

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: Wellington Council

Date of Council resolution endorsing this submission: 24 June 2015

1.1 Executive Summary

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

The Independent Local Government Review Panel recommendation for Wellington Council was for, “Council in Orana JO or merge with Dubbo”. As the ILGRP did not specify a preference between these options, Council meets the test for scale and capacity under both options.

Current performance

Based on Council’s 2013/14 Financial Statements and draft 2015/16 Long Term Financial Plan, Wellington Council will not meet all of the seven benchmarks by 2019/20, as required by the proposed IPART assessment methodology.

Fit for the Future Criteria	Meets Now	Meets in 2019/20
Operating Performance Ratio	No	No
Own Source Revenue Ratio (Federal Assistance Grants)	Yes	Yes

included)		
Buildings and Infrastructure Asset Renewals Ratio	Yes	No
Infrastructure Backlog Ratio	No	No
Asset Maintenance Ratio	No	No
Debt Service Ratio	Yes	Yes
Real Operating Expenditure Over Time	N/A	Yes

Planned improvement strategies and outcomes

In response to Fit for the Future, Councillors and staff, and ultimately the community, embarked on a process of looking broadly across the organisation to identify improvement opportunities to fund the required asset renewal and maintenance, balance the budget and demonstrate improved efficiency over time.

Under its Improvement Proposal, Council will meet all of the benchmarks by 2019/20. Council intends to implement the improvement opportunities effective from the commencement of the 2015/16 budget so they are commencing immediately to become sustainable.

Improvement opportunities include:

- Service level reductions,
- Revenue opportunities,
- Review of asset valuations,
- Review of asset depreciation,
- Revised infrastructure backlog methodology,
- Revised asset maintenance methodology,
- Sufficient expenditure on assets,

- Corporate structure cost reductions,
- Other minor cost saving initiatives.

Council also assessed whether a merger would be in the best interests of the Wellington community. It found that a merged council would not perform better and there would be a significant loss in representation and focus on local priorities.

Council consulted its community, who gave feedback on the improvement opportunities and indicated a preference to stand alone as per the ILGRP recommendation. As Council is an active participant of the Orana Regional Organisation of Councils, it is already working within a structural arrangement reflective of the ILGRP's recommendation.

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?

Yes / No

The ILGRP recommendation for Wellington Council was for, “Council in Orana JO or merge with Dubbo”. As the ILGRP did not specify a preference between these options, Council meets the test for scale and capacity under both options.

Council consulted its community who supported a preference to stand alone as per the ILGRP recommendation. As Council is an active participant of the Orana Regional Organisation of Councils, it is already working within a structural arrangement reflective of the ILGRP’s recommendation.

Council has demonstrated a strong commitment to performance, best practice and efficiency improvements over time, as evidenced by the following;

1. Council has implemented all the recommendations from the 2006 Office of Local Government Promoting Better Practice Review and Statewide Mutual Best Practice Guidelines demonstrating that it is operating at best practice across all of its operations.
2. Council is a participant in the Wellington Blayney Cabonne Strategic Alliance, the Lower Macquarie Water Utilities Alliance and the OROC group of councils. Council also has strong relationships with Central NSW Tourism, Orana RDA and Netwaste demonstrating council’s commitment to local and regional collaboration, resource sharing and informed management decisions to improve its performance

Council has:

1. A healthy level of reserve funding set aside for future projects
2. Detailed long term financial plans for General, Waste, Water and Sewer Funds
3. Completed a rationalisation of its plant and equipment, disposing of those surplus to its requirements
4. Continued to review its organisation structure to look for further efficiencies and savings
5. Completed a review of its building assets that resulted in the sale of the majority of Council's commercial and residential property portfolio.
6. Implemented a Business Sustainability Action Plan in 2013 that saw the reduction in operating expenditure across the organisation

Council further submits the following as evidence of its demonstrated performance against the elements of strategic capacity as defined by the ILGRP:

