

## Template 2

**Fit for the Future**

# Parkes Shire Council Improvement Proposal

(Existing Structure)



Office of  
Local Government



**Council name:**

**Parkes Shire Council**

---

**Date of Council resolution endorsing this submission:**

**18th of 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.

Parkes Shire Council has resolved to progress down the standalone path as a Council in the Central West Joint Organisation (JO).

The Independent Local Government Review Panel's (ILGRP) recommendation for Parkes Shire Council, is either a "Council in Central West JO or merge with Lachlan". Neither option was identified as preferred over the other in ILGRP's assessment.

Council discussed the possibility of the merger option with Lachlan Shire Council. However, based on strong community opinion and public campaign "Keep Lachlan Local", Lachlan Shire Council resolved to progress as a standalone council. Consequently Parkes Shire Council resolved to similarly progress down the standalone path.

Considering the standalone resolutions, due diligence was completed to determine if in fact there were benefits for the Parkes Shire constituents to a merger. The analysis, (based on the current publically available data), in this report substantiates the respective council's decision to standalone. A merged entity will only meet three (3) of the benchmark criteria by 2020, potentially at substantial cost to the constituents of the Parkes Shire. The financial impact of the merger was modelled by Morrison Low (confidentially attached).

Council's greatest issue, identified prior to 2012, was financial sustainability. Significant work has been undertaken to address this issue, much

of which was included in the Special Rate Variation (SRV) application (attached). Extensive community consultation showed the community did not want a reduction in service to address the sustainability issues, but instead opted for a "Progressive" program to maintain service levels, address asset deficiencies and provide surpluses for the future aspirations of the community.

The current Fit For the Future (FFTF) reforms fit consistently into the business improvement process commenced by Parkes Shire Council, in earnest from early 2012, *Figure 1. Parkes Shire Council Fit for the Future Submission, Improvement Proposal*. It is also Council's view that the FFTF reforms are a natural progression of Integrated Planning and Reporting (IP&R). Council sees Integrated Planning & Reporting as a three pillar framework relying on sound Asset Management/Custodianship, Financial Management/Fiduciary duty, and meaningful Community Engagement/Inclusion.

**It is this three pillar approach which has positioned Council to meet all seven benchmarks by the 2017/18 financial year, figure 1.** Third party verifications of Council's FFTF assessment has been completed by Morrison Low and TCorp (attached).

#### Parkes Shire Council

 SUSTAINABILITY	BENCHMARK	RESULT	MEETS FFTF BENCHMARK	
	<i>Operating Performance Ratio (greater or equal to break-even average over 3 years)</i>	0.038	YES	
 EFFECTIVE INFRASTRUCTURE AND SERVICE MANAGEMENT	<i>Own Source Revenue Ratio (greater than 60% average over 3 years)</i>	64.56%	YES	
	<i>Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)</i>	111.55%	YES	
	<i>Infrastructure Backlog Ratio (less than 2%)</i>	1.04%	YES	
 EFFICIENCY	<i>Asset Maintenance Ratio (greater than 100% average over 3 years)</i>	101.11%	YES	
	<i>Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)</i>	3.34%	YES	
	<i>A decrease in Real Operating Expenditure per capita over time</i>	Decreasing	YES	
OVERALL RESULT				
<i>The Council meets all seven of the Fit for the Future Criteria</i>				

Finally, Council's actions since 2012 have resulted in the TCorp assessment of the Financial Sustainability Rating (FSR) rising from previously "weak" with a "negative" outlook, to a current FSR of "moderate" with an outlook of "positive", and with forecast improvements moving to a "Sound" FSR with a "positive" outlook within three (3) years. *TCorp Assessment, June 2015 (attached)*.

Parkes Shire Council has a stable, harmonious and competent elected leadership. The difficult decisions around special rate variations, financial support of corporate development, business improvements and asset management made by this elected council, have resulted in Council meeting all the benchmark ratios in a short timeframe and will ensure Council meets all other criteria to be fit for the future.

## 1.2 Scale and Capacity

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

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

**Yes/**~~No~~

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

See attached; Parkes Shire Council "Fit for the Future Report", June 2015 for a detailed analysis of Scale and Capacity.

## 2. Your council's current position

### 2.1 About your local government area

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

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

Parkes is a vibrant centrally located community famous for The Dish and Elvis Festival. Located in the Central West, the Shire has a population of 15,217 (ABS 2014), including the smaller communities of Trundle, Peak Hill, Tullamore, Bogan Gate, Alectown and Cookamidgera. The population is increasing, 3.6% from 2004 to 2014, averaging 100 new residents per annum (ABS cat 3218.0). It is easily accessed via road (365km to Sydney) rail and air (daily flights to Sydney).

Covering an area of 5191km<sup>2</sup>, the Shire generates a Gross Regional Product (GRP) of more than \$1billion, with an anticipated annual growth of 2.3% (AEC group 2013). The mining industry is a key driver of the local economy, accounting for a third and almost 6% of the Shire's total GRP and employment respectively. Council is working hard to secure a diverse economy and continue current economic stability with major industries contributing including agriculture, public service sector, transport and logistics.

