

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: Nambucca Shire Council

Date of Council resolution endorsing this submission: 25th 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.

Nambucca Shire Council agrees with the Independent Review Panel's recommendation on Scale and Capacity. This improvement proposal is according based on Template 2. In this proposal the current Local Government Area is retained, ongoing reforms continue to improve performance against Fit For The Future (FFTF) Benchmarks and Council improves regional collaboration through participation in a North Coast Joint Organisation.

Past performance against FFTF benchmarks has Council meeting only two of the seven indicators. This proposal demonstrates Council is on target to meet six of the seven by 2020, including the key benchmarks Operating Performance Ratio and Own Source Revenue Ratio.

Nambucca is well placed to turn performance around and is already benefiting from recent key initiatives such as reviewing service levels when making asset renewal decisions ; continued improvement of asset management practices and implementing operational reforms that reduce costs in real terms. Council has also benefited from

a series of special rate variations with the additional income being used to fund infrastructure renewals, typically funding a borrowing program. These programs also have benefited from Local Infrastructure Renewal Scheme (LIRS) interest subsidies when they have been available. Council has current SRV approved for the period ending June 2017, with the additional revenue being committed to road and bridge renewal.

Nambucca Shire Council operates water and sewerage utilities within the Shire; these operations are an integral part of the complete package of services provided to residents. They also contribute critical mass to the organisation which helps defray costs associated with good governance of a local authority. The operations have achieved best practice status and are self sustaining. It is not the case that services are cross subsidised, it is simply that sharing local management and corporate support has proved a cost effective business model.

Nambucca recently completed a \$50M dam to provide water security and provision for future growth of the Shire. This is evidence this Council can get the “the big jobs” done. The sustainability benchmarks calculations in this submission do not include the water and sewerage operations - including them would substantially improve Nambucca’s performance. This improvement proposal does not rely on the consolidated performance of the Shire, but it must be noted that the proposal assumes the advantages offered by the combined operation will continue and the outcomes would not be achievable in isolation from the water and sewerage business.

This submission touches all aspects of the Nambucca Shire’s operations. It was developed in close consultation with the elected Councillors and was guided by the community’s priorities. It critically accesses past performance, analyses reporting and operating practices and builds on existing reforms. It seeks to contain costs and embrace sensible, considered reforms. It provides a creditable plan to ensure the sustainable delivery of Council services to the residents of the Nambucca Shire.

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

Supporting Commentary

Council has considered the Independent Local Government Review Panel's recommendations and has agreed that Nambucca Shire Council has the scale and capacity consistent with their recommendations. The following Council resolutions relate.

27 March 2014

ITEM 9.2	SF894	270314	"Revitalising Local Government" - Final Report of the NSW
			Independent Local Government Review Panel October 2013

159/14 RESOLVED: (Finlayson/Ainsworth)

That Council advise the Division of Local Government that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel subject to the member councils of the

North Coast Joint Organisation having input into the regional functions to be allocated to the Joint Organisation.
Letter trim 5981/2014

27 November 2014

ITEM 10.1	SF2025	271114	Fit For the Future - Scale and Capacity
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568/14 RESOLVED: (Ainsworth/Smyth)

That Council resolves that Nambucca Shire does have the scale and capacity broadly consistent with the recommendation of the Independent Local Government Review Panel and will prepare Council's Fit for the Future submission on the basis of the existing Shire boundaries and membership of the proposed North Coast

Nambucca Shire Council was also part of application to participate in a Pilot North Coast Joint Organisation as recommended by the panel.

25 September 2014

ITEM 9.13	SF894	250914	"Fit for the Future Reforms" - Proposed Pilot North Coast Joint
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466/14 RESOLVED: (Ainsworth/Finlayson)

That Council agree to participate in a pilot North Coast Joint Organisation and note its preference for the pilot Joint Organisation to have as its priority the improvement of the financial sustainability of its constituent councils.

The objectives of this pilot were detailed as

1. Regional alliance of local government water utilities at a high level focussing on service and infrastructure planning as opposed to service delivery.
2. Strategic regional and sub-regional planning framework.
3. Strategic waste management.
4. Develop a framework to ensure a consistent basis to evaluate the potential for shared service provision.
Review activities for the delivery of 'back office' services.

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).

Not Applicable.

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.



Nambucca Shire Local Government Area totals 1,491 square kilometres, located on the mid north coast of New South Wales. It is a diverse and unique place with stunning coastal scenery and picturesque hinterland located on the eastern edge of the New England Plateau. The Shire has three main towns - Nambucca Heads, Macksville and Bowraville - as well as key coastal settlements at Valla Beach and Scotts Head and smaller villages across the Shire.

The Shire's economic base in terms of number of businesses is led by agriculture, forestry and fishing, with construction and retail businesses being the second and third highest number respectively.

Key demographic information about the Nambucca Shire includes:

- Shire population is 19,655 residents (ABS Census 2011). Approximately one third of these residents live in a rural or non-urban area.
- The population is anticipated to increase to 20,650 in 2031, and 27,923 by 2051.
- A very large proportion of older adults and ageing adults with 32.2% aged 65 years and over and 24.8% aged 50-64 years. This is consistent with the north coast of NSW being seen as an appealing place to retire.
- A large proportion of people living alone (31.3% of households) and a large proportion of families are couples without children (48.9%), which is consistent with the ageing population.
- Generally a lower income area with 38.16% of households earning less than \$600 per week. This is consistent with older and retired adults. However, unemployment is also high at 10.7% which suggests there are also lower socio-economic families and individuals in the area.
- A large number of Aboriginal and Torres Strait Islander people (1,359 which represents 7.29% of the population significantly higher than the State average of 2.4%).
- In common with other coastal local government areas, Nambucca Shire has an ageing population, however unlike other equivalent areas it is coupled with a declining birth rate and an outward migration of people aged 20-49 years.

The Nambucca Shire Council Mission statement is

“That the Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.”

The Community Strategic Plan lists 11 key strategic directions to achieve this and Council’s planning and delivery of services reflect these key operational areas.

CIVIC LEADERSHIP AND ADMINISTRATION

PUBLIC ORDER AND SAFETY

PUBLIC HEALTH

COMMUNITY SUPPORT AND EDUCATION

ENVIRONMENTAL PLANNING

BUILDING REGULATION

ENVIRONMENTAL SERVICES AND COMMUNITY AMENITIES

RECREATION AND CULTURE

TRANSPORT

LOCAL ECONOMY

WATER CYCLE

Nambucca Shire Council commissioned a series of Customer Satisfaction Surveys in 2007, 2010 and 2013. The community's priorities were consistent over the nine years and are summarised below.

Higher Importance, lower satisfaction	Higher importance, higher satisfaction
Sealed roads	Water supply
Bridges	Sewage
Estuary management	Garbage/recycling
Stormwater drains	Libraries
Public Toilets	Elderly services
Youth activities	Cleanliness of streets
Tourism and tourism promotion	Parks, reserves and playgrounds
Economic development and investment attraction	Street lighting
Development applications	Footpaths/cycleways
	Dog Control
	Environmental monitoring and protection
	Beaches
Lower importance, lower satisfaction	Lower importance, higher satisfaction
Unsealed roads	Public halls
Climate control planning	Pool complex at Macksville
	Sporting facilities
	Weed control

The Nambucca Shire faces a number of specific challenges in relation to delivering services to the residents on a economically sustainable basis. In summary....

41% of the Shire is either National Park or State Forest that yields no rates revenue

National Parks valued at an average farmland valuation and levied at the farmland rate would yield income of \$670,899 or 6.8% of the 2015 -16 rate income.

State forest valued at an average farmland valuation and levied at the farmland rate would yield income of \$724,605 or 7.3% of the 2015-16 rate income.