Robust Revenue Base	<p>Council has diversified its income base by undertaking private works</p> <p>Council has significant RMS State Road Contracts</p> <p>Council reviewed its rating structure to ensure that the rate burden was spread proportionally across all of its categories</p> <p>Provides services in relation to WHS, training, and risk management to other council's and agencies at a modest return</p>
Major Projects	<p>Future new capital projects totalling \$4.2M</p> <p>Council is already delivering best practice water, sewer and waste services at an affordable price</p> <p>Council continues to provide a diverse range of services to the community which include</p>

	aged and disabled services, youth services (0-12yrs) and indigenous liaison
Ability to employ wider range of skilled staff	<p>Resource sharing through OROC and WBC</p> <p>Council has demonstrated commitment to local employment and building local skills through its apprenticeship and traineeships, CSU scholarship programme and participation in the Wellington Learning Community</p> <p>Flexibility has been built through multi skilling staff across operational areas</p>
Knowledge, Creativity and Innovation	<p>Waste projects are delivering quality services without increase price for end users</p> <p>Council has demonstrated significant innovation in its management of development within the area by having in place Community Enhancement Programs, Voluntary Planning Agreements</p>
Effective Regional Collaboration	<p>Is an active member of OROC and WBC</p> <p>Working with OROC to establish an Orana JO</p> <p>Savings and efficiencies achieved through regional collaborations and resource sharing</p> <p>Is a member of the Macquarie Regional Library along with the councils of Dubbo, Narromine and Warrumbungles</p>
Skills in strategic planning and policy development	<p>Council's IP&R documents meet legislative requirements</p> <p>The LTFP is informative and easy to read</p> <p>Council's governance framework facilitates effective policy and development and continuous review</p> <p>Council's strategic approach in its management of development within the area by having in place Community Enhancement Programs, Voluntary Planning Agreements</p>
Capable partner for state and federal	Partnered effectively with state and federal agencies demonstrated through securing

agencies	<p>significant grant funding for infrastructure projects</p> <p>Geurie sewerage treatment plant</p> <p>Road and bridge construction and reconstruction</p> <p>CBD beautification program funding</p>
High quality political and managerial leadership	<p>Continued professional development of councillors and staff</p> <p>Demonstrated sound financial and infrastructure management</p> <p>Demonstrated long track record of regional collaboration and leadership, CENTROC, WBC, OROC</p> <p>Sound Management of investment portfolio throughout Global Financial Crisis</p>

2. Your council's current position

2.1 About your local government area

Key characteristics

The Wellington Local Government Area is located within the Central West Slopes and Plains of New South Wales, with its suburban centre of Wellington located 362 km north of Sydney. The Council area is bounded by Warrumbungle, Mid-Western Regional Council, Cabonne and Dubbo City Council areas. The Council area covers a total land area of approximately 4,100 km².

The town of Wellington is surrounded by villages, and rural land is used primarily for agricultural, particularly sheep and cattle grazing, with some viticulture and tourism.

Demographics

Census data and the NSW Department of Planning's Population Forecasts show that the population in Wellington Council area will slightly decrease from 8,850 in 2011 to 8,100 in 2031. The majority of residents in the area were born in Australia, reflecting the high level of English spoken at home. There is a high proportion of Indigenous people (21%) represented in the Wellington community. The dominant dwelling type in the Wellington Council area is single dwellings. Residents live in housing that is either owned, mortgaged or rented. The population density is largely stable. Wellington is one of the most socioeconomically disadvantaged Local Government Areas in NSW.

Local Economy

The Wellington Council area has a Gross Regional Product of \$313.26M per annum. This equates to \$35,525 per person and \$179,725 per business. Agriculture and related activities are Wellington's major industries. The majority of fulltime roles in the Wellington Council area are employed in (i) Agriculture, Forestry & Fishing, (ii) Public Administration & Safety and (iii) Education & Training. The majority of residents work in, and are sourced in, either the Wellington or Dubbo Council areas. Key attractions in

the growing tourism industry include the Wellington Caves Complex, Lake Burrendong, Burrendong Botanic Garden and Arboretum, Mt Arthur Reserve, wineries and boutique galleries.

Residents of the area have lower rates of high school completion and tertiary qualifications than the State average.

Community Strategic Plan

The vision for what the community wants the Wellington Council area to be in 2025, is:

- People love living in Wellington's towns, villages and rural areas
- Our natural beauty and history are appreciated by all who live and visit here
- We are the cultural centre of Wiradjuri Country and the hub to a prosperous, innovative, agricultural region of Central Western NSW
- Our heritage and future are tied to the land

Wellington Council has a number of community assets that have a replacement value of \$363 million. The largest asset classes are transport, buildings, sewerage and water supply. Most notable assets of value to the community include: the Wellington and Geurie Swimming Pools; Wellington Library; Wellington Civic Hall; Bodangora Aerodrome; Wellington Caves Complex; sporting grounds; parks and gardens; the Visitor Information Centre; Sewerage Treatment Plants and Water Treatment Plants.