Government services represent approximately 30% of employment within the Shire including positions at the new Service NSW centre, the \$13m regional police station, a new \$72.5m Parkes hospital, a regional headquarters of Roads and Maritime Services, Centrelink and Department of Community Services. Other regional operators include Currajong Disability Services and Neighbourhood Central. Parkes' national logistics capacity is further strengthened by the planned Inland Rail link (Parkes Mayor is the chair of the Melbourne to Brisbane Inland Rail Alliance) and the development of a National Logistics Hub which boasts three anchor tenants Linfox, SCT and Asicano. Council also owns and operates Parkes Regional Airport which services up to four Local Government Areas.

The community's goals and priorities are reflected in the 2022 Community Strategic Plan, supported by continuing engagement with the

community to deliver the eight identified Future Directions: 1. Develop lifelong learning opportunities; 2. Improve health and wellbeing; 3. Promote, support and grow our communities; 4. Grow and diversify the economic base; 5. Develop Parkes as a National Logistics Hub; 6. Enhance Recreation and Culture; 7. Care for the Environment in a changing climate; and 8. Maintain and improve the Shire assets and infrastructure. Parkes was one of the first council's to embrace Integrated Planning and Reporting and is considered a leader in the process. The core responsibilities of Council are viewed as priorities for the community, identified in targeted workshops and surveys when developing the Community Strategic Plans including maintenance of \$470m public assets that include water, sewer, stormwater, buildings, airport and 2000km of roads.

The 10 year plan to deliver Parkes as "a progressive regional centre, embracing a national logistics hub , with vibrant communities, diverse opportunities, learning and healthy lifestyles" is being achieved through Council's Special Rate Variation (SRV -13% per annum over 4 years). Financial stability in delivering its key responsibilities is a key challenge for Council identified in 2012, and is being mitigated by Special Rate Variation income. The Special Rate Variation was approved by the community enabling Council to deliver services needed and expected by its ratepayers as well as maintaining infrastructure and assets.

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Stable innovative Council, with sound revenue base</li> <li>• Location on Newell Highway and major rail</li> <li>• Prospect of Inland Rail (MBIR)</li> <li>• Parkes National Logistics Hub</li> <li>• Radio Telescope (130,000 visitors per year)</li> <li>• Northparkes Mine and mining businesses</li> <li>• Safe community</li> <li>• New Hospital (\$72.5M)</li> <li>• New Regional Police Station (\$13M)</li> <li>• Regional government services (DOCS, Centrelink, RMS)</li> <li>• Strong agricultural sector</li> <li>• Rural/country lifestyle</li> <li>• Excellent air service (3 per day to Sydney)</li> <li>• Good sport and recreation facilities</li> <li>• Good community spirit and social cohesion</li> <li>• Positive economic activity/future</li> <li>• Award winning library service</li> <li>• Elvis Festival, Irish Festival, ABBA Festival and promotional activities</li> <li>• Good aged care facilities</li> <li>• Warm climate, clean air and environment</li> <li>• Beautiful busy main street</li> <li>• Strong existing industries</li> <li>• Caring community (including volunteers)</li> <li>• Good amateur theatre society (Little Theatre)</li> <li>• Small business friendly Council</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of medical specialists</li> <li>• Parkes competes with Dubbo &amp; Orange</li> <li>• Limited public transport</li> <li>• Tertiary education and trade skill training</li> <li>• Youth leave for education and jobs and do not return</li> <li>• Pressure on small community</li> <li>• Fragmentation of land and rural properties</li> <li>• Absentee owners</li> <li>• Roads maintenance (2000km)</li> <li>• Town and village entries need to reflect welcoming community nature</li> <li>• Further tertiary facilities</li> <li>• Water recreation facilities</li> <li>• Lack of trades people and professionals</li> <li>• Increase in welfare culture</li> <li>• Lack of federal funding for infrastructure, roads, access etc</li> <li>• Limited cultural activities and services</li> <li>• Water resources and infrastructure</li> <li>• Inefficiencies in agricultural supply chains</li> <li>• Telecommunication infrastructure</li> </ul>