Other non-rateable properties

Crown Land not privately leased, religious organisations, charitable bodies, public benevolent intuitions, local Aboriginal land councils and schools

399 properties valued at \$57,476,151 rates foregone \$318,919 or 3.2% of the 2015-16 rate income

Caravan and mobile home parks

There are nine caravan parks and two mobile home parks in the LGA. These are intense centres of population and activity (and therefore significant users of Council services) They are levied modest rates based on land valuation alone. Permanent park residences represent approximately 6% of dwelling in the Nambucca Shire compared to a NSW average of approximately 1% of dwellings. If the owners of these homes paid minimum rates the additional income on top of what the Parks currently pay would be \$292,767 or 2.9% of the 2015-16 rate income

High percentage of residents that qualify for pensioner discount

Nambucca LGA attracts a large number of retirees and has one of the largest proportion of rate assessments in New South Wales that attract the pensioner discount.

Last year 2,481 assessments out of a total 9,277 assessments (26.7%) attracted a pensioner discount. Total rebate was \$902,872 with Council being reimbursed \$496,579 by the State, for a net cost to Council of \$406,293 or 4.1% of 2015-16 rates income.

Low ability to pay - Generally lower than national average social and economic circumstances

Nambucca is generally a lower income area with 38% of households earning less than \$600 per week. This is consistent with older and retired adults. Unemployment is also consistently higher than the state average. The combined effect is a lower than average capacity to pay for services.

The compensating factors in the calculation of the Financial Assistance Grant (FAGs) is acknowledged, however the available grant pool is insufficient to fully compensate non-minimum grant councils for their relative disadvantage.

High cost of providing infrastructure due to topography and climate.

Nambucca is a beautiful part of the world, with unspoilt beaches and lush green hinterland that runs up into the Great Dividing Range. Unfortunately these advantages also make it an expensive place to build and maintain transport infrastructure. High rainfall (1300 -1600mm PA) decreases the service life of roads. The river valley topography results in roads being constructed in mountainous terrain and many bridges. Nambucca Shire is only 1,491 square km in size with a total road network of 704km but has to maintain 195 bridges. Expressed another way, that is on average one bridge for every 3.6km. The steep slopes also mean that the roads are susceptible to damage from land slips. Landslips often happen without warning and can isolate whole communities, and emergency responses result in unplanned expenditure.

Nambucca Shire also has 24km of coastline; typically this is Crown land but it is the Shire's responsibility to maintain it. While it is a wonderful asset to the Shire, enjoyed by locals and visitors alike, coastal erosion, salt laden air, fragile ecosystems and high public demand for facilities make the coastline an inherently expensive

strip of land in which to provide and maintain infrastructure.

Impending transfer of State road assets to Nambucca Shire

The Pacific Highway upgrade will see NSW Roads and Maritime Services (RMS) hand to Nambucca Shire 35km of existing highway converted to local access road, approximately another 30km of newly constructed local access roads and 16 bridges and major culverts. This represents a more than 20% increase in the length of Council's sealed network. There will be a one off compensation payment (the quantum of which RMS has not yet disclosed) but no ongoing support. This has the potential to be a "game changer" in relation to Nambucca's effort to maintain a financially sustainable Council into the future.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<p>Long term water supply secured. Comparatively low overhead operation. Established program of reform. Strong volunteer base particularly in association with libraries and tourist information centre and the local service clubs.</p>	<p>Large percentage of the Shire is unrateable land held by the Crown. Compulsory contribution to pensioner discount. Once in a lifetime companion animal rego not covering costs. Beach maintenance – Maintaining an asset not owned by Council. High rainfall and challenging topography make assets more expensive to construct and maintain.</p>
Opportunities	Threats
<p>Implementation of operational changes that complement restructure of Council's Engineering Section. Continuing reviews of service levels as part of improving asset management systems. Move ownership of halls and museums to incorporated associations.</p>	<p>Pacific Highway hand over when bypass is complete. Freezing of Financial Assistance Grants.</p>

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)	-17.8%	No	-6.9 %	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	60.9%	Yes	58.3%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	70.3%	No	78.7%	No

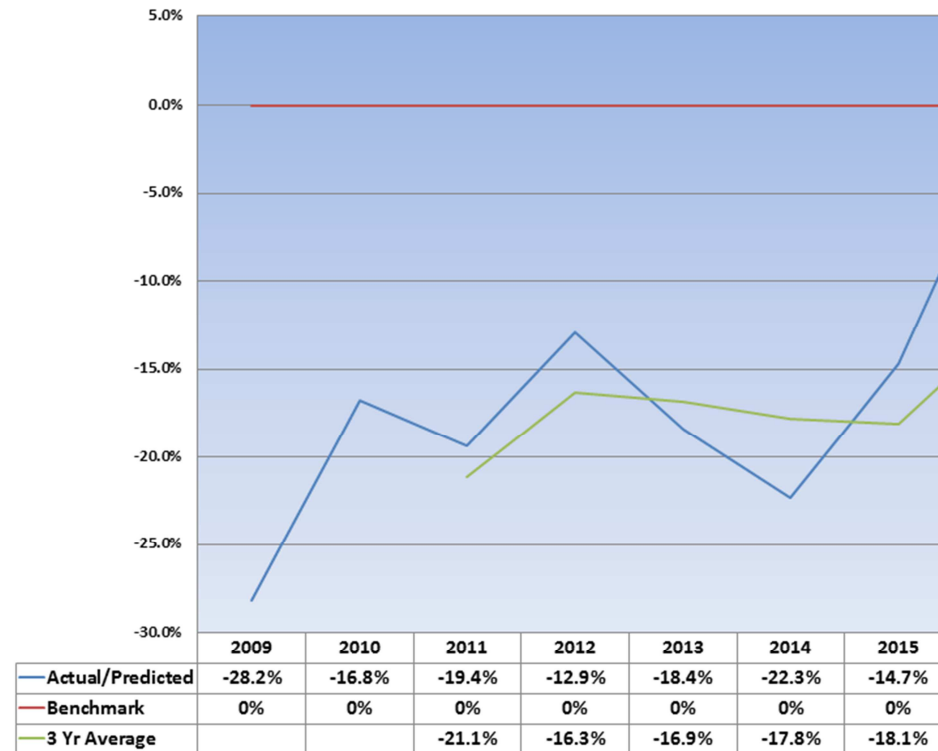
Please note Nambucca is a Group 11 Council and has, according to and as directed by the guidance provided, included Financial Assistance Grant (FAGs) funding in the operating performance revenue. 2013/14 Operating Performance Ratio without FAGs income would have been -33.6%.