There are no existing State Government regional strategies for the Central West and Orana region, which includes Wellington.

A more detailed demographic profile and local features is detailed in section 4.1 of the attached Improvement Proposal.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Low level of borrowings (S) • Capacity to service current borrowings (S) • Sound liquidity (S) • Moderate financial flexibility (S) • Membership to Orana Regional Organisation of Councils improves advocacy, lobbying, resource sharing and networking (E) • Identified locations for future land uses within each key settlement, including Wellington and surrounding villages under the Wellington Settlement Strategy (S) • Local clauses in the Wellington Local Environmental Plan 2012 covering essential services, flood planning areas, stormwater, Karst subsidence risk and natural resources (S) • Promotion of increased housing choice, job opportunities, coordinated centres development, ecologically sustainable development, recognition of heritage items, protection of prime agricultural land and definition of rural-residential transition within the Wellington Development Control Plan • Economic development initiatives, e.g. Amenity Assistance, Promoting Community Leadership and Litter Reduction Programs 	<ul style="list-style-type: none"> • Reliance on discretionary income outside its control (S) • Net operating deficit in the period from 2010 to 2012 (S) • Rate of increase of expenses over time 2010 to 2012 (S) • Infrastructure backlog (I) • Underspend on infrastructure maintenance (I) • Significant technical services staff turnover (I) • Level of uncertainty about backlog and maintenance outlined in its Asset Management Plan (I) • Future borrowing not viable due to continuing forecast operating deficits and declining liquidity (S) • Only partial progress on gaps in governance, levels of service, skills and processes, and evaluation (E) • 100% of Council's Waste Services is household waste (excludes recycling and garden organics) • Much higher representation by male councillors 30+ years than resident population
Opportunities	Threats
<ul style="list-style-type: none"> • Options to increase overall operating position through increased revenue (eg. SRV) or reduction in expenses (S, E) 	<ul style="list-style-type: none"> • Having needs heard by state and federal governments • Increased burden to deal with a broader range of issues and funding to undertake these activities (S)

<ul style="list-style-type: none"> • Provider, facilitator and advocate to support Wellington's strategic vision and plan (S) • Revitalisation of Wellington's Central Business District and villages under the NSW Cobbora Transition Fund (I) • Role in consultation, information sharing and projects about crime prevention • Improved community engagement strategies and methods to increase knowledge, strengthen relationships and inform decision making (S) • Raising its identity, and what it offers • Using technology to better connect within and outside the Wellington Council area • Improving the urban design, landscaping and street cleaning of its town and villages (I) 	<ul style="list-style-type: none"> • Imposed policies and systems not tailored to local needs • Continual impacts on Council finances due to cost shifting from state and federal governments (S) • Meeting the demands of the constantly changing agricultural industry • Stimulating economic growth and employment, as well as recreational and education opportunities, for young people (S) • Changing perceptions about the town and increasing pride in "place" and "community"
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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)	-14.9%	No	-2.9%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	57.2%	No	56.7%	No
Own Source Revenue Ratio Federal Assistance Grants Included	67.5%	Yes	75.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	134.7%	Yes	154.1%	Yes

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

Operating Performance Ratio

When grants for capital purposes are excluded from the Operating Performance Ratio, Council has an operating deficit. Council reviewed its Long Term Financial Plan in response to the Fit for the Future criteria, and before applying the improvement opportunities identified within this Improvement Plan, made a number of adjustments which reduced the operating deficit from the 2013/14 result.

Own Source Revenue Ratio

As with most rural and regional councils with small and low density rate bases, Wellington Council is highly reliant on the Federal Assistance Grant. When these grants are factored in, Wellington Council meets this benchmark, which has been included in the table above.

Building and Infrastructure Renewal Ratio

Council met this ratio in 2013/14 and is forecast to through to 2016/17, however this will reduce in 2017/18 through to 2019/20 such that Council would not meet this benchmark by 2019/20 as required by IPART's assessment methodology.

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%	No	3%	No

Asset Maintenance Ratio

(Greater than 100% average over 3 years)

69%

No

86%

No

Debt Service Ratio

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

2.9%

Yes

0.3%

Yes

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

Infrastructure Backlog Ratio

Council's Infrastructure Backlog Ratio improves to 2016/17, directly related to the high Infrastructure Renewal Ratio forecast in these years. However as the infrastructure renewals ratio falls below 100% from 2017/18, the backlog ratio also worsens such that it is forecast at 4.6% by 2019/20

Asset Maintenance Ratio

Council has not budgeted to spend enough money on the maintenance of its assets, though the performance against the benchmark is improved from 2013/14 through to 2019/20 where it is forecast at 85%.