Opportunities	Threats
<ul style="list-style-type: none"> <li>• Melbourne-Brisbane Inland Rail</li> <li>• Parkes National Logistics Hub</li> <li>• Hub for mining service industry</li> <li>• Agriculture value-add industries</li> <li>• Newell Highway related activity</li> <li>• Specialist health services (with new Hospital)</li> <li>• Aged care (appears to be demand)</li> <li>• Event tourism (eg astronomy, festivals)</li> <li>• Expand Airport related activities and commercial precinct</li> <li>• Improved tertiary education access</li> <li>• Internet shopping distribution</li> <li>• To improve assets with Special Rate Variation revenue</li> <li>• Discretionary funds allow opportunity for community driven projects</li> <li>• Great opportunity for government decentralisation</li> <li>• Investment in renewable energy projects as a result of climate change</li> <li>• Increase in global resource demand and prices</li> </ul>	<ul style="list-style-type: none"> <li>• Inland Rail not proceeding (needs Government support)</li> <li>• Non-competitive manufacturing (global competition)</li> <li>• Internet shopping (competes with local business)</li> <li>• Climate change</li> <li>• Government investing in larger centres</li> <li>• Population forecasts are pessimistic and self fulfilling</li> <li>• Youth leave for education and jobs and do not return</li> <li>• Professionals may favour larger centres with more services</li> <li>• Decline in global resource demand and prices</li> <li>• New environmental legislation including emissions trading scheme</li> <li>• Reliance on mining and agriculture</li> <li>• Limited availability of government funding for infrastructure</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)	- 0.139  Rolling 3 year average equals - 0.045	No	0.038  Rolling 3 year average equals 0.010	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	55.80 %  Rolling 3 year average equals 52.53 %	No	59.80%  Rolling 3 year average equals 58.59%	<b>No - 2016/17</b> <b>Yes from 2017/18</b>
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	81.90 %  Rolling 3 year average equals 71.38 %	No	127.80 %  Rolling 3 year average equals 145.53 %	Yes

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

Being met in IPART 5 year period.

## 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%)	2.62 %	No	1.42 %	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	96.20 %  Rolling 3 year average equals 80.70 %	No	96.30 %  Rolling 3 year average equals 99.47 %	No - 2016/17  Yes from 2017/18

**Debt Service Ratio**

(Greater than 0% and less than or equal to 20% average over 3 years)

3.94 %		3.46 %	
Rolling 3 year average equals 3.46 %	Yes	Rolling 3 year average equals 3.11 %	<b>Yes</b>

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

Being met in IPART 5 year period.

## 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	Decreasing	Yes	Decreasing	Yes

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

Being met in IPART 5 year period.

## 2.4 Water utility performance

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

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

**Yes/No**

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

See attached; *Parkes Shire Council "Fit for the Future Submission - Council Improvement Proposal"*, June 2015 for a detailed analysis of NSW Government Best Practice Management of Water Supply and Sewerage Framework.

See also attached; *HydroScience, "Parkes Shire Council - Fit for the Future - Assessment of Water Supply and Sewerage"*, (June 2015), for an audit of Council's compliance with NSW Government Best Practice Management of Water Supply and Sewerage Framework.

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

The current Water Supply Network estimated cost to bring infrastructure up to a satisfactory standard is \$6.317m and for the Sewerage Network is \$2.051m. Current capital works program of approximately \$70m is anticipated to eliminate all consequential backlog.

## 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
Lake Endeavour Dam Upgrade	2014/15 to 2015/16	\$6,500,000 <b>(Total \$11M project)</b>	50% State Grant Funding Internal Reserve Funding
Lachlan River Intake & Bore 8 upgrade	2015/16 to 2016/17	<b>\$ 2,655,400 project</b>	80% State Grant Funding Internal Reserve Funding
Water Treatment Plant	2015/16 to 2016/17	\$ 14,941,639 <b>(Total \$35.5M Project)</b>	Grants – Country Towns Water & Sewerage Scheme / Loans / Internal Reserves
Sewer Treatment Plant	2015/16 to 2016/17	\$7,812,397 <b>(Total \$23.7M Project)</b>	Grants - Country Towns Water & Sewerage Scheme / Loans /

			Internal Reserve Funding
Water Mains Construction	2016/17 to 2019/20	\$3,400,000 (On-going program)	Internal Reserve Funding
Completion Ring Main and Recycled Waste Water Facility	2015/16 to 2016/17	\$ 4,540,000 <b>(Total \$17M Project)</b>	50% Federal Grant Funding Internal Reserve Funding

## 2.4 Water utility performance

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

**Yes/**~~No~~

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



See attached; *Parkes Shire Council "Fit for the Future Submission - Council Improvement Proposal", June 2015* for a detailed analysis of performance.

See also attached; *HydroScience, "Parkes Shire Council - Fit for the Future - Assessment of Water Supply and Sewerage", (June 2015)*, for an audit of Council's compliance with NSW Government Best Practice Management of Water Supply and Sewerage Framework.

## 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. Parkes Shire Council - Strategic Business Plan for Water Supply and Sewerage Services - Objectives and Actions	2015/17	Continuous improvement to business operation
2. Parkes Shire Council - Drinking Water Management System - Implementation program	2015/17	Continuous improvement to drinking water quality
3. Parkes Shire Council - Asset Management Plan for Water Supply and Sewerage Services - Improvement Plan	2015/17	Continuous improvement to management of water/sewer assets

## 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 has been approved for a Special Rate Variation which has been forecasted to achieve operating surpluses over the life of the current Long Term Financial Plans. Measures are being introduced through Council's Business Improvement Program to decrease expenditure through efficiency measures which will positively impact on the Operating Performance Ratio and Own Source Revenue benchmarks with these being forecast at FFTF levels over the next two years.