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

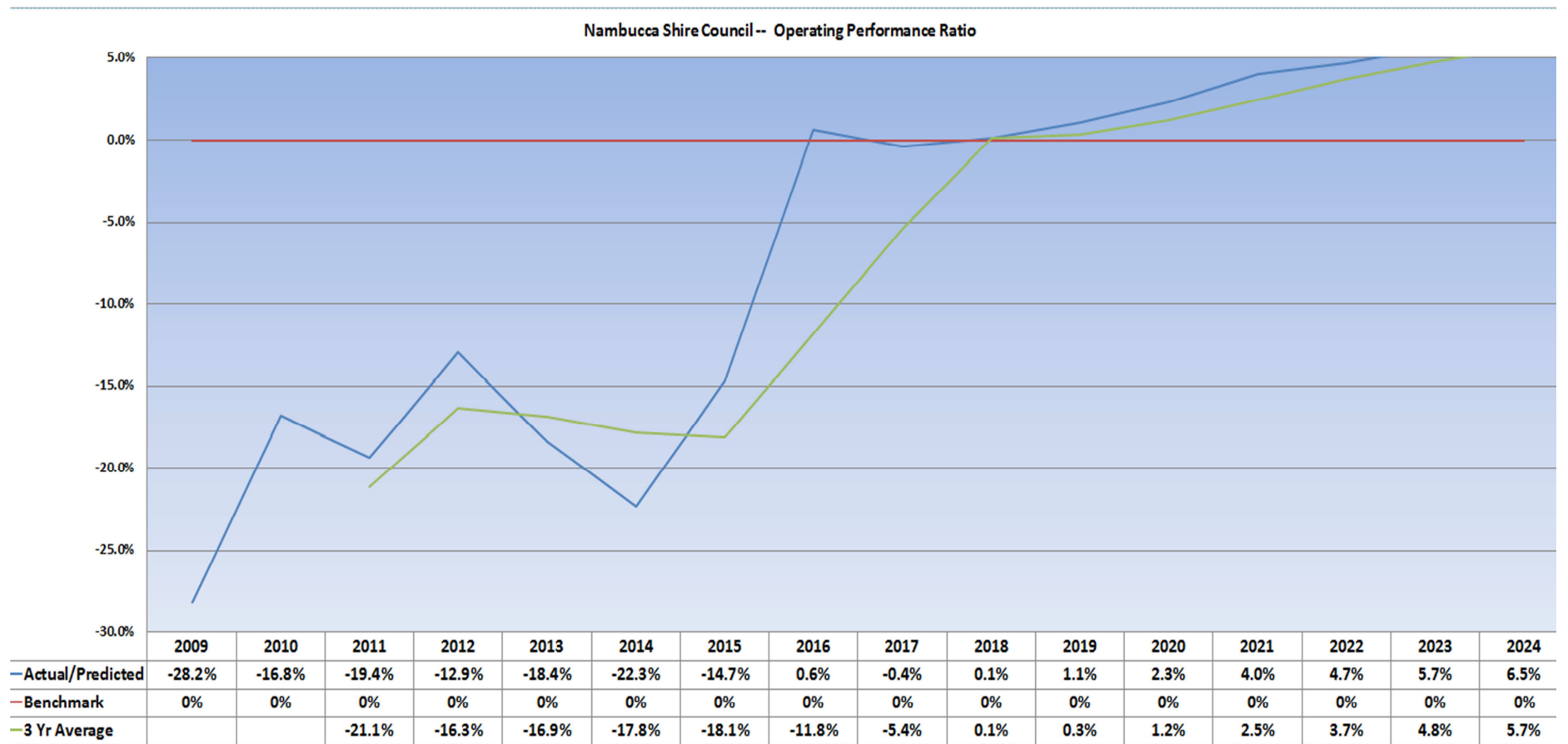
Operating Performance Ratio –

Nambucca Shire has a long history of operating deficits; this is reflected in the financial sustainability rating of “weak with a negative outlook” allocated by Tcorp in 2013. Recent reported results have been trending further

into the negative despite a concerted effort to improve the situation. The “why” is simply a matter of costs of operations growing at a faster rate than revenues. The operating position has been a sporadic deficit but in the last three years has settled into a gradual decline with no identified big spikes in costs or big cuts to revenue. There have been year on year impacts such as the timing of Financial Assistance Grant payments but these have been smoothed out by averaging the benchmark over three years. The financial difficulties have typically manifested as the inability to fund asset renewals as they are required. The Fit for the Future program has provided an integrated framework in which to turn performance around. The initiatives to date are listed below to provide context to the strategies proposed to improve the situation. Modelling these strategies indicates an improving trend and the graph below shows a predicted improvement for the year ended June 2015.



As a late addition to this submission Council received advice of additional Roads to Recovery funding on 30 June 2015. This will have a positive influence on all the FFtF benchmarks except own source revenue ratio. The revised projected operating performance is referenced below. The revised estimates do not change the yes or no answers as at 2017 and 2020.



Recent initiatives to improve operating performance

- Transfer of community facilities to the community groups that are using them. Transferred ownership of:
 - Macksville Showground and Saleyards
 - Nambucca Senior Citizens Centre
 - Eungai Preschool (in progress)
 - Bowraville Community Centre
 - Bowraville Folk Museum
- Ongoing reviews of the organisational structure including an external review, resulting in:
 - Establishment of a Customer & Business Services Unit. This centralised the corporate support function and achieved ongoing operational savings.
 - Engineering Section restructured to reflect improved work practices and the permanent workforce was reduced to take advantage of efficiency gains and be more responsive to changes in work load. Seasonal changes and impacts of natural disasters have regular impacts on the work load of Council.
 - Workforce at 124.8 full time equivalents in September 2013 reduced to 113.9 in June 2015 which represents an 8.7% reduction.
 - The results of this ongoing efficiency drive is born out in the Division of Local Government's Comparative Benchmark Report. Nambucca expenses per capita was \$2,167 compared to a group average of \$2,526 (Division of Local Government Comparative Data 2013/14).

- A series of special rate variations with the income typically spent on asset renewal.

Year	%Sought	%Approved	Period	Reason
2000/01	14.7	7.55	Ongoing	Unable to maintain an acceptable level and standard of works & services.
2001/02	6.65	2.8	n/a	Unable to maintain an acceptable level and standard of works & services.
2003/04	9.65	9.65	2.34% ongoing 4% for 2 years	2.34% related to the maintenance of infrastructure and management of assets. 4% related to introduction of an environmental rate to complete a backlog of essential environmental projects.
2005/06	13.5	7.73	5 years	Extension of the environmental rate issued in 2003/2004 for continuation of environmental projects.
2006/07	6.11	6.11	Ongoing	Strategy to raise \$5m in loan funds for expenditure on capital works to rehabilitate rural roads, urban streets and renew bridges.
2007/08	5.3	5.3	Ongoing	Part of strategy to raise \$5m in loan funds.- infrastructure renewal
2008/09	5.0	5.0	Ongoing	Part of strategy to raise \$5m in loan funds – infrastructure renewal
2009/10	4.67	4.67	Ongoing	Part of strategy to raise \$5m in loan funds – infrastructure renewal
2010/11	7.64	7.64	2 years	Funding \$500,000 in loan repayments for Deep Creek bridge & Riverside Drive stabilisation. Also provides for an extension of the Environmental Levy for a two-year period.
2012/13	10.04	10.04	Ongoing	To allow the Environmental Levy to continue indefinitely and to fund loan repayments for new road works
2014/15	3.8	3.8	Ongoing	Road & bridge works
2015/16	5.0	5.0	Ongoing	Road & bridge works - has been approved in 2014/15
2016/17	5.5	5.5	Ongoing	Road & bridge works - has been approved in 2014/15

- Taking advantage of the NSW Local Infrastructure Renewal Scheme (LIRS) to lever SRV income to service loans for infrastructure renewal.
 - Round One 2012/13. Loan \$1,206,000 for Bridge Replacement - Eungai Creek, Touts and Lavertys (Taylors Arm).
 - Round Two 2013/14. Loan \$1,445,000 for infrastructure backlog works – Weekes Bridge at South Arm, Swans Bridge at Utungun, Lovedays Bridge, Greens Bridge at Utungun, Mary Sharkeys Bridge at Missabotti, Reeds Bridge at Thumb Creek and Bitumen Resealing.
 - Round Three 2013/14. Infrastructure backlog works roads and bridges.
- Improving Council Asset Management Systems. The maturity, complexity and accuracy of Council's systems continues to improve over time. This has many ongoing advantages, including levels of service the community can expect are clearly articulated, the improved systems help provide the services in the most cost effective manner, and the improved data and knowledge of asset life cycles enable more informed decisions on the provision of infrastructure. Council uses the NAMS methodology which references the International Infrastructure Management Manual and the Australian Infrastructure Financial Management Guidelines. NAMS is supported by the Institute of Public Works Engineering Australasia and aligns with the recently released International Standard (ISO 55000). Very recent examples of improved operations are:
 - Changed practices in maintaining unsealed roads. This included changes to the work force and plant and adopting the best practice ARRB Unsealed Roads Manual.
 - Council is involved in the MIDROC “apples with apples” project which benchmarks valuations, reporting and introduces risk-based assessment of transport networks.
 - Council is moving to a proactive method of scheduling work based around the asset management system. Inspectors will log and schedule work rather than maintenance being completed on a reactive basis.
 - Quality Assurance systems are being introduced across road construction and maintenance operations.