Debt Service Ratio

Council carries a small amount of debt, well within the benchmark.

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	1.928	Yes	1.747	Yes

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

Real Operating Expenditure Per Capita

Council meets the benchmark of a reducing operating expenditure per capita.

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?

No

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

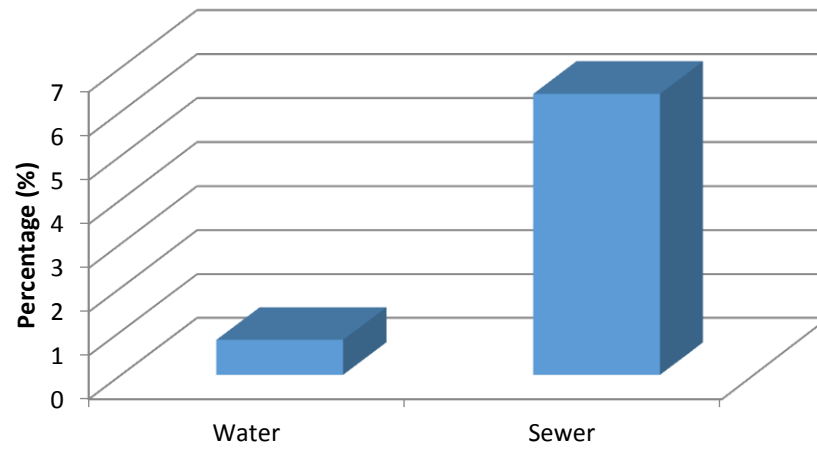
Wellington Council operates a successful Water Supply and Sewerage network across the LGA and is working toward better practice to meet the NSW Government Best Practice Management (BPM) of Water Supply and Sewerage Framework.

Council achieved a **100% and 89%** implementation of the NSW BPM requirements for Water and Sewer respectively in the 2013/2014 year. Please refer to Attachment B: TBL Water Supply Performance and TBL Sewerage Performance for the 2013/2014 Financial Year.

Council is currently revising the 'Strategic Business Plan for Water Supply and Sewerage Services'. Council provides supporting information for Council's Integrated Planning and Reporting (IP&R) as well as satisfying compliance requirements for NSW Office of Water (NOW). Wellington Council is a member of the Lower Macquarie Water Utilities Alliance and as a member of the Alliance is working with the NSW Office of Water to achieve Best Practice Management.

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

Backlog Ratio



This equates to a backlog value of \$155,000 and \$1,283,000 respectively.

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
Water mains replacement	2015 - onwards	\$1,200,000	Internal
Refinement at water treatment and raw water inlets	2015 - onwards	\$300,000	Internal
Water Treatment Plant – rehabilitation sedimentation pond	2015-2016	\$200,000	Internal
SCADA and Telemetry upgrades and replacements	2015-2016	\$200,000	Internal
Reservoir infrastructure rehabilitation and upgrades	2015-2020	\$900,000	Internal

Sewer mains replacement	2015 – onwards	\$1,200,000	Internal
Sewer Pump Station upgrade program	2015-2020	\$200,000	Internal
SCADA and Telemetry upgrades and replacements	2015-2020	\$100,000	Internal
Sewer Main Inspections and reviews	2015-2020	\$200,000	Internal
Treatment Plan Upgrades	2015-2020	\$190,000	Internal