The proposed Asset Renewal Program has also been enhanced through the Special Rate Variation funds and the Integrated Planning & Reporting Community Engagement Continuum to facilitate the process. Council now has funding and community support to focus increased resources on asset renewal which increases funding available for road maintenance works which will see the FFTF benchmark for Building and Infrastructure Asset Renewal being achieved in the 2015/2016 financial year.

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.*

- General rate revenue will increase by 13.0% for the years 2015/16 and 2016/17, and further increase by 3% per annum from 2017/18 to 2024/25.
- Fees and Charges as compared to the cost of services will be reviewed, and is assumed to increase by 3.0% per annum.
- Council is forecasting that there is no increase in the General Purpose Financial Assistance Grants due to the freezing on indexation, so that the amount of \$3,622,205 is maintained, and will increase by 3.0% per annum from the years 2018/19 onwards.

- Roads to Recovery Grants have been estimated to increase by 2.0% in the year 2019/20 and will be maintained at the new level of \$903,910 for the years 2019/20 to 2023/24.
- Employee Costs are forecast to increase by 2.7% in 2015/16 and 2.8% thereafter.
- Materials and contracts will increase by 1.75% in 2015/16 and 2.0% for subsequent years. Whilst inflationary pressures may exceed this, the commencement of a best practice review of procurement has placed downward influence on these costs. It has been noted that the introduction of Lean methodology throughout the organisation has resulted in cost containment and an increase in productivity, this is expected to continue.
- Capital budgets have been established to ensure a balanced cash position. Renewal programs have been developed following a condition assessment of the Shires Road Networks.
- Depreciation has been set taking into account the revaluation of the roads network as at 30 June 2015.
- It is expected that in 2015/16 Council will borrow \$1 million, bringing forward community initiative projects that are being funded from additional income received through the Special Rate Variation.
- It is planned in 2015/16 to borrow \$500,000 to bring forward drainage projects that have been outstanding and subsequently remove the backlog.
- Parkes will implement a new Corporate Information System which will modernise administration practices and contemporise workflows leading to efficiency gains throughout the organisation.
- It is an underlying principle that there will not be a reduced level of service to the community, and with the advancement of the projects funded by the Special Rate Variation, that there will be an enhanced level of services provided by Council.

## 3.1 Sustainability

Outline your strategies and outcomes in the table below.

### 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.1.1 Continue to embrace and augment Council's approach to the Integrated Planning and Reporting Framework	<p>3.1.1a) Deliver on the Progressive (SRV) Strategic Actions in the 2013/2014-2016/2017 Delivery Program</p> <p>3.1.1b) Further develop and improve upon Integrated Planning and Reporting methodologies for the 2017/2018-2020/2021 Delivery Program</p>	<p>3.1.1a) Final year of the current delivery program 2016/2017 FFTF benchmark for Operating Performance is reached, 0.010. Next year of current delivery program 2015/2016 FFTF Building and Infrastructure Asset Renewal Benchmark is reached, 134.82%.</p> <p>3.1.1b) Development of the 2017/2018-2020/2021 Delivery Program will see at</p>	<p><b>3.1.1a,b) Operating Performance Ratio, Own Source Revenue Ratio, Building and Asset Renewal Ratio</b></p> <p>The Special Rate Variation subject of Council's current delivery program sees Council with a forecast of achieving operating surpluses over the life of its LTTP. Development of the 2017/2018-2020/2021 Delivery Program will see Council's approach to</p>	<p><b>3.1.1 Infrastructure and Service Management</b></p> <p>Council has allocated \$8.434m from the Special Rate Variation predominantly towards the renewal of assets over the current delivery program period. The years following will see \$3.7m per annum towards the renewal of assets resulting in the Asset Backlog</p>

		the Own Source Revenue FFTF Benchmark achieved in the first year of the next delivery program 2017/2018.	ongoing sustainability revisited in comprehensive consultation with the Parkes Shire Community however Council is committed to its fiduciary responsibilities and in addition to maintaining benchmarks identified. Therefore after the Special Rate Variation conclude the forecast results will meet all benchmarks after 2017/2018 and continue until 2020.	decreasing. As a result of Council increasing its asset renewal (from the Special Rate Variation and predicted next Delivery Program) it is predicted this will reduce the need for asset maintenance thereby impacting positively on the Asset Maintenance Ratio.
3.1.2. Continued Implementation of Parkes Shire Council Asset Management Improvement Program	3.1.2a) Continue to improve upon "Asset Management Plan" and "Data and Systems" practice areas of the Asset Management Improvement Program	3.1.2a) Monthly progress reports on NAMF strategies by Project Working Party (GPEC)  Six monthly progress reports and	<b>3.1.2a) Building and Asset Renewal Ratio</b>  Council has re valued its transport assets which has seen a decrease in	<b>3.1.2 Infrastructure and Service Management</b>  Impact on this benchmark is covered below in