- Changed practices in rehabilitating sealed pavement and changing seal treatments to better reflect agreed service levels, local conditions and available budgets.
- Ongoing Operational Reviews. Council has embraced new technology and processes to improve services and efficiencies. Examples include:
 - Moving to paperless systems for the preparation and delivery of business papers for meetings.
 - Using GPS technology to more effectively schedule work, including GPS vehicle tracking.
 - Introducing solar powered compacting bins in public areas to reduce the need for waste collection runs.
 - Moving to a paperless system to schedule and record the inspection of on site sewerage systems.
 - Moving to the electronic lodgement of development applications.
 - Embracing e procurement with the introduction of on line requisitioning and purchase cards.
 - Instant online expenditure against budget reports – this capability was developed in-house.
 - Increased use of group procurement arrangements.
 - Achieving best practice in water operations.
 - Reviewing cemetery operations and moving them to a cost recovery position.
 - Improving payment options for rates, such as monthly direct debit, aimed at reducing outstanding rates.
 - Reviewing library operations and withdrawing from another Council providing the service. This improved the service and produced a substantial cost saving.
 - Partnering with the YMCA to operate the Macksville Aquatic Centre and Gym.
 - Taking over the operation of Gumma Camping Reserve from a S355 Committee, which improved facilities and transformed it from a loss to a profit position.
- Service Level Reviews as part of the Infrastructure Renewal Process. Council recently renewed Weekes Bridge and Eungai Creek Bridge, two lane bridges built to an older, narrower standard. In consultation with the community these bridges were replaced with a single lane bridge built to the current standard which

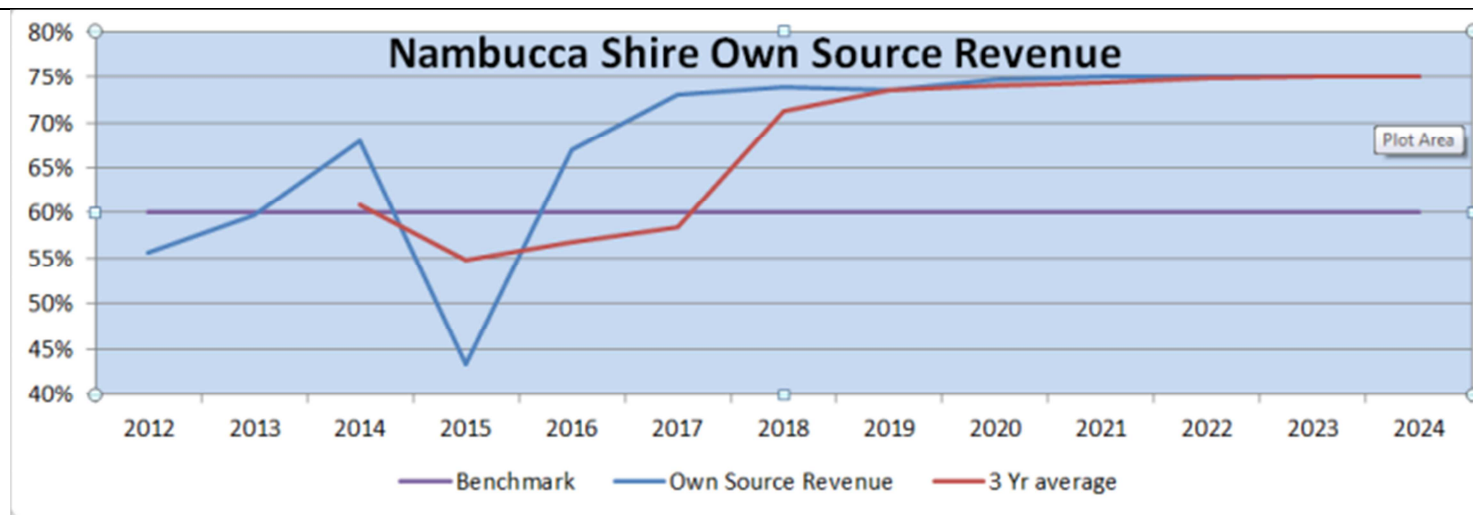
meant the assets could be renewed within the resources available to Council.

- Service Review. Council has commenced an operational review based on the Australian Centre of Excellence for Local Government methodology. The review will be completed with internal resources with an external consultant facilitating the process.
- Dividend from Water Operations. Council has completed the process to be able to make a dividend payment from the water fund to the general fund. The auditor's final report is expected soon, but the interim report is favourable. Council will not make a decision on a dividend until after the audit of the Financial Statements.

Own Source Revenue Ratio

The own source revenue ratio is on an upward trend. It recently exceeded the benchmark of 60% but the moving average is predicted to fall just below that level in 2017.

The steady rise in own source revenue has benefitted from the numerous special rate variations Council has had approved since 2000. The volatility in the ratio is driven by the variation of external grant funding (for example an over double payment of Roads to Recovery funding in 2015-16) and the receipt of Natural Disaster Relief and Recover funding for restoration of assets. It is forecast that Council own source revenue ratio will return to above benchmark by 2020. It is argued that Council performance against bench mark is sound and a brief dip below the benchmark in 2017 is not indicative of any underlying problem.



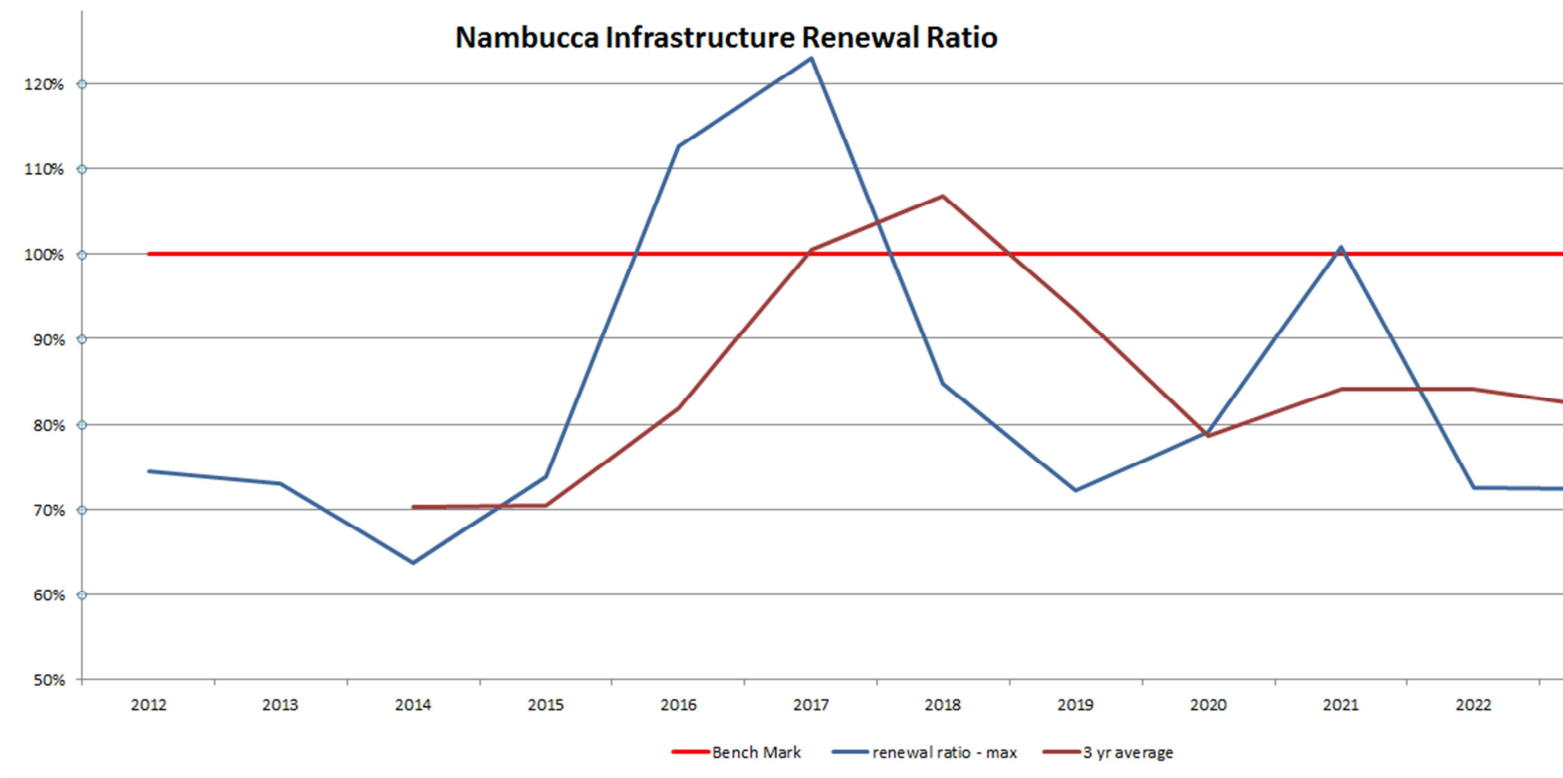
Building and Infrastructure Asset Renewal Ratio

