

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: Gloucester Shire Council

Date of Council resolution endorsing this submission: 20 May 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.

Gloucester Council is a small rural council that provides essential and emergency services to a large Mid North Coast hinterland area. Council embarked on a financial sustainability journey 3 years ago. A comprehensive asset condition assessment has been conducted, organisational restructure and efficiencies implemented, and our first special rate variation has been approved. A significant review of our community strategic plan is in process. These actions have identified the issues and solutions with a programmed long term financial sustainability plan developed.

Options recommended by the Independent Local Government Review Panel for Gloucester was a “Council in Mid North Coast JO or merge with Great Lakes and/or Greater Taree”. It was suggested that as a Group F council we should consider a merger to improve sustainability and strategic capacity with our position reviewed no later than 2021.

Gloucester Council positively considered the merger option. Greater Taree Council was not willing to discuss a merger. In conjunction with Great Lakes Council we received funding to conduct a Business Case for a merger. The results of this independent study (**Appendix H**) state that there are no short -or long- term financial benefits, in fact there is a negative NPV. Due to the negative impacts on their ratepayers Great Lakes Council resolved not to pursue a merger. Accordingly, Gloucester Council decided to pursue the stand alone option.

Council engaged the community and conducted a reasonably wide consultation process on whether we should strive to remain a stand -alone council. This consultation built on the extensive engagement undertaken as part of our special rate variation application. As usual we made available all possible information through focus groups, meetings and via Council's own, or the OLG website. The verbal and survey responses overwhelmingly support the stand alone position. Many residents participated in focus groups and have provided input to our submission. Some of their comments are included in this proposal. **Appendix A**

Council has addressed the essential areas of assessment in an improvement proposal. Our submission demonstrates how we meet the elements of scale and capacity. **Appendix B**. Whilst not currently meeting all the financial benchmarks, Council has strategies in place to meet these in the near term. Part of the solution relates to a risk based review of asset life flowing through to depreciation costs. This changed methodology derives from an asset standardisation project with Mid North Coast Organisation of Councils (MidROC) **Appendix C**. and supports our well-defined and costed asset management plan. In addition, Council is committed to shared service delivery with other councils. **Appendix D**. The increased rates revenue resulting from the advent of our SRV commences 1 July 2015.

Accordingly, Council has prepared its FFTF Improvement Proposal. By 2020 we will meet all benchmark criteria except asset maintenance

which is trending towards the target. We appreciate the benefits and opportunities arising from working with an effective Joint Organisation.

Appendix E. Gloucester Shire Council welcomes the State Government's Fit for the Future reforms, such as a more flexible rating system.

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?

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

Yes

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).

The Panel did not recommend a merger or Rural Council proposal. However we have attached a detailed response against the elements of Scale and Capacity. **Appendix B.**

This council, with its community, achieves an enormous amount with very limited resources. This is enabled through cooperation, by alliances and flexible arrangements. We are very much fit for purpose. As our submission demonstrates we have implemented, and will progress, a whole range of possibilities for improving and accessing new opportunities.

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.

Gloucester Shire is renowned for its wild ranges and rivers. From the rugged backdrop of the Barrington Tops to the rolling farmlands and rich river flats of the valley, this place is unique in the world. Our national parks have received World Heritage listing and draw thousands of visitors to our region each year. We are caretakers for one of the most significant water catchment areas in the region, with our rivers sustaining community water supplies in five local government areas.

Gloucester Shire Council is an important service provider for tourism, service and agricultural sectors in the inland region between Armidale/Tamworth and the coastal cities of Newcastle and Taree. We are a vital emergency service centre located one hour from the coast and 2 hours from Armidale over secondary roads. The shire covers approximately 3000 km² and is home to some 5200 people. Population growth over the next 10 years is forecast at a rate of 1.8% per annum. The main population centre is the town of Gloucester, with five rural villages at Stratford, Barrington, Craven, Bundook and Copeland. The demographic mix is similar to most regional centres, with a higher than state average number of older residents.

Gloucester's economy was founded on agricultural enterprise and this continues to be a strong source of income today. The Retail and Services sectors account for 43% of local employment, manufacturing 14 % with beef and dairy farming and other horticultural activities accounting for 20%. Tourism is also a significant contributor to employment and the economy. The region has a Gross Regional Product of \$255 million. (*National Economic Indicator Series*). Challenges relate to the economy and employment. We want to retain our youth. The resource sector presents opportunities but the associated impacts must be addressed.