		<p>reviews by the Risk Review Committee (Internal Audit)</p> <p>2015/2016 FFTF Building and Infrastructure Asset Renewal Benchmark is reached, 134.82%.</p>	<p>depreciation of approximately \$265,000 per annum. It has developed a strategy of managing its assets renewal based on improved modelling which will improve the Building Infrastructure and Asset Renewal Benchmarks under the sustainability measure.</p>	3.2.1
3.1.3 Parkes Shire Council transforms into an organisation fully embracing a continuous improvement philosophy.	3.1.3a) Council fully adopts and implements the 3 core elements of its Business Improvement transformation.	<p>3.1.3a) The achievements and progress regarding initiatives and plans under each element of the transformation will be reported to the Risk Review Committee on a six monthly basis.</p> <p>The achievements and progress regarding initiatives</p>	<p><b>3.1.3a) Operating Performance Ratio</b></p> <p>Looking at this benchmark a goal has been set to ensure Operating Expenditure is capped to remain under 1.7% annually as per the 2015 TCorp recommendations. This should then flow on to positive impacts</p>	<p><b>3.1.3 Efficiency</b></p> <p>Impact on efficiency of this objective covered below in 3.3.1</p>

and plans under each element of the transformation will be independently reviewed by and assessed by an appropriate party in 2018.

on Council's Operating Performance Ratio as operating expenses will be reduced in the formula.



## 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.

Better practice asset management is one of three key pillars in Council's ongoing approach to sustainability. Considerable effort has been made in increasing the maturity of Parkes Shire Council's asset management planning. Council has recently updated its transport assets condition assessments and is able to establish a renewal program of works based on these up to date assessments and modelling. This approach is to match the required expenditure for asset renewal with actual condition of the assets based on physical condition assessments. This is considered a more sustainable and efficient use of Council resources as opposed to trying to match asset renewal expenditure against annual depreciation expense.

In looking at Council's asset backlog based on current levels of annual funding for renewals and long term forecasts, it is expected that Council will be able to achieve the benchmarks set.

The asset renewal expenditure planned will over time reduce the required annual expenditure on asset management. As part of the current Special Rate Variation programmed works Council has increased annual maintenance expenditure. In line with the Parkes Shire Community's wishes current service levels are to be maintained, with efforts being made to improve these levels. This will see the benchmark for the Asset Maintenance being met by the commencement of the next Delivery Program in 2017/2018.

Council has maintained the debt service ratio benchmark for some time and Council will continue with its current borrowing policy and commitment to maintaining these ratios over the life of the Long Term Financial Plan.

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

- Council's Asset Strategy addresses the financial management of the rolling backlog over the full term of the Long Term Financial Plan (2025/26). The modelling optimises capital expenditure so as to limit maintenance and depreciation expenses.
- Council's infrastructure backlog has been assessed by a comprehensive condition assessment, quantifying with a high level of confidence the renewal program and the useful lives of the assets.
- The additional funds received from the Special Rate Variation will be utilised as prescribed to reduce the Infrastructure Backlog and improve and enhance the level of services provided to the community.
- Council's modelling assumes a balanced financial position can be achieved whilst maintaining the required level of service. This assumption is considered as important as the financial theory behind the ratio.
- The assumptions have been also been independently reviewed by JRA consultants.

## 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
3.2.1. Continued Implementation of Parkes Shire Council Asset Management Improvement Program	3.2.1a) Improved performance/maturity assessed against the 11 core strategies of the National Asset Management Framework (NAMF)	<p>3.2.1a) Monthly progress reports on NAMF strategies by Project Working Party (GPEC)</p> <p>Six monthly progress reports and reviews by the Risk Review Committee (Internal Audit)</p> <p>Extensive review, update and community consultation regarding Asset Management Strategy, Service</p>	<p><b>3.2.1a) Infrastructure Backlog Ratio and Asset Management Ratio</b></p> <p>In addition to Council's impacts on the Infrastructure Backlog benchmark under the Asset Management improvements put in place to date, Council has contemporised and improved the latest condition assessments for road networks, stormwater and drainage as well</p>	<p><b>3.2.1 Sustainability</b></p> <p>Under its Asset Management Improvement Program, Council has revalued its transport assets which has seen a decrease in depreciation of approximately \$265,000 per annum. It has developed a strategy of managing its assets renewal based on improved renewal</p>

levels and condition ratings etc during the 2017/2018-2020/2021 Delivery Program and Community Strategic Plan development phases.

as a resulting renewal program. This benchmark is forecast to be FFTF in 2015/2016 at 1.36% and remain compliant going forward.

