for major assets even though these assets were not due for replacement for many years into the future. Consequently this figure is not accurate as a real asset funding gap. The methodology for calculating the infrastructure backlog under current definitions of asset conditions and life as provided by IPWEA and accounting guidelines has been reassessed along with infrastructure valuations during the 2014-2015 year resulting in the backlog figure being reduced

significantly. This is a direct result of removal of requirement for funding for items that are not scheduled for replacement for at least the next ten years from the backlog.

Asset Maintenance Ratio:
As asset depreciation has been reviewed for 2014-2015 the annual depreciation has been reduced significantly. The asset maintenance ratio will be achieved within the benchmark range from 2015-2016 through to 2019-2020.

Debt Service Ratio:
This benchmark is achieved, and will continue to be achieved, as Council recognises the need to spread costs of infrastructure across generations by undertaking borrowings as a source of funding especially for very long-lived assets with large initial construction and start-up costs.

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.43 Decreasing	YES	1.26 Decreasing	YES

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

Real Operating Expenditure per capita:
This benchmark is generally achieved when processed in real dollar terms.

Council expects that efficiency will continue to improve despite the identified need to amend the level of staff skills in the short-term. Council also takes the approach of regularly reviewing those costs which are classified as core services and reducing the discretionary ones. This process enables Council to consider its position in relation to ongoing funding requirements without limiting key initiatives that fall into the core services category.

2.4 Water utility performance

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

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

Yes

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

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

$250,000

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**
There are no capital works projects in excess of $1m for water and sewer operations in this timeframe.			

2.4 Water utility performance

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

Yes

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

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. Sewer Reline Program	Ongoing	Preventative Maintenance
2. Telemetry Upgrade for sewer and water	June 2017	Reduction in callout and overtime
3. Water Mains Augmentation and Reticulation Ring Main Work	Ongoing	Preventative maintenance
4. External After Hours Monitoring and Recall	Ongoing	Reduction in callout and overtime
5. Removal of Raw Water System	Ongoing	Reduction in maintenance and improved water quality.

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.

Operating Performance Ratio:

Deniliquin Council has come from a negative ratio of (0.019) in 2013-2014 to a ratio of 0.030 for the rolling three years for 2016-2017 which is greater than break-even, therefore meets the benchmark. This ratio is predicted to remain as a positive measure into the future years based on current and future initiatives to continually monitor and adjust drivers of key components of revenue and operating results.

Own Source Revenue:

Deniliquin does not meet the 60% benchmark of own source revenue without the inclusion of Financial Assistance Grants as options for sustainable alternative businesses are not readily available. Consideration of internal business being on-sold to other councils has a very limited customer base and limited opportunity for success. The development of council owned business that is not detracting from other local providers is the only opportunity to increase this revenue base. Council will continue to review opportunities as they become known.

Building & Infrastructure Asset Renewal Ratio:

The forecast position does not meet the benchmark for some of the years within the forecast period, however, it will be exceeded significantly in those years that it is achieved. This is a result of the spikes of activities as a result of major projects undertaken in some years and not in others.

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.

Key Assumptions:

Council's financial decision making is based on its ten year Long Term Financial Plan 2015-2025. Council has been conservative and realistic in its projections for both revenue and expenditure. In preparation of the LTFP the following assumptions have been factored in:

- Average annual 3.0% increase for CPI applied to all fees and charges.
- Financial Assistance Grants income frozen until 2017/2018.
- Financial Assistance Grants indexed at 3.0% per annum beyond 2017/2018.
- One Special Rate Variation for the inclusion of a special purpose business promotion levy factored into income for three years from 2015-2016 to 2017-2018. This is already approved by IPART.
- Wages growth reference known Award increases along with on-going forward increases.
- Material and services costs increasing by an average of 3.0% per annum.
- There is no additional reliance on grant income.

Expected Outcomes:

From the strategies implemented and planned to be implemented into the future, Council expects to maintain a positive result for most years in most benchmarks for the period of the Long Term Financial Plan.

Council expects that it will be able to maintain or improve the current level and range of services being provided to the community.

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. Maintain operating surpluses into the future	Maximise appropriate fees and charges through annual revenue reviews. Review and control expenditure Pursue efficiencies through adoption of revised business processes.	Council to achieve operating surpluses for the 10 years of its Long Term Financial Plan. Annual operational and capital expenditure programs are controlled through delivery in accordance with Asset Management Plans. Prioritise resource based strategic requirements within the framework of the Community Strategic Plan.	Council achieves operating surpluses before capital grants for the 10 year forecast period. Revenue streams and expenditure commitments for operational and capital expenditure identified and incorporated in to budgets. Council pursues ongoing efficiencies in procurement practices.	Council expects to maintain operating performance ratio greater than or equal to the break-even on a three year rolling average. Council's own source revenue ratio nears the 60% benchmark without inclusion of FAGs. Building and Asset Renewal Ratio is greater than 100% for most years.