As a council we provide and or support community enhancement services such as emergency services, health, education, social, community and economy among others. Our residents enjoy most modern services. There is a viable shopping and business precinct together with an established small industry sector. An aged care facility is at the DA stage. Council is one of the major employers in the Shire and alterations to its structure/staff base will have a social and economic impact on the community.

The community is a vibrant one with over 100 social, sport, arts and service organisations. Their activities are linked to, and aspirations expressed in, the key elements of the Community Strategic Plan. Our vision is to work together to preserve this special place, to value and protect our environment, to care and contribute to our community, and to build a sound and prosperous future.

The community is concerned about the state of our shire's roads and bridges and want to see core infrastructure maintained. They care about Gloucester's unique environment and want to ensure that it is nurtured and protected. They want a broad-based economy and opportunities for employment and to continue to build a vibrant, connected and caring community. They value responsible leadership and want to be involved in making decisions that will affect Gloucester's future. Community members directly contribute to strategic and informing actions through involvement on Council committees. Gloucester Council and Community are proud of our well managed assets being a successful

participant in the Tidy Towns Awards.

The sustainability journey that Council has been on, including this proposal, is supported by an active and involved community.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Centralised location • Proximity to large population centres • Freight and passenger routes • Agricultural land • Low levels of borrowings • Affordable urban/rural residential land • Diverse economy • Natural assets, tourism attractions • Availability of water • Programmed approach to addressing financial sustainability. • Detailed picture of asset and financial needs, strategic approach to asset management • SRV in place • Informed and intensely engaged community • Attractive to new residents • Affordable industrial land • Internet connectivity • Community volunteerism and spirit • Skills and experience of our community • Excellent recreation facilities • Good medical and health services • Varied events calendar • Life style, low crime • Organisational restructure will enable alignment to new CSP targets 	<ul style="list-style-type: none"> • Large per capita road and bridge burden • Failure by government to acknowledge Bucketts Way and Thunderbolts Way as state roads • Competition to local businesses • Division in community due to resource activities • Constraints of LG Award • Aging infrastructure • Low socio economic community • Pensioner rebate costs • Access to tertiary education • Staffing needed to manage “red tape”. • Cost shifting from other levels of government • Underemployment leading to emigration • Aging workforce • No state or federal roads in the LGA leading to insufficient funding and plant/equipment offsets • Low growth population • Aging demographic • Difficulty in establishing staff succession plans • Large portion of non- rateable land. • No B Double route which impacts on viability of local producers • Capacity of rural communities to pay increased rates • Difficulty in managing weeds problem • Reduction in local agricultural service providers • General decline in rural infrastructure

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| <ul style="list-style-type: none">• Well- developed suite of environment/land use plans• Success in Tidy Towns Awards• High calibre bridge experience• Roads and bridges in reasonable condition despite funding constraints.• Community needs and expectations reasonably met despite downturn in major local industries of timber and dairy.• Council is operating in lean and efficient state• Skills in in-house strategic planning development• History of joint projects with neighbouring councils• Multi skilled staff• Effective delivery of sewer and water services through Mid Coast Water (MCW)• Enterprise Risk Management• Current Flood Study• Active involvement in Hunter Councils and MidROC• Experience in developing appropriate community consultation forums such as Gloucester Dialogue• Involved in many alliance shared service and network organisations such as MidWaste, Country Mayors, LEMC, WOL, LG NSW• History of non-party aligned councillors.• Councillors committed to sustainability including reduction from 9 councillors to 7 in 2012.• Council's involvement in negotiating membership of MCW, transfer of assets• Demonstrated capacity to deal with emergencies such as floods | |
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Opportunities	Threats
<ul style="list-style-type: none"> • Coordinated and strategic approach to local economic development • Additional high level visitor accommodation, facilities and attractions • Low debt service ratio • Planned review of CSP to enhance clarity of services and service levels and enable associated costs and resource requirements • Investment prospectus (in development) to promote for industrial and trade sector growth • Sport and/or active tourism • Aging population and opportunities in this sector –e.g. new aged care facility • Micro and online business • Injection of mining/CSG royalties directly to Council's revenues and to local region. • Current facilities capable of accommodating greater population e.g. decentralisation • Review of FAG funding and potential for increased allocation • Review of red tape may reduce demands • Under employment leading to potential for fast placement to new business entrants • Further rate rises in line with CSP review and LTFP • Highway upgrades to improve access including. B-Double route • Further sales of excess council land • Continued fees and charges review • Resource sector royalties direct to council 	<ul style="list-style-type: none"> • Inability to fund community aspirations • Slow population growth • Impact of lack of government support for rural economies • Increased cost shifting by governments • Impacts of flooding • Continuation of drive in , drive out resource sector employees • Reduced grant funding • Requirement to continue to provide non- core or new unfunded services • Reduction or declining rail transport • Uncertainty over CSG/mining approvals • Impacts from climate change such as storm events