A great deal of work has been completed around the fundamental components of the Building and Infrastructure Asset Renewal Ratio. It is a simple ratio, dividing the spend on asset renewals by the depreciation on infrastructure assets. Historically the Council performance was consistently a long way below benchmark and the gap between the two figures appeared insurmountable. Initial analysis was completed as part of the continuing development of the Asset Management Plans for Transport Assets in 2014. This established a consistent pattern of spending to hold the assets at approximately the same level of service over time.

Council then reviewed the depreciation expenses as part of the 2015 revaluation of the asset class and the “apples with apples” benchmarking process undertaken by the MIDROC Councils in association with Jeff Roorda and Associates (JRA). The new valuation significantly reduced the depreciation expense. It was found that useful lives were previously typically understated and reflected engineering based aspirations rather than actual practice. The standout example is that all sealed roads had been given a 10 year life for the seal. In practice the seals were providing useful service for much longer, in fact not one road had been resealed with the 10 year

timeframe.

Council modelling does not currently show this benchmark being met by 2020; however this is a work in progress. Preliminary modelling indicates an underlying ability to fund the depreciation expense, but the forward works program is not scheduling that amount of renewals in that period. It could well be the case that the barrier to meeting the benchmark may be the timing of asset renewals and not the inability to fund the work.



2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	9.94%	No	1.12%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	68.9%	No	100.1%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5.66%	Yes	8.91%	Yes

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

Infrastructure Backlog Ratio has been on an improving trend. The methodology used to calculate the backlog ratio has recently been redeveloped in preparation for the auditing of Special Schedule 7 Reporting. The methodology reflects the work done with the “apples with apples” asset benchmarking project undertaken by the MIDROC Councils in association with Jeff Roorda and Associates (JRA). To be included in backlog, an asset must be delivering a service below an acceptable level, and not be included in a future works program for

remedial action. The acceptable level is assessed using a risk based analysis. Applying the new methodology it is expected Nambucca Shire will meet the Infrastructure Backlog benchmark at 30 June 2015 and based on modelling of future requirements the target will be met for all years leading to 2017. The improved methodologies have been applied to the vast majority of transport assets including all road pavements and surfaces.

Asset Maintenance Ratio –has been improving over time as a result of improving maintenance practices and refined calculation techniques. The published result for the year ended 30 June 2014 was 99% of required maintenance, just under the 100% benchmark. The moving average of 68% reported above suffers from poorer results in the earlier years. It is expected the ratio will exceed 100% in the year ended June 2015 and this performance will be maintained through to 2017. It should be noted that Council's calculation and forecasting of this ratio is still at a rudimentary level and relies heavily on patterns of expenditure, observations and current recorded outstanding maintenance.

Debt Service Ratio is predicted to remain within the benchmark range through to 2017. Two points of interest are

1. That Council has been using a strategy of obtaining special rate variations for infrastructure renewal and committing the additional revenue to service borrowings to complete the work.
2. The debt service ratio calculated on Council's consolidated position is forecast to be 18.3% in 2017. This reflects considerable debt that is serviced by Council's water and sewerage operations. A large percentage of this debt relates to a recently completed dam that provides greater water security. While the consolidated position is still within benchmark, it is reasonable to take this into consideration when accessing Council's overall ability to service debt and exposure to interest rate risk.

2.3 Performance against the Fit for the Future benchmarks

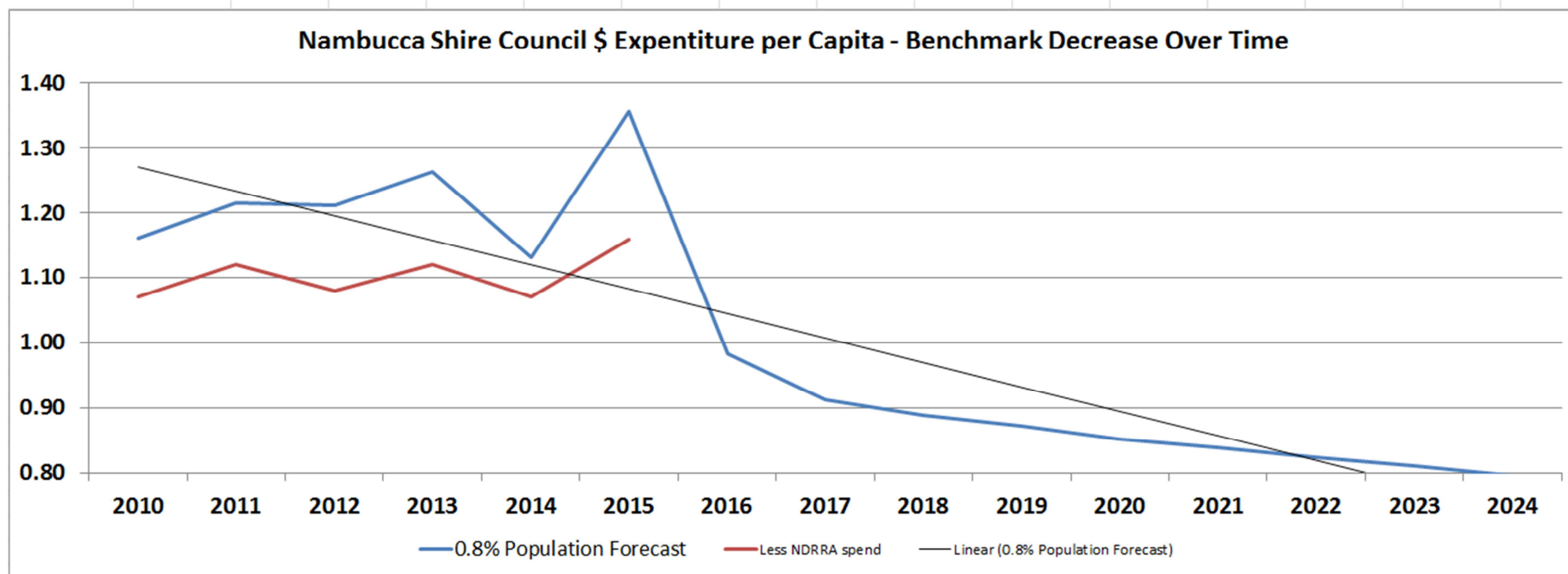
Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$1.14	No	\$0.91	No

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

Despite marking the Efficiency Benchmark as not achieved, Nambucca Shire substantively meets the benchmark both on an historic/actual results and projected future results. The guidance provided with the self-assessment tool stipulates a continuous fall in real operating expenses per capita over a five-year period. Nambucca results trend down but are impacted by one off expenditures. In the years where the ratio is above trend, the additional spend typically relates to Natural Disaster Relief and Recovery Arrangements (NDRRA) funding being expended to restore damaged assets.

