

## **Bellingen Shire Council – An organisation in transition**

### **Our 'Backstory' and where to from here**

Local Government has been subject to rate pegging for over 35 years and as a consequence the majority of councils in NSW are suffering from an infrastructure backlog. An assessment carried out by the Division of Local Government (DLG) estimates this backlog at \$7.4 billion as at June 2012. To put this into context, in NSW the income generated from rates in 2011/12 was \$6.8 billion.

Local Government is also significantly impacted by cost shifting from other levels of government, where responsibility for, or the costs of, providing a service is shifted from a higher level of government to a lower level of government without the provision of corresponding funding or adequate revenue raising capacity.

Local Government NSW (LGNSW) reports that across NSW cost shifting from the State and Federal government for 2011/12 equated to \$521 million or 5.63% of local government's total income before capital.

For rural councils the cost shifting percentage is 3.95%. For Bellingen Shire Council this equates to \$1.076 million.

In this environment of restricted revenue and additional cost impositions, Council is faced with real challenges in terms of maintaining and replacing infrastructure and delivering improved and expanded services to our community. To build financial sustainability it is imperative that councils address both cost containment/reduction measures as well as options for additional revenue.

The index of relative socio-economic disadvantage (SEIFA) highlights the Shire as being ranked in the 50 most disadvantaged LGAs in the State. The Shire sits at 950.1 on the index scale. Two of the three distinct localities of the Shire, individually, register even lower on the index scale, highlighting an even greater level of disadvantage (Urunga at 926 and Dorrigo at 928.4). This low ranking constrains Council's ability to generate further revenue from rates and annual charges.

The 50-59 age group is the largest percentage in the Shire sitting at 17.1% (ABS: 2011) with 44.4% of the Shire aged 50 years or older. The 10-19 age group comes in second sitting at 14.1%.

The Bellingen Shire also has a high proportion of pensioner and concession holders, with 24% of rateable customers receiving a rebate costing Council over \$230,000 per year (2015). Compared to the rest of New South Wales (NSW), Bellingen ranks in the top 23% of the highest number of pensioners per residential assessments. It is noted that NSW is the only state in Australia that requires councils to contribute to the pensioner rebate.



The Shire's unemployment rate currently sits at 8%. This is 2% above the national average. Of those employed, 46.3% are full-time and 43.6% are part-time with 61.7% earning less than \$600 per week.

The Bellingen Shire is currently home to 12,818 people (ABS: 2014) with a total area of 159,978 hectares. The population density equates to eight (8) people per square kilometre with the length of road per person sitting at 41.5 metres. This, combined with 145 bridges, the length of bridges being 2.292kms (of which 1.795kms are timber bridges), demonstrates the challenges Council is faced with in supporting the infrastructure and other service needs of the Shire, with a limited rate base to generate revenue.

At Bellingen Shire Council, significant progress has been made in improving service delivery following a major process of organisational reform which commenced in 2011. This reform process has been ongoing since then and includes a range of initiatives including structure and resourcing reviews, service, process and system reviews, and various, ongoing community engagement activities designed to understand the community views and priorities in relation to a range of our programs, works and services. Progress has also been made in terms of efficiency and productivity measures, as well as cost reduction and containment.

The following provides an overview of the key initiatives implemented and those currently underway.

### **Structural improvements**

Towards the end of 2011, Council commenced an organisation-wide structure review for improved efficiency, team work and community service levels as well as to support the achievement of Council's four (4) year Delivery Program. As a result, in June 2012, the previous three department structure was replaced with a two department model incorporating the external operational service delivery roles and the corporate and strategic functions. As part of the structural realignment, 12 organisational units were established two (2) of which had not been present in the previous structure. These include "Community Wellbeing" and "Governance and Engagement". These were created to better meet the outcomes sought in the Community Vision, promote good governance, better co-ordinate the planning and delivery of customer service and communicate more effectively with the community.