2.4 Water utility performance

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

No

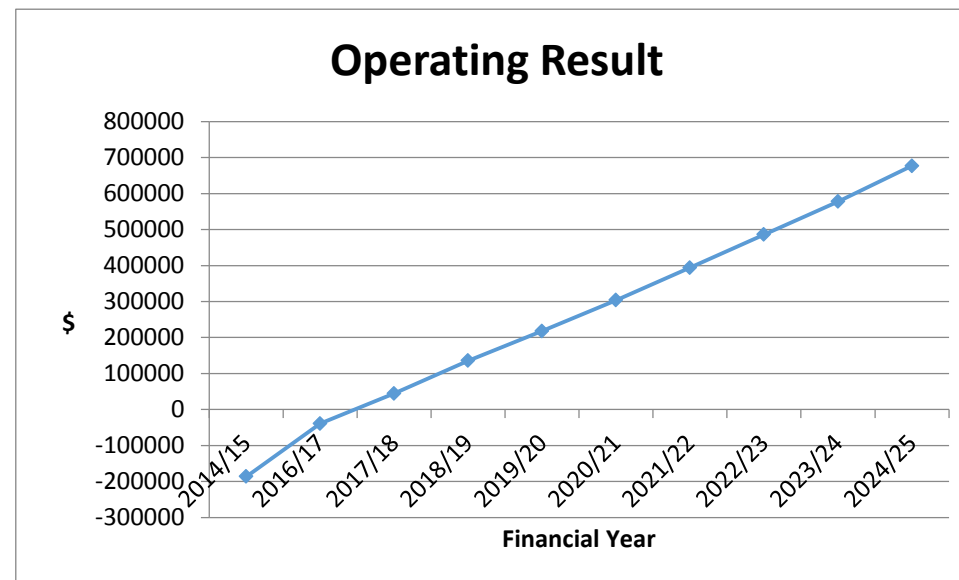
If No, please explain the factors that influence your performance.

Network performance

Historically Council has a strong performing water supply and sewerage network with the combined operating performance returning in the immediate short term above zero. This positive performance is set to continue with both the water and sewer funds forecast to return operating performance ratios well above the 0% mark. By having a strong operating performance ratio, it gives a good indication of Council's ability to fund renewals and improvement opportunities for each of the networks.

The backlog of 0.8% and 6.4% for water supply and sewerage network respectively, show the majority of the infrastructure assets are in a satisfactory or better condition.

This strong and sustainable financial indicator, along with a low infrastructure backlog, shows the water and sewer funds are not only sustainable but are also maintaining good infrastructure assets.



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
Monitor services and address any non-conformance with NOW and NSW Health as required	Drinking Water Management Plan completed by September 2015	Levels of Service - To provide services which are economically feasible, financially affordable in the long term and meeting health/ environmental regulations
To provide a service to concentrated population areas where financially viable	Ongoing	Areas to Be Serviced – services are provided within concentrated population areas
Identify and eliminate illegal connections and system infiltration	Ongoing	Sewer Loads - To minimise load in the sewerage system due to infiltration, inflow and illegal connections

Identify and improve demand management by developing plan monitoring usage	July 2015	Demand Management - Encourage the most efficient use of drinking water
Implement LMWUA Drought Management Plan and work with Alliance to secure water supply for the region	Ongoing	Drought Management - Ensure reliability of water supply schemes during times of drought
Comply with NOW Best Practice Management Guidelines where appropriate	Ongoing	Pricing - Pricing structure which generates sufficient funds for current and future operations and capital works and which encourages wise water use
Provide efficient and responsive customer service and document in CRM reporting system	Ongoing	Customer Relations - Provide a high level of customer satisfaction with reduced (no increase) level of substantiated complaints
Raise community awareness of future schemes and water and sewer services	Ongoing	Community Involvement - Engage the community in consultation in the delivery of water supply/ sewerage services as appropriate

Identify and manage potential risk to the environment in PIRMPs for the water and sewer networks and roll out training across the Council employees to ensure efficient and effective service; minimising and preventing harm to the environment and public health	Ongoing	Environment and Sustainability - Operate water and sewerage services in an environmentally responsible and economically sustainable manner
Finalise draft Operational Plan and continually review operational procedures to ensure the system operates efficiently and effectively	July 2015	Operations - Operate assets to provide levels of service at minimal life cycle costs
Implement the Maintenance and Repair Plan and Program to ensure continual and reliable efficient and effective service to the community	Ongoing	Maintenance - Maintain the system to industry best practice to meet levels of service at least cost
Monitor, maintain and implement the 10 year financial plan and incorporate into a 30-year Capital Works Plan	June 2015	Capital Works - Ensure systems have adequate capacity to meet current and future levels of service at minimum life cycle costs
Develop and implement Workforce Plan	Develop Succession Plan by June 2014. Ensure all staff are trained and implement best practice for	Human Resources - To have appropriate staff resources to ensure

	water and sewer	delivery of levels of service and Council objectives
Develop and maintain a 30-year financial plan which funds identified works and services for maintaining affordable levels of service and implement 10 year financial plan	July 2015	Financial Planning - Provide an affordable and sustainable price path for water supply/ sewerage infrastructure and service delivery

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.