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| <ul style="list-style-type: none">• Shared service delivery project with Bellingen, Kempsey and Nambucca• Grant from Innovation Fund to support the shared service delivery project• Rating of state owned commercial land. Currently 35% of LGA is non rateable• Strategic strength from JO alliance• Improved relationship with state agencies• Improved strategic planning• Replacing aged workforce• Review of land use planning• Outcomes from Agricultural Study• MidROC Asset Standardisation Project• Full implementation of Project Management and Quality Management into processes• Full implementation of enhanced HR procedures such as Employee Performance Management• Additional private works• To consider pre-qualification status for major state/federal road projects• Continued gains from new Landfill management• Enhanced advocacy from JO membership• Can increase borrowings to support works program• Promote the new Aged Care facility, the new medical centre and reasonably priced residential land to new entrants.• Creation of the Stratford Industrial Estate | |
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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)	-46.70	No	-16.03	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	44.0%	No	51.0%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	63.9%	No	183.7%	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.

Several years ago Council identified the key issues impacting on our financial sustainability and commenced an action plan to address these. A detailed assessment of asset condition and the need to align community aspirations to available resources were obviously fundamental. Until then we had managed declines in funding by suffering the resultant deterioration in our assets. While our reduced works and operations, together with some efficiency savings have gone some way to maintaining service levels in the face of decreased income, we have needed to

postpone important operational and capital works. This has led to a backlog of work required to maintain aspirational targets relating to roads and bridges as outlined in the Community Strategic Plan.

This plan, designed to meet our obligation to the community to utilise ratepayer's funds most effectively, targeted our tightening financial situation. It included a number of efficiency and quality improvement reforms.

For example Council has recently finalised an exhaustive condition assessment of its infrastructure and a review of resourcing allocations. This informed our first application for a special rate variation with its concomitant extensive community consultation and information. This changed approach has identified a long term solution to Council's financial sustainability that is in line with the Fit For the Future process.

Until now, our benchmarks have not been achievable primarily due to the very large infrastructure burden on a small ratepayer base. Steps have been taken to address this with the SRV identified 10 year works program, a detailed road hierarchy and risk based priority program. We are working with MidROC on an Asset Standardisation Project which will align service levels to community acceptance based on a risk framework. **Appendix C.**

As part of our financial sustainability journey we also planned for a complete review of the CSP this calendar year. Council's first CSP iteration was very much aspirational. What is planned is to develop community determined targets, with clear actions to achieve the desired outcomes, and based on a level of service and funding model agreed to by the community. Our first special rate variation identified this process and the tie in with a further SRV as required planned for 2018.

Despite the significant infrastructure load, the downturn in the Dairy and Timber industries, Council has been able to provide an attractive shire and maintain 330 km of sealed and 444km of unsealed roads as well as 278 bridges and causeways to a reasonable level. Gloucester Shire is one of only a very few LGAs that do not have any state roads. Council maintains 2 connector, and, at times, main highway detour roads with minimal government funding.

Like all Councils, we struggle to fund what is generally agreed to be cost shifting by other levels of government. We estimate this impact to be 7.9% of the total income from operations before capital amounts. This is higher than the average for all other NSW councils. However this too is factored into our long range planning. In addition, as for all councils, the freeze in FAG funding has been a further impost.

Our plan for sustainability includes further progress with changes to our waste management. Last year we commenced a significant shift in

community education and recycling supported by a fee structure and improved measurement. This has seen the annual waste levy reduced from over \$400k to \$235k this year and trending down.