In addition, within the Governance and Engagement unit a "One Stop Shop" customer and business services team was formed resulting in:

- Better quality of customer service provided and information delivered
- Increased quantity and quality of information delivered on first contact with Council
- Improved timeliness of customer service delivery via the creation of a Customer Service Charter and service standards and evidenced by customer service survey results
- Reduced casual labour costs by providing internal relief to other departments which negates the need to engage a temporary resource
- Increased income via better management of other fees and charges such as pet registrations and on site sewerage inspections.



The anticipated implementation costs (\$270,000) related to the development of the new structure was not required, primarily as a direct result of cost management and efficiency initiatives.

The initial organisation-wide structure review also identified several functions within Council that required further, deeper analysis of service and resourcing levels. Since that time, Council has continued to review and refine various areas of its structure and services by undertaking detailed reviews of Planning, Regulated Services and the Finance unit leading to greater efficiencies, a strategic focus on financial management and improved service delivery.

Further, Council established a revised Advisory Committee structure which aligns to our Community Vision. In support of this structure, a portfolio system was created whereby each Councillor took responsibility for specific portfolios with the objective that they would assume the role of subject matter experts and advocates.

### **Service Delivery Reviews**

In the 2012/2013 year, after implementing the new IP&R framework, Bellingen Shire Council moved to incorporate the service planning aspect of its business into the model. A program of formal, forward looking reviews of our services was initiated. This was in order to ensure that Council meets its commitments to our residents and ratepayers around efficiency, productivity and customer service, as well as levels of service.

The reviews investigate the extent to which services fulfil the dimensions of quality and efficiency along with the objectives of the service area and the scope of the services being provided. Reviewing the services ensures that they remain financially sustainable and reflect the needs of the community over the longer term.

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Over 60 different services have been identified as being delivered by Council to the community (approximately one service for every two full-time equivalent staff members). Services include libraries, swimming pools, parks and gardens, emergency services (RFS, SES, lifeguards and surf lifesaving), weed management, maintenance of roads, maintenance of bridges, rebuilding of roads, rebuilding of bridges, drain management, public furniture maintenance, vegetation control as well as many more.

To date, reviews have been conducted on weed management, the Bellingen Swimming Pool, bridge maintenance and repair, roads maintenance, waste management and ranger services as well as fees and charges. The outcomes from these reviews are delivering the expected benefits including improved processes, service levels and risk profiles. These will continue to flow into the future.

Council is committed to further reviews of its services. A review of Water and Waste Water is currently being finalised. Services under active consideration for future reviews are:

- Rivers and waterways
- Public conveniences
- Construction certificates and building certification
- Waste





- Property and building including leasing
- Fees and charges

In addition, as part of the Fit for the Future submission, Council commenced a broader more holistic service review project designed to link to the work undertaken at a regional level (KPMG project), and the Price Waterhouse Coopers (PWC)/Local Government Professionals (LGP) Operation Effectiveness Survey.

The project aim is to establish the platform for the broader and ongoing body of work around:

- The cost of services
- Service levels that are in keeping with the community expectations
- Opportunities for shared services
- Opportunities for alliancing
- Building on current external works and building a number of business units to undertake private works

At this stage it is envisaged that this ongoing program will utilise the ACELG Service Review Framework.

### **Bellingen Emission Reduction Program (BERP)**

Bellingen Shire Council adopted the BERP in June 2012. While the aim of the BERP is to reduce carbon dioxide equivalent (CO<sub>2</sub>-e) emissions across the Shire, it has also provided Council with some significant energy cost savings. Council has accurately measured its energy consumption and associated CO<sub>2</sub>-e emissions since the 2008-09 financial year to present. Notwithstanding the significant reduction in emissions, reports show the performance of Council facilities in terms of the cost savings as having achieved \$93,430 annually.

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Council will continue to investigate the feasibility and cost effectiveness of implementing a range of efficiency measures and renewable energy supply across the next top ten electricity consuming sites. The BERP will continue to realise current and future savings through the continuation of the project and mitigate ongoing energy costs.