Wellington Council will reduce service levels and pursue revenue opportunities in the 2016-20 period to improve its operating performance ratio and own source revenue ratio. Strategies include reducing services in horticultural services, ranger services, major community events, community donations, library and heritage advisory services. Strategies also include a modest rate increase and re-introduction of a private works service, however these have not been modelled in as further consultation and investigation is required.

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

Council has assumed that:

- The starting point for Council was to meet the Fit for the Future benchmarks without increasing rates, so no Special Rate Variation has been modelled into the Improvement Plan. However the community indicated some willingness to consider a rate increase alongside service cuts. Council has acknowledged that this is an option for consideration in the future.
- There is limited opportunity to increase revenue through increases to fees and charges
- Council has reviewed its depreciation and this is included in the base case Long Term Financial Plan (before improvements)
- Council will utilise its improved operating performance (surplus) into infrastructure renewals
- Council has set a target of a 20% saving in salaries across the organisation which will be achieved through an organisational restructure with a particular focus on vacant positions, service level reductions and subsequent review of back of house functions

Council's Long Term Financial Plan is based on the following assumptions:

- Council controlled expenditure increases have been capped at 1.5% from 2015/16, and then rise to 2% the years following
- Expenditure increase outside of Council control are at 3% annually
- Rates and user charges increase by 3% annually, as do revenue
- Local Government Cost Index for Rating Purposes are set at 2.5% in Year 1, 2.7% in Year 2, 2.9% in Year 3 and 3% in the years following
- Increase for depreciation on construction cost indices are based on the average over the last 5 years of 35
- Anticipated salary award increases are 2.8% in Year 1, 3% in Year 2, 3.2% In Year 3 and 3.25% in the years following
- RMS Funding – Regional Roads Block Grant and Lighting increase by 2% annually
- The Federal Financial Assistance Grant (General Purpose Component) increases by 3.5% in year 1 and 4.8% in the years following

3.1 Sustainability

3.1 Sustainability Strategies

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Improve operating performance through cost savings, in consultation with the community	Reduced service levels in parks and gardens and sportsgrounds	2015/16	\$153,508 saving	Real Operating Expenditure Per Capita
	Reduced ranger services from permanent part time on weekends to call out	2015/16	\$25,000 saving	Real Operating Expenditure Per Capita

	service			
	Reduced financial support of major community events	2015/16 to 2017/18	\$10,000 saving	Real Operating Expenditure Per Capita
	Reduced community donation scheme	2015/16 to 2017/18	\$16,500 saving	Real Operating Expenditure Per Capita
	Reduced service levels in library services through renegotiation of contract with Macquarie Library Service	2017/18	\$50,000 saving	Real Operating Expenditure Per Capita
	Cessation of heritage advisory services based on low level of priority of service to community	2015/16	\$17,000 saving	Real Operating Expenditure Per Capita
2. Identify opportunities to increase own source revenue and improve operating performance	Investigation of a possible modest rate increase (not modelled in)	2019/20	Council has a higher own source revenue ratio and increased financial scale	

	Preparation of a business case for reintroduction of a private works service (not modelled in)	2015/16 onwards	Council has a higher own source revenue ratio and increased financial scale	Infrastructure and Service Management
3.Ensure assets are accurately valued and depreciation accounted for	Revaluation of transport and communications infrastructure	2015/16 depreciation saving of \$600,000	Council's budgets accurately reflect the value of assets	Infrastructure and Service Management

3.2 Infrastructure and Service Management

Wellington Council will review the treatment of its assets in the 2016-20 period to improve its operating performance ratio, asset renewal ratio, infrastructure backlog ratio and asset maintenance ratio. Strategies include valuing its assets, reviewing the depreciation rate of its assets, revising its infrastructure backlog methodology and asset maintenance methodology. Council will achieve best value for money in the overall management of its assets.