The above same measures in addition to the Special Rate Variation funding improvements, had a positive impact on the Asset Maintenance Ratio by seeing Council have a more accurate appraisal of its needs, particularly of its road network. This benchmark will meet FFTF compliance in 2017/2018 and continue to improve.

modelling which will improve the Building Infrastructure and Asset Renewal Benchmarks under the sustainability measure.

### **3.2.1 Efficiency**

A more strategic approach to Asset Management involving the endorsement of the community through Integrated Planning & Reporting ensures any operating expenditure arising from maintenance and care for assets is determined and incurred in line with expectations and valid consent of the community.

3.2.2 Continue to embrace and augment Council's approach to the Integrated Planning and Reporting Framework.

3.2.2a) Deliver on the Progressive (SRV) Strategic Actions in the 2013/2014-2016/2017 Delivery Program.

3.2.2b) Further develop and improve upon Integrated Planning and Reporting methodologies surrounding better practice Asset Management for the 2017/2018-2020/2021 Delivery Program.

3.2.2.a) The next year of the current delivery program 2015/2016 FFTF benchmark for Infrastructure Backlog Benchmark is reached 1.36%

3.2.2b) Development of the 2017/2018-2020/2021 Delivery Program will see Asset Maintenance FFTF Benchmark achieved in the first year of the next delivery program 2017/2018, 100.07%

### **3.2.2a,b) Infrastructure Backlog Ratio and Asset Management Ratio**

Council has allocated \$8.434m from the Special Rate Variation towards predominately the renewal of assets over the Delivery Program period 2013/2014 - 2016/2017. In the years following approximately \$3.7m per annum is available for the renewal of assets with the forecast to increase.

Similarly the Asset Maintenance Ratio is forecasted to increase as a result of increased funding via the Special Rate Variation and in

### **3.2.2 Sustainability**

Improvements to Council's approach to Integrated Planning & Reporting is a primary objective for sustainability refer 3.1.1.

### **3.2.2 Efficiency**

Impact on efficiency of Integrated Planning & Reporting covered in 3.2.1 above.

incrementally over time reducing the demand for renewals, therefore more funding will be available for maintenance activities.

### 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 currently meets this benchmark and projections indicate it will be able to continue to do so for the period of the Long Term Financial Plan, provided the projected conservative estimates for incremental population growth are realised and the targeted 1.7% growth cap on operational expenditure is maintained. It is anticipated the planned nation building infrastructure project for a Melbourne to Brisbane Inland freight rail line will see a boost to the economy of Parkes Shire.

Council is committed to continued operational efficiencies and improvements and is transforming the organisation to a continual improvement culture through its Business Improvement Program. The Processes, Systems and Capability improvements articulated in the program are the primary levers that Council will use to ensure the expenditure growth is capped at the targeted rate and ensure the benchmark is maintained.

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

- Council has been conservative with population growth estimates. A study conducted in 2012 by the AECGroup has been balanced against the published figures of the Australian Bureau of Statistics (Cat 2318.0). Further estimates have been obtained from Council's subscription to the ID Solutions Demographic service. Therefore Council's population figures are assumed using the combination of these resources. A growth rate of 3.6% over a ten year period is assumed.
- Modelling of overall expenditure has been confirmed by Morrison Low Consultants who accept Council's planned expenditure containment strategy of 1.7% which was subsequently re-affirmed by the analysis of TCorp.
- Employee Costs are forecast to increase by 2.7% in 2015/16 and 2.8% thereafter.
- Materials and contracts will increase by 1.75% in 2015/16 and 2.0% for subsequent years. While inflationary pressures may exceed this, the commencement of a best practice review of procurement has placed downward influence on these costs. It has been noted the introduction of Lean methodology throughout the organisation, that this is leading to cost containment and an increase in productivity which is expected to continue.
- Renewal Capital programs have been developed following a condition assessment of the Shires Road Networks.

- Depreciation has been set taking into account the re-evaluation of the roads network as at 30 June 2015, and a review of the remaining Estimated Useful Life of the Transport Assets which is the largest asset class of Council's total assets.



### 3.3 Efficiency

Outline your strategies and outcomes in the table below.

#### 3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
3.3.1 Parkes Shire Council transforms into an organisation fully embracing a continuous improvement philosophy.	<p>3.3.1a) Council fully adopts and implements the Capability Development element of its Business Improvement transformation</p> <p>3.3.1b) Council fully adopts and implements the Process Improvement element of its Business Improvement transformation</p> <p>3.3.1c) Council fully</p>	<p>3.3.1a,1b,and 1c) The achievements and progress regarding initiatives and plans under each element of the transformation will be reported to the Risk Review Committee on a six monthly basis.</p> <p>3.3.1a,1b,and 1c) The achievements and progress regarding initiatives and plans under each element of the transformation will</p>	<p><b>3.3.1a,1b,and 1c) Real Operating Expenditure</b></p> <p>Looking in particular at this benchmark a goal has been set to ensure Operating Expenditure is capped to remain under 1.7% annually as per the 2015 TCorp. recommendations. The strategies undertaken to achieve the transformation will be monitored to</p>	<p><b>3.3.1 Sustainability</b></p> <p>If efficiencies are achieved as expected through the implementation of continuous improvement methodologies, there should also be commensurate positive impacts on Council's Operating Performance Ratio due to a decrease or moderating of operating expenses.</p>

adopts and implements the Leadership and Management Systems element of its Business Improvement transformation

be independently reviewed and assessed by an appropriate party in 2018.

determine their impact in assisting to achieve this TCorp target.