### **Community Engagement**

Council commenced an ongoing, meaningful dialogue with the community during the visioning and strategic planning engagement work that formed part of the IP&R framework. Our community engagement activities are wide-ranging and dependent on the matter under review.

By way of example, during an extreme weather event a local bridge, Hanleys Bridge, collapsed leaving a group of residents isolated. In response to these circumstances, Council held a public meeting, formed a working group between Council and community, and provided regular updates via various media. The engagement process was positive, effective and appreciated by the community.



In 2013, Council applied for Special Rate Variation post consultation with the community which included:

- Community forums
- Chambers of Commerce forums
- Online surveys
- Implementation of an online topic/issue-related “information centre” that included items such as fact sheets, FAQ’s, press releases, community forum presentations, links to feedback mechanisms, and other related documents
- Media releases, advertising and newspaper articles

In addition, Council has undertaken specific community surveys in relation to:

- 2012 Community Satisfaction Survey which ascertained the community’s views and priorities in relation to a range of our programs, works and services
- 2012 Planning Process Survey which determined stakeholder views around Council processes in this area with a view to process improvement
- 2013 Special Rate Variation Survey which determined satisfaction with various infrastructure categories and priorities with regard to funding
- Bellingen Shire Swimming Pool Survey
- Access and Inclusion Plan 2030 Survey
- Weeds services review – community engagement outcomes

Moving forward, Council will continue to capitalise on the community engagement endeavours to date as well as exploring new and more inclusive methods of engagement. As part of Council’s Fit for the Future engagement, it will continue liaising with focus groups/opinions leaders and other such stakeholders through various forums.

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### **Investment in Infrastructure**

Council continues to undertake a review of its infrastructure that assists in determining of priority projects. Council continues to take a risk-based approach which incorporates a more stringent auditing process as part of managing its infrastructure works program.

This informed the program of works for the Special Rate Variation which was subsequently secured to commence in 2014/15.

In addition, Council has substantially completed a review of its Section 94 Local Roads Contribution Plan to ensure that the funds currently held and future funds received can be used to contribute to renewing and improving the road network for the benefit of road users.

### **Regional partnerships and alliances**

Bellingen Shire Council has actively sought regional partnerships and alliances which have delivered economic benefit, service improvement and efficiency gains. Partnerships are currently in place for:

- Waste management
- Library services
- Internal Audit
- Asset management





### **Regional collaboration**

Bellingen Shire Council has been an active member and participant in the Mid North Coast Region of Councils (MIDROC) whose focus for a number of years has been both collaboration and advocacy.

In 2014, KPMG conducted a major analysis relative to shared servicing across the region. At a high level, this indicated projected saving of around \$15 million to \$43 million across the region noting that further detailed analysis would be necessary. The KPMG assessment also indicated that savings for Bellingen would be up to \$2 million.

Council is actively exploring the opportunities identified by the KPMG report in terms of scale and scope efficiencies with partners across the region. This is in addition to opportunities that potentially may be realised through the North Coast Joint Organisation, as all opportunities need to be explored to maximise potential and benefits to Council and its community.

Further detailed work is needed to qualify potential outcomes. It is important that Council's commitment regarding working regionally is considered as part of the assessment of Councils submission.

It is also acknowledged that prior to the individual councils considering pursuit of shared service delivery on a regional basis that the individual councils undertake a policy decision making process within their respective organisations regarding the pursuit of shared service delivery. The councils will need to consider the pros and cons of any shared service delivery proposal carefully and arguably in consultation with their respective workforces. This is part of a considered and evidenced based decision making process.

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In addition, Council participates in a range of MIDROC subgroups where best practice is shared. Collaborative effort has realised significant cost and efficiency savings in areas such as work health and safety, human resource management, planning, procurement and asset management.

By way of recent example, Bellingen Shire Council, through the MIDROC HR subgroup, initiated and led the regional procurement of a shared learning management system for six of the seven MIDROC councils achieving cost savings of approximately \$372,000 in total (on average \$62k per council) over the four (4) year subscription period, as opposed to each council individually procuring this service. For Bellingen Shire Council this resulted in savings of \$11,220 per annum and \$44,880 over the four (4) year subscription.