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

Morrison Low reviewed Council's Special Schedule 7 using a standardised methodology based on the following assumptions:

- The reality is that a council would never renew an asset in condition 5 or condition 4 to condition 3
- Renewal work would generally return the asset to condition 1 or 2
- Taking a network view means the Cost to Satisfactory is an indicative cost required to bring the whole asset portfolio up to a satisfactory standard
- As such, the Cost to Satisfactory is calculated by adding the cost to bring condition 4 assets to condition 3, and the cost to bring assets in condition 5 to condition 3
- SS7 also requires that councils compare the actual annual maintenance on the various classes of assets with the required maintenance spend
- Required annual maintenance is the amount of money that should be spent to maintain assets in a satisfactory condition
- At a network level it could be expressed as a percentage of the replacement cost of the assets
- Increases in Council's asset portfolio will result in an increase in maintenance liability. This is a reasonable assumption especially when a complete network view of the assets is used
- Where a council componentises an asset to better reflect the consumption of the asset, different maintenance rates are able to be applied to the asset components to further improve the estimate of required maintenance
- For the purpose of SS7 we have looked at what similar councils are doing in relation to maintenance expenditure on assets
- We have also used known industry benchmark data to determine required maintenance expenditure
- In the longer term, trends in asset condition can also indicate the impact that expenditure is having on assets

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management strategies

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Ensure best practice management of infrastructure and assets	Ensure council's assets are valued correctly	2015/16 onwards	Council understands the value of its assets and manages and accounts for them appropriately	Operating performance ratio Backlog ratio
	Review of depreciation rate of assets	2015/16 onwards	Council understands the value of its assets and manages and accounts for them appropriately	Operating performance ratio Backlog ratio
	Revise infrastructure backlog methodology	2015/16 onwards	Consistent and repeatable methodology used	Operating performance ratio Backlog ratio
	Ensure sufficient expenditure on assets	2015/16 onwards	Council maintains and renews assets at 100% and keeps backlog below 2%	Operating performance ratio Backlog ratio

3.3 Efficiency

Wellington Council will reduce costs in the 2016-20 period to improve its real operating expenditure. Strategies include a corporate restructure, alternate delivery model for the Wellington Caves complex, cessation of the economic development function, and other minor cost saving initiatives. Council estimates total savings of \$1,429,033.

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

- Savings on staff costs of 20% through organisational restructure with a focus on vacant positions, service level reductions and subsequent back of house functions
- Council controlled expenditure increases capped below the CPI increase of 3%

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 costs of the organisation	Organisational restructure	2015/16 to 2016/17	\$360,000 annual saving	Operating performance ratio
	Alternate delivery models for Wellington Caves complex, caravan park and kiosk through transfer to private operator	2016/17	\$530,261 annual saving	Operating performance ratio
	Alternate delivery models for economic development through General Manager assuming responsibility for the function	2015/16	\$327,106 annual saving	Operating performance ratio

	Other minor cost saving initiatives (public toilets, swimming pool, Councillors' expenses, training, regional affiliations, town planning consultants)	2015/16	\$211,666	Operating performance ratio
	Cap council controlled expenditure by not applying a full annual increase linked to CPI	2015/16	\$31,266	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. Reduce service levels in parks and gardens and sportsgrounds	<ul style="list-style-type: none"> • Service levels for open space developed • Community consulted
2. Implement on-call weekend ranger service	<ul style="list-style-type: none"> • Ranger service on-call on weekends
3. Reduce donations for major events	<ul style="list-style-type: none"> • Support reduced
4. Reduce donations for community groups	<ul style="list-style-type: none"> • Support reduced
5. Cease the heritage advisory service	<ul style="list-style-type: none"> • Service ceased from 1 July 2015
6. Undertake organisational restructure to deliver 20% total saving in staff costs over 2 years	<ul style="list-style-type: none"> • Restructure adopted by Council • Staff consultation undertaken

	<ul style="list-style-type: none"> • Transition plan developed and implemented
7. Transfer economic development function to the General Manager	<ul style="list-style-type: none"> • General Manager assumes responsibility for economic development
8. Reduce costs in a range of areas	<ul style="list-style-type: none"> • Costs removed from budget
9. Review treatment of assets and update asset management plans and Long Term Financial Plan	<ul style="list-style-type: none"> • Asset Management Plans updated • Long Term Financial Plan updated

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

Council engaged consultants Morrison Low to partner with them in each step of responding to the Fit for the Future requirements. This involved:

- Reviewing the status quo position of Council against the Fit for the Future benchmarks
- Working with senior staff to identify improvement opportunities across the organisation
- Workshopping these improvement opportunities with Councillors to determine a list to take to community consultation
- Financial modelling of the proposed merger with Dubbo City and Narromine Councils

- Consulting with the community via a range of means, as detailed in the attached Improvement Proposal in Section 4.1.5
- Financial modelling of the improvement opportunities and their impact on the Fit for the Future benchmarks
- Commencement of the organisational restructure with a focus on vacant positions, service levels changes and subsequent review of back of house functions