Over the past 2 years Council has participated in development of a MidROC shared services delivery project, “Optimising Service Delivery”. **Appendix G.** KPMG were engaged to prepare this capability design and evaluation with a service review prioritisation. Some member councils chose not to take this further but we and 3 other committed councils are keen to commence such an arrangement in 2015/16. **Appendix D**

Two years ago we restructured the organisation to a flatter management structure. 4 senior staff were not replaced and a moratorium put in place on other staff replacement. This generated a wage savings of 7 % in 2014/15 and 9% forecast for 2015/16. An improvement process, Quality and Project Management methodology built on an Enterprise Risk Management approach has produced efficiencies and improved performance outcomes.

From an initial review of all service units, early outcomes include a reduction in the opening hours of our pools and reduced service levels of parks and gardens. Wherever possible Council performs all strategic planning, IP&R functions and policy development in house. A Flood Study was funded through a partnership arrangement with a local developer.

The need and optimal use of assets has been assessed. A property portfolio was developed with surplus land sold and others ongoing. Our fees and charges have been reviewed in line with our service unit analysis. Council’s fees and charges are regularly reviewed with a view to introducing user pays principles for key activities to increase revenue for community projects and understand the true cross subsidy effect

Council is proud of our employees’ innovative approach to maintaining infrastructure in a constrained environment. It is worth noting some of these:

- Replacement of bridges on shire roads by Council has proven cost effective compared to the private sector. For example replacement bridges on the Bucketts Way, designed and constructed via external tender have cost \$3,000 to \$4,000 per m2 of deck area. Council designed and constructed bridges on local roads have cost between \$1,000 and \$2,000 per m2 of deck area.
- Refurbishment of many bridges rather than full replacement has resulted in significant savings (refurbishment costs of \$500 to \$1,500 per m2 of deck area compared to \$1,000 to \$4,000 for full replacements)
- Seal extensions of approx. 100km over last 15 yrs. have reduced high maintenance cost of gravel pavements and dramatically improved

level of service to users. This also results in improved levels of safety and reduced environmental impacts with regard to reduced environmental pollution of air and waterways, and reduced demand on scarce gravel resources.

- Seal extensions have also been used to eliminate high cost “nuisance” locations for example. isolated gravel locations or “last mile” locations.
- Gravel maintenance system and techniques that maximise surface longevity and minimise costs. For instance condition maintenance adopted for gravel roads, with grading techniques of utilising quality gravel with high levels of compaction at optimum moisture to prolong pavement life and reduce gravel loss.
- Use of gravel potholing to extend life of gravel pavement and reduce grading frequencies.
- In house bitumen sealing of new and/or refurbished works not only results in reduced project costs but has the added benefits of retaining expenditure locally and allows projects to be sealed when they are ready. This compares to awaiting contractor’s timeframe requiring roads to be held at ready position until contractor arrives, resulting in increased costs.
- Council has reconfigured its accounting monitoring and reporting, with enhanced budget development and analysis aligned to enhanced delegation and responsibility.

The effect of these strategies and others detailed in this document will see our Operating Performance Ratio continue to improve and meeting the benchmark from 2020/21. The Own Source Revenue benchmark will be met from 2018/19.

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%)	43.05%	No	1.9%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	36.7%	No	82.0%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5.18%	Yes	4.0%	Yes

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

Of the Infrastructure benchmarks, Council will not meet the Asset Maintenance Ratio by 2016/17.

Gloucester Council has had difficulty in maintaining its large infrastructure base whilst endeavouring to meet wider community and compliance demands without applying for rate increase above the peg. Over the past 3 years Council has identified and assessed the true asset condition, its financial position, options and opportunities and commenced the process of sustainability. Following the success of our first SRV, a 10 year capital works and forward maintenance program has been developed. Additionally Council has reviewed all service units and delivery programs and better aligned fees and charges where possible.

However the impact on asset ratios and benchmarks is determined by definitions of asset life and hence depreciation. Council is working with other MidROC councils to develop a standardised and auditable methodology for this. The project deals with data consistency and interpretation of reported asset renewal, backlog and maintenance performance. **Appendix C.**

A review of the CSP will be undertaken this calendar year to align the community's capacity to pay with their service requests at an appropriate level to Council's resourcing.

The benefits of implementing project and quality management into operations has started to optimise resource outputs and enhance planning. We have worked jointly with other councils on road projects and introduced hierarchical and prioritised works based on a risk framework.

These strategies and others we have in place or soon to commence will see the Asset Maintenance Ratio improve to 90.1% by 2019/20, continue this improved trend to 98.2% by 2024/25 and achieve 100% shortly after.