### **3.3.1 Infrastructure and Service Management**

Council's Asset Management Improvement Program forms part of the Overall Improvement Program which is fully outlined in Section 3.2 of this document.

Additionally the strategies are put in place to reduce drivers for increased operational expenditure that will reduce overall costs, bringing assets to a satisfactory condition thus positively impacting on the Infrastructure

				Backlog Ratio.
3.3.2 Parkes Shire Council achieves "better practice" with regards to Project Management Methodologies and outcomes	3.3.2a) Council achieves high level of maturity in its Project Management through its Project Management Improvement Program.	<p>3.3.2a) Council increases its capacity and capabilities in project management with progress reported 6 monthly to the Risk Review Committee.</p> <p>3.3.2.a) Annual roll over reviews in the third quarter to monitor project delivery rates and financial management.</p> <p>3.3.2a) The achievements and level of maturity regarding project management will be independently reviewed and assessed by an</p>	<p><b>3.3.2a) Real Operating Expenditure</b></p> <p>A key element of Council's improved approach to Project Management includes increased and ultimately mandatory analysis of operating cost and or whole of life costs in the planning phase. This will manage and reduce unforeseen operational impacts arising from capital works.</p> <p>Increasing capacity and capabilities in project management is mitigating cost overrun risks to</p>	<p><b>3.3.2 Sustainability</b></p> <p>If efficiencies and improvements are achieved in project management, there should also be commensurate positive impacts on Council's Operating Performance Ratio due to a decrease or moderating of operating expenses.</p> <p><b>3.3.2 Infrastructure and Service Management</b></p> <p>Improvements in efficiencies through better project</p>

		appropriate party in 2018.	projects not only in the areas of capital but is improving managers' skills in their operational delivery of services and maintenance. This has flow on improvements to such areas as budget management, contractor management and procurement. This assists in reducing pressures on operating expenditure.	management will reduce drivers for increased operational expenditure that will reduce overall costs to bring assets to a satisfactory condition. This will see existing funding able to maximise its impact on the Infrastructure Backlog Ratio. Equally it should also improve our overall Asset Maintenance Ratio.
3.3.3 Council continues to implement its Financial Management Improvement Plan	3.3.3a) Council reviews and improves its Capitalisation and Depreciation policies	3.3.3a) Policies fully reviewed and improved adopted by Council by June 2016.	<b>3.3.3a) Real Operating Expenditure</b>  In providing clarity and compliance measures in the areas of capitalisation and depreciation, it will	<b>3.3.3 Sustainability</b>  If capitalisation and depreciation measures are more consistent and accurate this will equally have qualitative

ensure more accurate and consistent capture of expenditure. This will impact on the Real Operating Expenditure Ratio, ensuring its reliability and validity will be enhanced.

improvements on the Operational Performance Ratio and the Building and Asset Renewal Ratio.

### **3.3.3 Infrastructure and Service Management**

If capitalisation and depreciation measures are more consistent and accurate this will equally have qualitative improvements on the Infrastructure Backlog and Asset Maintenance Ratio.

## 3.4 Improvement Action Plan

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

### Action plan

#### Actions

1. Progressive (SRV) Strategic Actions in the Operational Plan and Budget for 2015/2016 of the 2013/2014-2016/2017 Delivery Program are successfully adopted and implemented.

2. Asset Management Improvement Program initiatives are utilised for Council's Asset Renewal Program. Condition assessments are fully examined via external audit verifying the latest condition assessments for road networks, stormwater and drainage.

#### Milestones

1.1 Operational plan and budget 2015/2016 is finalised and FFTF Building and Infrastructure Asset Renewal Benchmark is reached 134.82%

2.1 Monthly progress reports on NAMF strategies by Project Working Party (GPEC)

2.2 Six monthly progress reports and reviews by the Risk Review Committee (Internal Audit)

2.3 2015/2016 FFTF Building and Infrastructure Asset Renewal Benchmark is reached 134.82%. Infrastructure Backlog benchmark FFTF in 2015/2016 at 1.36% and remain compliant going