Expenditure is discounted to 2009 dollars; future population growth is estimated at a modest 0.8% per year. This reflects recent population growth but is at the low end of the range for predicted growth.



The trend line for real operating expenses per capita for the five-year period ended June 2014 is down. Historic actual results do show decline in real terms when 2009-10 (\$1.16) is compared to 2013-14 (\$1.14), however it is not a consistent decline. The increase in years 2010-11 and 2011-12 can largely be attributed to a large flood restoration program funded from NDRRA.

Similarly the trend line for real operating expenses per capita for the five-year period ended June 2017 is down. Projected results do show a decline in real terms from 2012 (\$1.21) to 2017 at (\$0.94). The rise in expenditure in 2015 again includes substantial NDRRA expenditure.

2.4 Water utility performance

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

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

Yes

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

Not Applicable

Commentary – The Integrated Water Cycle Management Plan will be reviewed in 2015-16.

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

	Backlog \$	Backlog % of WDV
Water Supply Network	\$14,040,000	36.7%
Sewerage Network	\$25,762,000	35.6%

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
Valla Urban Growth Area Sewer	2016/17	\$4.9M	No subsidy
Valla Urban Growth Area Water	2017/18 2018/19	\$1.8M \$1.8M	No subsidy No subsidy
Borefield Capacity Augmentation, Bowraville	2018/19 2019/20	\$5.3M \$2.9M	No subsidy No subsidy
Sewer Mining Plant Scotts Head	2016/17	\$3.9M	No subsidy
Sewer Mining Plant Valla Beach	2016/17	\$7M	No subsidy
Nambucca Sewer Augmentation	2017/18	\$2.9M	No subsidy

2.4 Water utility performance

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

Yes

Commentary -

Water 2013-14 operating revenue before Capital income \$5,496,000

Water 2013-14 operating expense \$4,438,000

Operational Surplus \$1,058,000

Sewerage 2013-14 operating revenue before capital \$4,910,000

Sewerage 2013-14 operating expenses \$4,946,000

Operating Deficit - \$ 36,000

Combined position **Operating Surplus** **\$1,022,000**

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

Not Applicable

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
Upgrade water and sewerage SCADA and telemetry systems	2016-20	Remote monitoring and control of water supply and sewerage systems. Enable remote control reducing call outs and increase efficiency of operation.
The Integrated Water Cycle Management Plan Review	2015-16	Timing of capacity upgrades will be reviewed. Financial modelling will be reviewed, including pricing for services. Performance of water and sewerage systems will be reviewed.
South Nambucca Pressurised Sewerage Program	2015-17	Program to replace private septic systems with a low pressure sewerage scheme. Half funded from the National Stronger Regions Fund (funding has been approved) The project reduces the contamination risk to the local oyster industry. Total project value \$480,000.

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.

Summary of key strategies to improve performance against sustainability, infrastructure and services management and efficiency benchmarks.

This submission pulls together previous and ongoing reforms and ties them into an integrated strategy to improve and sustain Nambucca's future financial performance. Council offers the recent and ongoing initiatives to contain operating costs and the history of small, well targeted special rate variations as evidence of on-going reform that has put Nambucca Shire on track to deliver financial sustainability by 2020 as measured by FFTF benchmarks.

The improvement strategy that has been developed forecasts Nambucca meeting six of the seven benchmarks by 2020. This would include the two threshold benchmarks of Operating Performance Ratio and Own Source Revenue Ratio.

Assumptions of the plan

Costs contained to at least current levels in real terms. Council will still take opportunities to realise efficiency gains and cost savings where and when they present themselves. Staff levels should not exceed 114 full time equivalents with contractors and casuals hired to provide the flexibility to meet workload above the core

operations.

No fundamental change in level of services provided. There is no intention of increasing the range of services provided by Council or lifting the quality. This means that if you currently have a gravel road servicing your property, all things being equal you can't expect to eventually have a sealed road. This does not preclude Council examining if a service level is appropriate when renewing assets; for example a low level bridge may be replaced with a causeway. It also doesn't exclude the augmentation of existing services if demand grows, for example the extension of the water supply network to a new subdivision, or sealing a road that has had a substantial increase in traffic volumes.

The potential gains from sharing services with other local governments is acknowledged, and Council will pursue the opportunities, but no cost savings have been factored into the forward projections. Nambucca Shire has been included in preliminary conversations about sharing services with neighbouring Councils. There is genuine goodwill and enthusiasm from all concerned however it is considered premature to factor in potential savings into forward projections. Nambucca has provided waste and library services in association with other Councils, and neither of these arrangements have delivered cost savings although in the case of waste it has delivered a better service to residents and has achieved some of the highest diversion from landfill rates in the country.

Things that will continue to happen

Council will continue to dispose of community assets to the community groups that operate them. Council has 12 Community Halls which are a legacy from a time when the Shire was based around small farming communities. Council's current position is to keep them operational as long as there is sufficient community support to provide a Committee of Management to run the facility. The preferred position is to transfer the title to an incorporated entity that operates the hall for the community's benefit. This strategy has also worked for museums, preschools and showgrounds.

Council will continue to improve its Asset Management systems. This includes the quality of information, the integration of the systems into daily operations, and improving technology and works practices to maximise the benefits and minimise the cost. This should result in better informed decisions and improved forward planning. There are improvement plans contained in each Asset Management Plan that will facilitate this process.

Service review using the Australian Centre of Excellence for Local Government Methodology. Council has commenced a service review using internal resources assisted by an external facilitator. This project shall continue and any improvements that are identified will be integrated into the reform process.

Things that will change

Depreciation methodology. Council has benefited from the MIDROC initiative “apples with apples.” The program benchmarks valuation, accounting and other asset management practices across councils. The application of the learning has reduced Council’s depreciation expense and the infrastructure backlog. While this has not changed the physical condition of any of Council’s assets it has resulted in a more accurate understanding of lifecycles and annualised costs associated with them. The changes have been developed in consultation with Council’s auditors and will be included in the audit of the Financial Statements for the year ended June 2015.

Road maintenance and construction practices. As part of the recent restructure of Engineering Services several fundamental changes were established and will be implemented in the 2015-16 year.

Gravel roads rehabilitation – previously gravel roads have been spot patched as required. The patching techniques were not producing good quality unsealed pavement with a reasonable life expectancy. This has been replaced by a gravel resheeting program where road segments are systematically scheduled for resheeting. Improved techniques as guided by the ARRB Unsealed

Roads Manual have been adopted and the workforce and plant have been restructured to accommodate the changes. The gravel resheeting program will be recognised in the Capital Works program, whereas the spot patching was treated as an operational expense.

Sealed roads rehabilitation - Previously sealed roads that had suffered pavement failure (the structure of the road had failed, not merely the seal coat that keeps out moisture) have been spot patched using a heavy patching technique. This will be changed, where practical, to cement stabilisation of failed segments. This is designed to avoid a collection of patches that are still failing around the edges. The changed treatment will continue to be treated as an operational expense until such time the asset management systems can accurately capture the required data to account for the activity as part of the Capital Works Program.