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	2.86	No	2.65	Yes

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

Council efficiency as measured by this benchmark shows an improved trend. However the LGA has a population around 5,200. This number has been fairly static over recent years and is not expected to significantly increase in the near term. Accordingly this ratio can only be modified by the numerator, i.e. expenditure.

Council has reduced discretionary spending almost to the minimum. In fact the external consultant who performed the Business Case for a possible merger, described Gloucester Council as being as lean as can be. We believe we are operating efficiently based on outcomes achieved. However further strategies are in process.

The central issue for Gloucester Council is similar to many others; the large number of transport assets in relationship to the population. There

are no state roads in the shire. Council through its community of 5,200 maintains and renews 330 kms of sealed road, 444 kms of unsealed road, 179 bridges, 79 causeways together with other buildings, reserves, 24 rural fire stations plus halls. We have commenced the asset renewal and maintenance backlog process and naturally the increased expenditure will detract from our ability to demonstrate efficiency through this benchmark.

2.4 Water utility performance

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

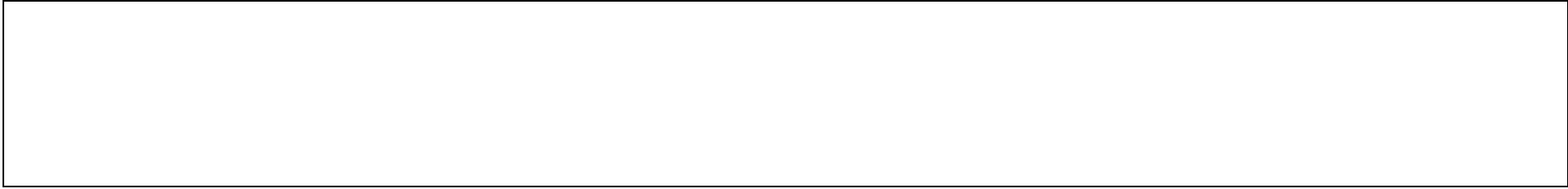
Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

Yes / No

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

**Gloucester Shire Council does not have direct responsibility for water supply and sewerage management. Council is represented on the board of Mid Coast Water County Council.
Gloucester is well serviced by MCW and they have identified a significant investment planned for the region.**

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

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.

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.		

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.

In relation to the Sustainability benchmarks, Council will align risk, community expectations and willingness to pay to the infrastructure backlog. Council will be looking to optimise the opportunities arising from the shared service delivery project with Bellingen, Kempsey and Nambucca Councils to generate efficiencies and enable resources to be reallocated to enhance strategic capacity. **Appendix D**
The organisation will then be structured to meet these new service levels and in line with the shared service delivery arrangements to optimise strategic and operational management. This will significantly improve our benchmarks.

Utilising the MidROC project methodology Council will renew assets in accordance with the associated asset management plans and community priorities as determined through revised levels of service. Whilst this reduces depreciation it will not affect the true asset condition. A structured works program for renewal and maintenance has been included in the LTFP.

Council will increase rate revenue from 1 July 2015 from its first special variation. The levels of service consultation and review of the CSP will determine a further special variation commencing July 2018. The move to full cost recovery for fees and charges where appropriate will be continued and our active asset optimism focus will be progressed. Council will continue to seek grant funding and partner with state agencies on key projects.

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.

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| <ul style="list-style-type: none">• Special Rate Variation of 10.5% above peg commences July 2015 and a further SRV to commence July 2018 subject to IPART approval.• Fees and Charges will increase to cover cost of provision as appropriate.• It is expected that FAG funding will continue at current levels.• Road support grants such as Roads to recovery will remain and not increase in the near term.• Depreciation will reflect the revised methodology.• Materials and Contracts will increase by 2.5% for 3 years and thereafter 3%.• Employee costs will increase 2.7% 2015/16, by 2.8% during 2015/16 and then 3% thereafter.• No allowance has been made for a possible resource royalty (type) contribution.• Grant performance is expected to continue as is. |
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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.Reduce roads and bridges infrastructure backlog	a) 10 year works program commences 1 July 2015 b) SRV commences 1 July 2015 c) Roads and bridges hierarchically identified and prioritised d) Analysis of savings/benefits in using debt to bring forward and/or optimise spending. e) Project to consult on the CSP including service levels and review associated work programs f) Work with MidROC to	a) July to December 2015 community consultation and finalisation of revised CSP. b) Amended service levels in place and operating c) Apply for Innovation Funding for shared service delivery project – i.e.MidGO d) MidGO Project commences e) Works Program completed on time and budget	a) Revised CSP and DP adopted b) LTFP to reflect revised CSP actions c) Funding achieved for the shared services project (badged MidGO) d) Shared services commence e) Revised work program developed based on amended LOS and increased rates from SRV. f) Roads and Bridges assessed as poor condition now directly	a) Improved Infrastructure Backlog Ratio b) Improved Asset Renewal Ratio c) Improved Asset Maintenance Ratio c) Improved Operating Performance Ratio d) Greater clarity in CSP with costed and action programs e) Resources redirected from transactional to strategic functions