Council prepared a Community and Staff Engagement Plan to outline Council's intended approach for consulting the Wellington Community and staff about its Fit for the Future submission. Council sought to understand:

- Whether its current situation meets the Fit for the Future benchmarks
- The available options for Council to meet the benchmarks
- The implications of the options
- The views of the community and staff on its options

In broad terms, Council consulted on options to:

1. Stand alone as a council in the Orana Joint Organisation, as per the ILGRP recommendation and seek improvement opportunities to be Fit for the Future including increasing revenue; reducing services or service levels; reducing service delivery costs; and a combination of these
2. Merge with Dubbo Council (and possibly Narromine Council) as proposed as an alternate option by the ILGRP. Council's consultation promoted the benefits and costs of each of these options.

The consultation targeted residents of Wellington, five surrounding villages, and dispersed farming properties. It also engaged businesses, the farming and Indigenous communities, and other targeted and special interest groups.

The full consultation process is detailed at Section 4.1.5 in the attached Improvement Proposal (Attachment A).

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.

Wellington Council considered a merger with Dubbo, as per the ILGRP's alternate option. Dubbo City Council expressed clearly from the outset of the discussions that it would not be pursuing a merger with any other council, and formally resolved:

"That Council strengthen its position not to support an amalgamation or merger of Dubbo City Council with any council including Narromine Shire Council and Wellington Council."

This left Wellington Council with no alternative but to pursue an Improvement Proposal to remain as a standalone council as part of the Orana JO (as per the ILGRP's recommendation). Councillors supported this course of action as in the best interests of the future of the Wellington community.

Wellington Council undertook modelling of the proposed merger with Dubbo and Narromine based on publically available information. As a merged entity is a sum of its parts, the merged council was forecast to perform against the Fit for the Future benchmarks as follows, in comparison to Wellington's status quo or base position (2013/14) and adjusted or improved position as proposed in this submission:

Benchmark	Wellington 2013/14	Wellington Base 2019/20	Merged Entity 2019/20	Wellington Improved 2019/20
Scale and Capacity – ILGRP Recommendation	Yes	Yes	Yes	Yes
Operating Performance Ratio	No	No	Yes	Yes
Own Source Revenue Ratio	Yes	Yes	Yes	Yes
Infrastructure Renewal Ratio	Yes	No	No	Yes

Asset Backlog Ratio	No	No	No	Yes
Asset Maintenance Ratio	No	No	No	Yes
Debt Service Ratio	Yes	Yes	Yes	Yes
Operating Expenditure Over Time	N/A	Yes	Yes	Yes

Based on this modelling, Wellington residents are not better off under a merged council in terms of the Fit for the Future benchmarks, and in fact are worse off when the merger is considered against the Wellington Improvement Proposal.

Council consulted on a list of cost saving opportunities and, following community feedback as their importance and priority for quality of life and economic sustainability of the Wellington area, Council has removed them from the Improvement Proposal:

- Tourism,
- Indigenous Liaison.

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)	-14.9%	-12.4%	3.7%	6.5%	6.0%	5.2%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	57%	59%	56.7%	59.1%	64.2%	64.7%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	135%	183%	177.7%	100.0%	100.0%	100.0%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	5.7%	4.3%	0%	0%	0%	0%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	99%	100%	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.9%	1.8%	0.3%	0.3%	0.3%	0.2%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1,169	1,399	1.031	1.099	1.016	1.054	Yes

The financial model showing Wellington's base case (no improvements) and Wellington's Fit for the Future adjusted position (with improvements) as Attachment C.

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.

Wellington Council's Improvement Plan will see it meet all of the Fit for the Future benchmarks by 2019/20. This is without modelling a modest SRV or possible private works revenue, which are further opportunities available to Council should unforeseen circumstances arise that would see Council needing other revenue.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council has included the Improvement Plan into its 2015/16 Delivery Program and Operational Plan. This means that it will be implemented, monitored and reported through the Integrated Planning and Reporting framework.

Ultimately the General Manager is responsible for ensuring that the actions in the Delivery Program and Operational Plan are implemented and monitored. Implementation of the Delivery Program is reported to Council, and ultimately the community, through six-monthly progress reports, and the Annual Report each November.

Wellington Council is commencing its improvement plan in 2015/16 ahead of IPART's assessment and the NSW Government's announcement in October 2015. This is based on a commitment by Council is committed to being financially sustainable and continuing to represent the interests of the Wellington community in its current form.