Scheduling of maintenance – As part of improved asset management practices, roads maintenance will be proactive rather than reactive. Roads will be inspected, required maintenance marked out, recorded and scheduled according to an established priority. This initiative will be achieved with the same budget but practices and workforce changes have been implemented to facilitate it commencing in the 2015-16 year.

Review of forward works program for transport infrastructure. – The forward works program contained in the Long Term Financial Plan was reviewed for unfunded discretionary work. A series of \$0.5M budget allocations for landslip restoration commencing in 2017 was removed. The funding was not allocated to any identified works. The program does still contain some identified landslip restoration work that is nearing completion and were predominately funded from external grant funding. The Nambucca has a history of landslips, but any predicted problems have now been addressed or funded and scheduled.

Additional Special Rate Variation (SRV) in 2018. – The forward works program identified a funding shortfall in 2018. A continuing SRV of 1% over rate peg has been budgeted in 2018. The need for this will be reviewed as part of the preparation of the Integrated Planning and Reporting Documents. The SRV may not be needed as circumstances may change, savings may be identified, a series of dividend payments may be possible for the

Water Fund or it may be permissible to vary rate income by that amount if Nambucca is found “Fit for the Future”.



Nambucca Shire Council Fit for the Future Bench Marks 2020



Operating Performance Ratio (greater or equal to break-even average over 3 years)

1.2%



Own Source Revenue Ratio (greater than 60% average over 3 years)

74%



Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)

79%



Infrastructure Backlog Ratio (less than 2%)

1.12%



Asset Maintenance Ratio (greater than 100% average over 3 years)

100.1%



Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)

8.91%



A decrease in Real Operating Expenditure per capita over time

Decreasing



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

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

Key assumptions used in predictive modelling.

- Average population growth 0.8 % PA.
- Average growth in additional rateable assessments of 0.2%.
- Discount rate to calculate real costs 3% based on top end of inflation range and assumed rate peg in forward planning.
- Future Rate Peg 3% PA.
- Service levels held constant.
- Operational costs held at least constant in real terms – this is on current trend.
- Future borrow rate of 5% Most of Council's current debt is at fixed rate for the term.
- Future investment returns 4%.

The level of external grant funding contained in the Long Term Financial Plan is a key assumption for the Own Source Income Ratio – Nambucca historic result has been around the 60% benchmark. Additional external grant funding, although always welcome has tended to push the ratio below benchmark.

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.Achieve Operating Surplus	a) Complete review of depreciation methodology	2015 Transport Asset Revaluation is accepted by auditors	Reduces depreciation expense by approx \$1.7M	Has a positive impact on asset renewal ratio
	b) Complete review of LTFP expenditure	Revised LTFP adopted by Council	Reduces discretionary operational expenditure to funding limits	Has a positive impact on efficiency benchmark
	c) Review operations and accounting for gravel resheeting	Gravel resheeting program implemented. (replaces reactive spot patching)	Gravel resheeting recorded as capital expenditure not operational expense	Has a positive impact on the asset renewal ratio. Neutral impact on asset maintenance ratio

Objective	Strategies	Key milestones	Outcome	Impact on other measures
	d) Review operation and accounting for sealed road rehabilitation by segment	Sealed road rehabilitation program replaces heavy patching program	Sealed road rehabilitation is program by segment, replaces spot heavy patches for failed pavements. Will be captured on asset management systems. Will be recorded as capital expenditure not operational expense	Has a positive impact on the asset renewal ratio. Neutral impact on asset maintenance ratio
	e) Review the requirement for a 1% SRV in 2018	LTFP 2018-2028 indicates an Operating Performance Ratio >0 in 2020	Council's Operating Performance Ratio >0 in 2020	Additional funding could benefit asset renewal ratio or asset maintenance ratio. Will improve debt service ratio.
2.Improve asset renewal ratio	refer 1 a) review of depreciation methodology	2015 Transport Asset Revaluation is accepted by auditors	Decreased depreciation	Improves operating performance ratio

Objective	Strategies	Key milestones	Outcome	Impact on other measures
	Refer 1 c) and 1 d) reform or gravel resheeting and sealed pavement rehabilitation.	Gravel resheeting program Sealed road rehabilitation program.	Decreased operational expenditure, increased expenditure on asset renewals.	Improves operating performance ratio.
	Review works program contained in transport assets asset management plans.	New works program produced.	Works program aligned with available funding and asset management practices.	New funding program may change borrowing program and Debt Service Ratio.

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.

See Section 3.1 – Integrated package of reforms

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

See Section 3.1 – Integrated package of reforms

Key assumptions used in predictive modelling:

- Average population growth 0.8 % PA
- Average growth in additional rateable assessments 0.2%
- Discount rate to calculate real costs 3% based on top end of inflation range and assumed rate peg in forward planning
- Future rate peg of 3% PA
- Service levels held constant
- Operational costs held at least constant in real terms – this is on current trend.
- Future borrow rate of 5%. Most of Council's current debt is at fixed rate for the term.
- Future investment returns of 4%

It is assumed that the risk based analysis developed by Jeff Roorda and Associates (JRA) in partnership with the Institute of Public Works Engineering Australasia (IPWEA) will be accepted by Council's auditors and the Office of Local Government NSW as a legitimate methodology to calculate the infrastructure backlog ratio.

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.Improve Infrastructure Backlog Ratio	a) Apply JRA risk based assessment to identify backlog ratio	Methodology accepted by auditors for period ending June 2015	Backlog ratio can be audited	Nil
	b) Backlog ratio calculation subjected to audit	The Ratio produced by the JRA method is confirmed by Council's auditors	Backlog ratio is audited as part of special schedule 7 for period ended June 2016	Nil

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.

See Section 3.1 – Integrated package of reforms

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

See Section 3.1 – Integrated package of reforms

Key assumptions used in predictive modelling.

- Average population growth 0.8 % PA
- Average growth in additional rateable assessments of 0.2%
- Discount rate to calculate real costs 3% based on top end of inflation range and assumed rate peg in forward planning
- Future rate peg of 3% PA
- Services level held constant
- Operational costs held at least constant in real terms – this is on current trend.
- Future borrow rate of 5%. Most of Council's current debt is at fixed rate for the term.
- Future investment returns of 4%.

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.Hold employment cost in real terms	a) Review each vacancy to ensure the role is essential to the organisation. b) Rely on contractors and labour hire to accommodate seasonal variation in work load. c) Continue to embrace new technology and work methods that enhance labour productivity.	FTE do not exceed 114 in period to June 2020	Hold or reduce FTE Staff Number	Fits with the more flexible workforce plan for field staff. Reflects staff numbers after recent reforms

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
2.Service review using the ACELG Methodology (Nambucca is at the very start of this process)	Internal team already established. External facilitator appointed and commenced work.	<ol style="list-style-type: none">1. About to finalise list of services and associated costs2. Identify service for first review3. Establish internal team4. Collect data5. Analysis6. Develop recommendations7. Implement change8. Evaluation & reporting	<ol style="list-style-type: none">1. Clarify the need for the service2. Establish how to best met that need.3. Changes made to service delivery.	Improve Operating Performance 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	Milestones
1. Continued development of the asset management systems	2 nd Generation Plans adopted for transport asset
	One page community reporting developed
*	A more detailed analysis Maintenance requirements developed for inclusion in asset management plans
	Continued refinement of matching available capital budget to forward works programs
	Asset Management Maturity Assessment.