	Review operational processes and drive efficiencies.	Revenue streams maximised within permissible rate pegging limits based on equitable distribution of the revenue burden. Council continues to seek out group purchasing contracts to achieve energy savings into future.		
2. Own Source Revenue Ratio greater than 60% into the future.	Levy rates and set fees and charges at appropriate levels as per annual Fees and Charges and revenue policies.	Inclusion of Financial Assistance Grant as part of own source revenue to provide basic services for the community. Council to continue to seek and evaluate additional own source revenue streams into the future.	Council is able to demonstrate its ability to generate own source revenue and is not reliant on grant funding.	Council's Own Source Revenue Ratio is maintained at a level nearing or in excess of 60% on a three year rolling average.
		Council to continue to seek grant funding for improvement works		

		included in the Asset Management Plans. Revenue streams, such as rates, levy’s and charges are maximised within rate pegging limits along with exploration of additional revenue sources. Council to continue to maximise investment returns within the restriction s of the Investment Guidelines.		
3. Maintain Building and Asset Renewal Ratio greater than 100% into the future	Adhere to the requirements set in the Asset Management Plans and regularly review and refine them	Condition rating of assets every three to five years in accordance with the asset revaluation program.	Actions will ensure assets are maintained and renewed as per the requirements of the Asset Management Plans.	Council expects the Asset renewal Ratio to be maintained at greater than 100% over a three year average for most years.
	Adhere to the Asset Management Plans for required maintenance and renewals.	Review and adoption of Asset Management Plans in line with the revaluation program.	Assets maintained at safe and functional levels.	Council will ensure that the required Sustainability benchmarks are maintained in the long term without

	Ensure any additional capital works can be fully funded over the lifetime of the asset, including maintenance.			significant impacts on other performance criteria.

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.

Council's key strategies to improve performance against the Infrastructure and Service Management benchmarks include:

Infrastructure Backlog Ratio:

Council will meet the infrastructure backlog ratio at less than 2% in 2014/2015 and will maintain within the benchmark level into the future;

Asset Maintenance Ratio:

Deniliquin has committed to achievement of an Asset Maintenance Ratio of greater than 100% averaged over a 3 year period.

Debt Service Ratio:

Deniliquin is committed to intergenerational funding of large cost assets and will continue to borrow funds as required into the future.

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

Key assumptions that underpin the above noted strategies include:

- Regular review of the Asset Management Plans shall ensure that the backlog levels are managed in accordance with these strategies and that maintenance is maintained at a suitable level. A review of all Asset Management Plans are to be completed by June 2016 and then when the relevant asset class in re-valued (every four years).
- Required maintenance levels for all assets are clearly defined in the Asset Management Plans and have been funded in the Long Term Financial Plans.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Infrastructure backlog to be < 2%.	a) Review Asset Management Plans b) Eliminate backlog over a period of 10 years	Completion of review of current Asset Management Plans for adoption by Council. Review a review of the Asset Management Plans at least one asset class each year. Class to be based on the program for Asset Revaluation Asset Management Plans to be reviewed as part of the revaluation process.	Maintain assets at a function level for the community.	Council expects to maintain its Infrastructure Backlog Ratio at less than 2%

2. Asset Maintenance Ratio to be greater than 100% averaged over 3 year.	Establish adequate budgets to maintain assets in accordance with adopted Asset Management Plans.	Review of Asset Management Plans. Annual review of Long Term Financial Plan.	Maintain assets at a suitable level in order to maintain expected useful life for the asset and not require renewal of the asset prior to the end of the nominated useful life.	Council expects the Asset Maintenance Ratio to be greater than the 100% benchmark.

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's key strategies for improving performance against the Efficiency measures as noted are based on an in depth knowledge of Council's work practices. .These include:

- Detailed review of work practices and Levels of Service provided by Council, including benchmarking against other councils where practicable. This shall include all internal and external work practices;
- Implement a Procurement Plan for the more efficient procurement of goods and services from suppliers and contractors;
- Reducing risk through the implementation of project management planning and Risk Management Plans.