	<p>obtain OLG sign off on asset condition, depreciation and life definitions.</p> <p>g) Shared service delivery project</p> <p>h) Continue to seek R2R, Black Spot and other road or bridge government grants</p> <p>i) Maintain active grants working group</p>		<p>related to community acceptance and risk</p> <p>g) Benchmark ratios achieved – all except Asset Maintenance Ratio by 2020</p> <p>h) Council's revenue is increased</p> <p>i) MidROC Asset Team in place and operating effectively with best practice achieved</p>	<p>f) DSR maintained within benchmark levels</p>
2. Increase own source revenue	<p>a) Second SRV process commences July 2017</p> <p>b) Second SRV approved and additional rates from 1 July 2018</p> <p>c) All fees and charges (except CSO) continue to move to full cost recovery</p> <p>d) Sale of surplus operational land</p> <p>e) Project to transfer</p>	<p>a) Amended service levels developed and adopted for 2016/17 budget</p> <p>b) Amended Fees and Charges developed and adopted for 2016/17 budget</p> <p>c) Application for second SRV submitted on time</p> <p>d) Surplus land transferred and sold</p>	<p>a) Amended service levels in operation 1 July 2016</p> <p>b) Amended Fees and Charges in operation 1 July 2016</p> <p>c) SRV approved and rates increased from 1 July 2018</p> <p>d) Council sustainability improves</p> <p>e) Additional funds</p>	<p>a) Improved Operating Performance Ratio</p> <p>b) OSR improved</p> <p>c) SRV works program in place and backlog reduced</p> <p>d) Improved asset ratios</p>

	<p>community land to operational land following revised CSP</p> <p>f) Redirect savings from efficiencies to programs</p> <p>g) Progress economic development strategies for region</p> <p>h) Maintain “push” for resource sector royalties direct to community impacted via Council funded CSP</p> <p>i) Implement Revised Land Use Plan including Agricultural Strategy</p>	<p>e) NSW Gas Community Fund allocation procedure approved</p> <p>f) Revised Land Use Plan and Agricultural strategy adopted</p> <p>g) Increased revenues become available</p>	<p>obtained to meet objectives of CSP</p> <p>f) Land available for agricultural and residential growth</p> <p>g) Revised Economic Development Strategy implemented</p>	
3. Align organisational resources to revised CSP targets and service levels	<p>a) Progress restructure</p> <p>b) Continue with efficiency program</p>	<p>a) Restructure and training completed</p> <p>b) Revised action plan</p>	<p>a) Staffing in line with revised tasks</p> <p>b) Service units optimised</p>	<p>a) Staff KPIs reflect new paradigm</p>

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.

Gloucester Council has significant roads and bridges infrastructure per capita and it is the renewal and maintenance of these that are the key moderators on our sustainability and all F4F benchmarks. The strategies and actions detailed above for Sustainability therefore apply to generating revenues and a revised demand paradigm.

Council has completed an exhaustive, detailed engineering assessment of the true condition of its transport assets that identifies the cost to bring them to good condition. However we recognise that any definition of backlog must go beyond an engineering assessment and look at the community's acceptance and willingness to pay. This was a significant outcome from our SRV consultation over the past 2 years. The Community has said that they would prefer to maintain rate levels and in return to receive a lesser standard. Our current benchmarks have been measured against the higher standards. The consultation with the community on revised levels of service and the resultant improvement to our benchmark ratios is a further key strategy.

Council has fully costed and assessed its asset condition. Our inaugural SRV was directed toward the 10 year works program to address our renewal and maintenance backlog. Strategies to review community expectations through service delivery, increased efficiencies and own source revenues will enable asset renewal to be steadily reduced. A further strategy to apply a special variation forms part of our improvement plan and will bring asset ratios into benchmark.