	Implementation of JRA lifecycle approach to managing long life assets in perpetuity
2. Full implementation of risk based condition assessment	2015 revaluation of transport assets receives an unqualified opinion from Council's Auditors
	2015 methodology audit of preparation of schedule seven approved as reasonable and reliable by Council's Auditors
	2016 Audit of Schedule 7 receives an unqualified opinion from Auditors.
3. Implement Gravel Resheeting Program	2015-16 Resheeting Program Scheduled
	Methodologies to capture and record resheeting work are implemented.
4. Integrated Water Cycle Management Plan reviewed	2015-16 review of the Integrated Water Cycle

	Management Plan Completed.
5. Implement new rehabilitation methods for sealed roads.	Implement segment stabilisation program and associated data capture.
	Develop rehabilitation program for inclusion in the capital works program
6. Model impact of the takeover of the old Pacific Highway assets	List of assets finalised with RMS
	Asset Management data for affected assets received by Council
	Compensation Package from RMS finalised
	Additional assets recognised in Council's AM systems, works programs and forward planning.
7. Contain costs in real terms	FTE staff not to exceed 114 permanents

	Expenditure benchmarked against prior years as part of the budget preparation cycle
8. Ongoing forecasting of FFtF Benchmarks as part of Budget Preparation.	FFtF benchmarks projections presented with draft budget each year
	Need for 1% additional rate revenue reviewed in 2018.
Please attach detailed action plan and supporting financial modelling	Financial model is attached for reference

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

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

The development of improvement strategy

Involvement of Councillors in the development of the submission

Eight reports were presented to Council:

1. Report on the finding on the Independent Panel's review of NSW Local Government.
2. Report on initial benchmark results from self-assessment tool.
3. Report on scale and capacity and which template to complete. (Council resolved to approach Bellingen after this report).
4. Report on discussions with Bellingen Council.
5. Report on participating in the application for the Pilot North Coast Joint Organisation.
6. Report to workshop conducted concurrently on FFTF submission and 2015-16 draft budget.
7. Update report on submission including a rough draft.
8. Report to Council on draft submission for adoption.

Financial Modelling

1. The Office of Local Government Self-Assessment tool was used to calculate Council's past performance. A copy of the results is attached for reference.
2. Reviewed the veracity of the information on which the benchmark ratios were calculated.
3. Refined depreciation expense. As the maturity of Council's asset management system has grown, a more refined understanding of current service levels and asset life cycles has been achieved. It has become clear that in many cases asset lives have been underestimated and have been reflecting aspirational service levels rather the service that is actually being delivered. The Transport Asset Class was reviewed as part of the revaluation of that class (2014-15) and depreciation for that class has been revised down by \$1.7M. While past depreciation expense has been based on best available information it is now apparent that historically the expense has been overstated and had a negative impact on the Operating Performance Ratio.
4. This and the recent restructure of Engineering Services have been incorporated into the preparation of the 2015-16 draft budget and the review of the Long Term Financial Plan and has given a baseline for modelling improvement strategies.
5. The first priority of the strategy was to meet the Operating Performance benchmark. This defines the size and operations of the organisation in the future and gives parameters on which to improve the remaining ratios.
6. Adopted the strategy of holding operating expenses constant in real terms. This is realistic and is in line with underlying recent performance.
7. Reviewed Long Term Financial Plan
 - a. Identified unfunded discretionary spending in forward works program (landslip remediation was identified)
 - b. Incorporated changed work and accounting practices (unsealed road remediation)
8. Referred water operations part of the submission to the Water and Sewerage Department.

9. Reviewed forecast Fit For The Future benchmark indicators, identified funding shortfall and reran the model with additional rates revenue in 2018. Reviewed all benchmark ratios.
10. Drafted the improvement proposal on this basis and presented a draft to Council for adoption.

Alignment with Council IPR documents and operations

The modelling of the reform strategy was integrated into Council's IPR process for 2015-16. Community priorities and organisational objectives were integral to the strategy.

Briefing sessions were conducted for all Council work teams and management groups.

Council debate on the process was always held in open Council meetings.

Reforms that formed part of the strategy were instigated from across the organisation, for example Engineering Services restructured their workforce to be able to implement new processes and the Finance Section developed the new asset accounting methodologies.

Talks with neighbouring Local Governments

Fit For the Future was discussed at regular MIDROC and General Managers' meetings. Several MIDROC projects complemented the process well. The "apples with apples" asset management and asset accounting project was particularly timely as was the KPMG report on the potential savings through shared services.

Discussions were held with Bellingen Shire Council and informal discussions also included Kempsey and Gloucester Shires. In all cases there was genuine enthusiasm and goodwill on the development of shared services. A proposal has been developed and there is ongoing refinement to the initial plan.

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.

Joining forces with a similar sized, neighbouring Shire – Senior management, Mayors and Deputy Mayors of Nambucca and Bellingen Shire Councils informally explored possibilities for sharing the services of financial services, human resource management, information and community technology, procurement and contract management, waste management, internal audit, service reviews and animal holding facilities. These guiding principles were agreed: decrease costs, respect employee career paths, give preference to local suppliers, shared ownership of the entity that would efficiently deliver services to communities.

Creating a multi-Council corporate entity – An independent review by KPMG for MIDROC and subsequent work by Kempsey Shire showed that one way to more effectively provide shared services was to establish a separate corporation, with member Councils as shareholders of the company and General Managers appointed to direct the operations of individual business units. A corporate board would be responsible for the provision of services agreed with the member Councils, focusing on operations of providing services. Human resource management, financial services and information and communication technology would be key priorities. Member Councils put forward at this point in time are Nambucca, Bellingen, Kempsey and Gloucester.

Where we have gotten to - Nambucca Council formally resolved to support the development of a shared services proposal such as that informally explored with Bellingen, and nominated the Mayor and Councillor(s) to be involved in future discussions with other Councils on proposed shared service arrangements in both these forms.

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)	-18.8%	-12.5%	-6.7%	-1.2%	-0.3%	1.2%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	54.7%	56.8%	58.4%	71.2%	73.5%	74.0%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	70.4%	81.8%	100.5%	106.8%	93.4%	78.7%	No
Infrastructure Backlog Ratio (Greater than 2%)	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	86.9%	102.9%	103.2%	101.6%	101.3%	100.2%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6.21%	7.09%	7.56%	8.55%	8.97%	8.91%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$1.36	\$0.98	\$0.91	\$0.89	\$0.87	\$0.85	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.

The risk to the Operating Performance Ratio not meeting benchmark is largely that operating expenses cannot be held close to constant in real terms. Council believes the estimated results are reasonable; however there are many factors beyond Council's control and influence. Tactical decisions will need to be made when formulating each year's budget.

Own Source Revenue Ratio may be below benchmark as a result of receiving additional external grants.

The risk to the building and infrastructure asset renewal ratio not reaching benchmark is twofold.

1. Continuing operating deficits impinging on Council's ability to fund asset renewal.
2. Efficient asset renewal quite often requires a large budget in some years and a smaller budget in other years. It is possible that the required works program may not exceed the depreciation expense over the period. This reflects the "chunky" nature of the budget required to renew assets with long useful lives.

The major risk to the Infrastructure Backlog Ratio not meeting benchmark is not gaining acceptance from Council's auditors or implementing the JRA risk based analysis calculation method.

The major risk to Asset Maintenance Ratio not meeting target lies in the further development of the Council Asset Management Systems and a more mature methodology predicting an increased level of maintenance required.

The Debt Service Ratio for General Fund is well within benchmark.

The major risk to Operating Expenditure per Capita benchmark not being reached is not being able to contain operating expenses, expenditure being increased about normal operations by the receipt of grant funding or a one off payment such as the Pacific Highway Handover Compensation Package.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The plan is already embedded in the Council's Integrated Planning and Reporting (IPR) documents. The IPR process has a robust delegation and responsibility framework.