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

Key assumptions made in regard to the above strategies include:

- Council is currently not operating as efficiently as possible in providing services at the required Level of Services. Some areas are being over-serviced and some are being under-serviced.
- The Level of Service provided to the community will be based on community surveys and ongoing discussions with community groups and Councillors;

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency				
Objective	**Strategies**	**Key milestones**	**Outcome**	**Impact on other measures**
Decrease in Real Operating Expenditure per capita over time.	a) Operational review into the Levels of Service provided by Council staff as part of operational activities.	Completion of annual review into service levels following publication of the Annual Report for the previous year.	Document Levels of Service for all of Council's operational activities.	Council expects a decrease in Real Operating Expenditure per capita over time without adversely affecting the provision of services to the community.
	b) Implement a procurement strategy and annual procurement plan in relation to contract services to Council.	Completion of Procurement Plan	Obtain best value for money	

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. Review of the Asset Management Plans for all asset classes.	All plans to be reviewed by June 2016.
2. Implementation of Procurement Plan for the procurement of Goods and Services	Procurement Plan to be prepared by September 2015.
3. Review of existing Levels of Service in regard to the operation of Council's operational staff	All service levels to be completed by August 2015.
*** Please attach detailed action plan and supporting financial modelling**	

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

For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.

The preparation and development of the Action Plan included the following processes:

- Review of the Deniliquin Community Strategic Plan including the outcome of the community consultation undertaken during the preparation of the CSP;
- Review of the maturity of Council's current Asset Management Plans and gap analysis provided by Jeff Roorda and Associates;
- Comments and conclusions reported to Council by its Internal Audit Committee following the implementation of the committee.

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.

For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.

As part of developing the Action Plan Council discussed merger options with other councils as noted by the Independent Review Panel however these councils were not willing to agree to enter into a voluntary merger with Deniliquin. This in turn has meant that Council will concentrate its strategies on reducing its Real Operating Expenditure through review and restructure its own operations.

Council is continually considering implementation of the Australian Business Excellence framework across the whole organisation, however, this will not proceed until the final decision on stand alone or merger options have been finalised to ensure that when the process is commenced it can be followed through to achieve measurable results without mid implementation interruptions that detract from the effort and achievements.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	(0.013)	0.001	0.036	0.067	0.068	0.066	YES
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.68% 72.40%	52.71% 67.51%	48.04% 65.89%	49.76% 67.51%	53.16% 72.05%	53.23% 72.19%	NO YES
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	84.02%	162.46%	181.49%	179.46%	85.92%	79.15%	NO
Infrastructure Backlog Ratio (Less than 2%)	0.05%	0.04%	0.04%	0.03%	0.03%	0.02%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	88.1%	88.1%	100%	100%	100%	100%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.65%	6.33%	5.53%	4.76	4.49%	4.16%	YES
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.37	1.30	1.26	1.20	1.18	1.15	YES

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

For example, historical constraints, trade-offs between criteria, longer time required.

Deniliquin Council's Plan identifies that it will be capable of achieving all but one of the performance criteria benchmarks by 2020, however, external factors similar to recent history of drought and economic downturn may impact on achievement.

The recommendation of the ILGRP of a merger between Deniliquin, Conargo and Murray Councils with a possibility of the inclusion of Wakool is seen as the preferred direction for regional sustainability combined with efficient and quality delivery of a wide range of services to the communities.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.

Deniliquin Council will continue to regularly review all of its Integrated Planning and Reporting documents to ensure that the strategies and associated actions are appropriate to meet continued achievement of the benchmarks for sustainability.

Quarterly Budget Review Statements will be provided to Council and annual statements to the community will assist in monitoring of the performance against projected achievements.

Council will consult with the community as need for major change is identified but at least once on commencement of each term of council and associated review of Integrated Planning and Reporting documents.

Specific objectives will be included in responsible individual's performance criteria with set timeframes for achievement and monitored as part of a review process.

6. APPENDICES

Deniliquin Council requests that Appendix 1 (LKSQuaero – Deniliquin, Murray and Wakool – Fit for the Future Business Case) and Appendix 2 (LKSQuaero – Deniliquin Fit for the Future Business Case) remain as Commercial-in-Confidence documents as they contain information and recommendation on organisational and staffing matters that have not been discussed with staffing groups or individual staff members that may be affected by the recommendations if they are implemented. It is proposed that this consultation will not occur until a final determination is made as to whether Deniliquin remains as a Stand Alone Council or whether it is to merge with one or more adjacent councils as this will have a significant bearing on the changes proposed.

Appendix 1 (Commercial-in-Confidence)
LKSQuaero – Deniliquin, Murray and Wakool – Fit for the Future Business Case

Appendix 2 (Commercial-in-Confidence)
LKSQuaero – Deniliquin Fit for the Future Business Case

Appendix 3
Deniliquin Council Fit for the Future Self Assessment Tool

Appendix 4
Deniliquin Council Fit for the Future Ratio Calculations