The introduction of an overarching Project and Quality Management methodology and a hierarchical prioritised approach will ensure more focused outcomes.

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

- Productive outcomes from the community consultation on revised levels of service.
- Levels of Service conform to available funding levels.
- Higher levels of service are matched by a successful SRV.
- Asset assessments and projected cost parameters are within accuracy bounds
- The required maintenance of assets agrees with the budgeted amount.
- Current levels of grants are maintained.

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.Reduce infrastructure backlog	<ul style="list-style-type: none"> a) Optimise use of resources b) Active involvement in developing MidROC Asset Standardisation Project and best practice asset management c) Review levels of service with community d) Optimising low DSR to bring forward renewal e) Complete works program associated with SRV no.1 	<ul style="list-style-type: none"> a) Asset Project endorsed b) OLG introduce appropriate asset condition, life and depreciation methodology 	<ul style="list-style-type: none"> a) Assets considered as in poor condition, directly relates to community's expectation and risk b) Implement MidROC Asset Standardisation Project c) Best practice adopted from MidROC outcomes d) Asset Management Plans and financial models updated to agreed service levels 	<ul style="list-style-type: none"> a) Operating performance ratio improved b) Asset ratios improved c) DSR maintained at appropriate level

2. Improved operational performance	a) Fully implement Project and Quality Management methodology		a) Roads and bridges renewal program based on hierarchical and prioritisation program b) Best practice work methods	a) Positive impact on all measures
3. Informed and engaged community	a) Undertake a consultative review of CSP and levels of service	a) Completion December 2015 for adoption by Council	a) Community in agreement with rates paid for asset condition b) Assets managed in line with Community standards	a) Greater understanding, support and agreement leads to better outcomes for levels of service review and asset measures positively impacted.

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.

The main strategic approach will be the review of our service unit costs with all expenditures subject to full justification review. Slow population growth is an issue and we are looking at economic opportunities such as investment prospectus, agricultural strategy and land use plan to generate growth. A further strategy will be the CSP review and service levels. The MidGO shared service delivery project is a focus as is the Asset standardisation project with its impact on depreciation. This benchmark is considered problematical given the need to increase expenditure on assets against a static population.

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

- Although we will be driving economic growth for the region, for the purposes of the ratio calculation we have assessed low growth for the estimated population for the LGA.
- The impact of resource extraction will not be material on community costs or revenues received.
- Expenditure will align to LTFP forecasts.
- MidGO project will be implemented

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.Reduce operating expenditure	a) Review of all service units b) Implement shared service project c) Consider need/benefit of all Council fixed costs d) Align all service delivery to appropriate rate, fee or charge where possible e) Review of CSP f) Fully implement Project and Quality Management	a) Full service unit review b) Costs identified c) Scope developed for CSP review. d) Community engaged in an effective and accepted review of CSP	a) Better understanding of all costs associated with services delivered b) Services delivered aligned to community's expectation and rate structure c) Management of works program optimised d) More efficient delivery of services e) More opportunity to	a) Increased revenues from revised Fees and Charges b) Revised levels of service reduce expenditures and improve benchmark ratios c) Improved OSR and OPR ratios d) Reduced cost to perform asset renewals and maintenance improve ratios

			<p>benchmark and strategise</p> <p>f) Decrease in real operating expenditure</p> <p>g) Savings generated redirected to asset programs</p>	
2. Improved reporting	a) Further develop financial management and reporting	a) Budget reporting and analysis improved from Q1 2015/16	<p>a) All delegated staff can assess budgets and monitor performance</p> <p>b) Savings and improvements identified</p>	<p>a) Efficiencies generated improve revenues and minimise costs.</p> <p>b) Reduction in financial risk</p>
3. Economic Growth	a) Review Economic Development Strategy	a) Land Use Strategy including Agricultural Strategy implemented	<p>a) New entrants to business and community</p> <p>b) Increased rate base and economic growth</p>	<p>a) Increased rate revenue</p> <p>b) Population (numerator) increases leads to improved ratio.</p>

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 the Community Strategic Plan

Commencing July 2015 for completion December 2015. Public exhibition and Council adoption by June 2016.

2. Review all service levels

This will be further progressed with levels of service consultation. Council adoption and budget effected 2015/16.