	forward
3. Continued implementation of the Financial Management Improvement Plan see Council review and improve its Capitalisation and Depreciation policies	3.1 Policies fully reviewed and improved adopted by Council by June 2016.
4. Council fully implements planned activities for 2015/2016 under the 3 core elements of its Business Improvement transformation	4.1 Operating Expenditure is capped and remains under 1.7% for the 2015/2016 financial year
5. Council continues to increase its capacity and capabilities in project management, with progress reported 6 monthly to the Risk Review Committee.	5.1 Six monthly progress reports to the Risk Review Committee.  5.2 Annual roll over reviews in the third quarter to monitor project delivery rates and financial management.
* (Refer attached Parkes Shire Council Improvement Report and Benchmark Financial Modelling.)	Greater detail can be obtained from Council's FFTF webpage including relevant Integrated Planning & Reporting docs as well as the PSC Business Improvement Program, Finance, Asset and Project Management Improvement plans. <a href="http://www.parkes.nsw.gov.au/council/strategic-plans-and-reports-parkes/fit-for-the-future">http://www.parkes.nsw.gov.au/council/strategic-plans-and-reports-parkes/fit-for-the-future</a>

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

Parkes Shire Council has essentially been actively engaged in addressing its ongoing financial and operational sustainability since 2010. The

key elements of Council's efforts have been underpinned by its commitment to a meaningful adoption of the Integrated Planning and Reporting Framework as well as to a continuous improvement culture. A diagrammatical representation of Council's Improvement Pathway can be found in the attached Parkes Shire Council Improvement Report (Page 5). The source documents for these improvements all outline the processes that have been undertaken to develop the strategies and initiatives which underpin Council's approach. The Parkes Shire Council Business Improvement Program, Finance Improvement Plan, Asset Management Strategy and Project Management Improvement Program as well as its suite of Integrated Planning and Reporting documents can be found by going to the below link.

<http://www.parkes.nsw.gov.au/council/strategic-plans-and-reports-parkes/fit-for-the-future>



### 3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

Council has discussed the possibility of a merger option with Lachlan Shire Council. In consideration of this matter Lachlan Shire Council resolved to progress as a standalone council (see attached letter from Lachlan Shire Council). As a consequence of that decision, Parkes Shire Council resolve to similarly progress down the standalone path as a Council in the Central West Joint Organisation. Considering the standalone resolutions, due diligence was completed to determine if in fact there were benefits for the Parkes Shire constituents to a merger. The analysis, (which is based on the current publically available data), substantiates the respective council's decision to standalone. A merged entity will only meet three (3) of the benchmark criteria by 2020, potentially at substantial cost to the constituents of the Parkes Shire. Details of the analysis are confidentially provided in the attached, "Fit for the Future Report - Appendix F " (June 2015), and Morrison Low, "Fit for the Future Modelling of a Merger Scenario between Parkes Shire Council and Lachlan Shire Council", (June 2015).

## 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)	-0.058	0.031	0.038	0.024	0.039	0.050	<b>Yes</b>
	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	
	-0.054	-0.026	0.010	0.031	0.034	0.038	
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	58.7%	56.20 %	59.80%	64.30 %	64.60%	64.80 %	<b>Yes</b>
	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	
	55.80%	57.87%	58.59%	60.07 %	62.85%	64.56 %	
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	149.10%	159.60 %	127.80 %	112.60 %	108.80 %	113.20 %	<b>Yes</b>
	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	
	112.00%	134.82 %	145.53 %	133.18 %	116.35 %	111.55 %	

<b>Infrastructure Backlog Ratio</b> (Less than 2%)	1.47%	1.36 %	1.42 %	1.42 %	1.41 %	1.04 %	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	98.70%	103.04 %	93.30 %	100.50%	103.20 %	99.60 %	Yes
	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	3 year moving average	
	96.50%	99.51 %	99.47 %	100.07 %	100.10 %	101.11 %	
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)							Yes
	2.88%	3.17 %	3.11 %	3.30 %	3.45 %	3.34 %	
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time							Yes
	Decreasing	Increasing	Decreasing	Decreasing	Decreasing	Decreasing	

## 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.

Benchmarks achieved.

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council's Risk Review Committee (Internal Audit) is the primary means by which Council monitors and gains assurance around operational performance across the organisation. This committee is charged with reviewing and providing strategic direction to the majority of the transformational initiatives that have been undertaken by the organisation since 2010. The Integrated Planning and Reporting framework, Business, Finance, Asset and Project Management improvement programs are all oversighted by this committee, which has had a very positive impact driving Council along its sustainability pathway. Ultimately it is the General Manager who reports and is accountable to this committee with the Manager Governance and Corporate Strategy (who is the a direct report to the General Manager) being the coordinator and secretary of the committee. Internally the FFTF action plan will be monitored and reported upon by the relevant Officers of Council through Council's corporate reporting mechanisms. Performance against the benchmarks set will be a permanent agenda item for the Risk Review Committee which meets quarterly and in turn has the minutes of the meeting reported to the whole of Council. A full comprehensive annual report on the action plan will be prepared and submitted for Council on an annual basis and placed on Council's website. Benchmarks will also form part of Council's legislated Annual Report in a similar method that has been adopted in reporting on Council's Special Rate Variation results.