3. Develop Shared Service Delivery Project

The 4 MidROC Councils in partnership will finalises arrangements this calendar year. Council adopted and project implemented 2015/16

4. Review Land Use Plan	Agricultural Strategy drafted. Review of Land Use Plan is due for completion 2015/16
5. Further enhancements to Landfill	Continued improvements under changed management plan. Throughout 2015/16
6. Review all community and operational land.	To be included with CSP and service level consultation. Land identified for sale or lease. March 2016
* Please attach detailed action plan and supporting financial modelling	KPMG report on Shared Service Delivery Project and Reviewing Service Delivery Project are both attached.

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.

Gloucester Council commenced a program to improve sustainability and address asset backlog in 2012. The actions listed in this proposal have been identified for some time and preliminary actions are in process. They were featured in our SRV public presentations and are included in Annual Reports and IP&R suite of plans.

Councillor workshops and Focus Groups of community members assisted with the development of the action plan. The first formal council report specific to the LG Review was 20 March 2013 with regular and detailed reports since this time. Consultation and information was

conducted in line with our Community Engagement Strategy.

We have worked with MidROC councils to develop shared service arrangements and a KPMG study was undertaken mid-2014. Not all councils wished to pursue this opportunity, but we will be finalising a shared service delivery project with 3 MidROC councils. **Appendix D.**

Gloucester Council is very keen to work with our Joint Organisation when it is determined. We are an active and committed member of both MidROC and Hunter ROC seeking to achieve best outcomes for our community. We are involved in the Hunter JO Pilot and contributing to the early discussions as a model for MidROC is progressed. We welcome the opportunities that a JO will bring to small councils. **Appendix E**

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.

Council worked with Great Lakes Council in preparing a business case for a merger of our 2 councils. The results of this showed clearly that there would be no financial benefit, in fact a negative NPV. Greater Taree Council would not consider a merger.

Great Lakes Council resolved not to proceed to a merger and on this basis Gloucester decided to stand alone. **Appendix H**

Council will be conducting a review of the CSP and levels of service this calendar year. From this it is likely that a further SRV will be required. Council's modelling at this stage is based on a second SRV of 10.5% above the rate peg commencing 1 July 2018. Council also has modelled a 3% plus CPI rate variation commencing 1 July 2015. This modelling was to reflect one of the options identified by the government that would allow for SRV increases above the peg in line with the IP&R process. The outcome from this model showed a longer period before benchmarks were met. **Appendix F**

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)	-47.50	-40.87	-16.03	-8.46	-4.94	-1.06	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	44	49	51	58	62	64	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	161.0	167.4	183.7	105.0	100.6	108.3	Yes
Infrastructure Backlog Ratio (Less than 2%)	2.6	2.4	1.9	1.6	1.5	1.5	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	24.4	63.4	82.0	87.3	88.4	90.1	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2	2	4	4	3	3	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	2.95	2.59	2.66	2.73	2.82	2.91	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.

All ratios will be achieved by 2019/20 except as commented below.

From 2020/21, Council will meet the Operating Performance Ratio. The introduction of the second SRV commencing 1 July 2018 will increase revenues. The impact of the risk based asset renewal program will reduce depreciation. Our expenditure and service reviews have achieved significant savings and further savings will occur from actions identified in this proposal.

As part of the asset condition assessment project and in line with the Asset Standardisation Project through MidROC, an associated asset maintenance plan will see a gradual improved trend in the Asset Maintenance Ratio with a ratio of 98.2 % in 2024/25. Over further years this benchmark will be achieved.

In addition to the above, Council is progressing many efficiency and improvement processes, as well as a shared service delivery project. A review of the community expectations as identified through the CSP is to be undertaken this calendar year which includes a service level review.

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.

The key strategies of CSP review, SRV application and asset management are included in the Community Strategic Plan and Delivery Program. Activities to meet these have been progressively achieved. The actions identified in this Improvement Proposal are further detailed for action in the Operational Plan with supporting budget for the coming year. Council's extensive SRV program covered the significant elements of our improvement requirements and strategies and the Annual Reports have also featured this aspect.

Council's Workforce Management Strategy will be amended as the shared service project clarifies the resourcing improvements.

Council will monitor and report progress in line with the IP&R framework. Our SRV outcomes will be directly reported against the associated works program. As appropriate all significant changes including the outcomes of the CSP review will be publicly exhibited and formally adopted.

Councillors through regular workshops and agenda items will monitor progress. Management will continue the improvement process.