In addition, cost and efficiency savings will also be realised through:

- Reduced use of external trainers/consultants (and associated costs) as a significant proportion of training can be delivered online at the workplace
- Savings in both training related travel time and costs
- Reduced costs associated with using external training facilities
- Reduced training development costs as online training programs developed in-house may be shared across the member councils via the learning management system
- Reduced training administration time





### **Joint Organisation**

The Fit for the Future guidelines make it clear that councils need to be mindful of the specific recommendations of the Independent Local Government Review Panel (ILGRP) around scale and capacity. In our case, particularly regarding the options for non-metropolitan councils, Bellingen Shire Council is listed in Group G of Table 11 of the ILGRP Report as a "Council in the North Coast JO". Clarence Valley, Coffs Harbour City and Nambucca Shire Councils are proposed as the other members of the North Coast JO.

The councils of Clarence Valley, Coffs Harbour City, Bellingen and Nambucca Shires took the opportunity to pursue the consideration of the Minister for Local Government and the Office of Local Government to be appointed as one of the Pilot Joint Organisations. The initial application was not successful and a subsequent revised application seeking consideration in the event that other Pilot JOs are to be endorsed has not thus far progressed. Nevertheless, the four (4) councils that make up the proposed North Coast JO are keen to progress this matter and have continued to meet periodically to discuss the strategic way forward.

Whilst the councils collectively support the three identified core functions of regional strategic planning, working with State Government and regional leadership and advocacy, the four (4) councils also strongly believe that the JO has a role to play in facilitating shared service delivery sooner rather than later to improve financial sustainability with an understanding that this could take many forms.

The pursuit of shared service delivery between these four (4) councils has the potential to yield efficiency gains for each of the member councils of the North Coast JO. These efficiency gains could manifest themselves in a variety of ways; however, it is expected that financial efficiencies could be expected to be realised. It is difficult to quantify the value of these financial efficiency gains until such time as there is the opportunity to examine the business case that would be produced to assist in the consideration of various options for shared service delivery. Nevertheless, we expect that there will be financial efficiencies that will impact the sustainability, infrastructure and service management, and efficiency criteria in a positive manner.

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It is also acknowledged that prior to the individual members of the North Coast JO considering pursuit of shared service delivery across the JO region, the individual member councils will need to undertake a policy decision making process within their respective organisations regarding the pursuit of shared service delivery. The member councils will need to consider the pros and cons of any shared service delivery proposal carefully and arguably in consultation with their respective workforces. This is part of a considered and evidenced based decision making process.

Given the NSW Government's timetable for the implementation of Joint Organisations, at this stage, the four councils can expect to be part of a Joint Organisation from September 2016 at the latest. Allowing for a consultative decision making process, it is likely that some level of financial efficiencies from shared service delivery could be anticipated toward 2020.



This should influence the assessment of the efficiency criterion in a positive manner and accordingly should be taken into account when assessing Bellingen Shire Council's submission regarding it being Fit for the Future.

### **Governance and Risk**

Council has established governance arrangements related to the Special Rate Variation (SRV) secured in 2013, including a Committee of Council, the Special Rate Variation Implementation Planning and Productive Committee (SRVIP), to oversee productivity initiatives and progress of works e.g., land and property review, fees and charges review. The SRVIP is also supported by internal program boards, known as the Financial Sustainability Program Board and the Transport Infrastructure Sustainability Program Board, and a project management framework.

Council has also established an internal audit function.

The Audit Committee has adopted a forward meeting plan, the Internal Audit Charter (based on the model charter contained in the OLG Guidelines), the Internal Audit Plan and the Risk Management Toolkit. In addition the Audit Committee has considered and recommended a Risk Management Policy for Council consideration.

The Policy is intended to form the apex of Council's risk management framework and has been prepared with the intention of assisting Council to achieve alignment with ISO31000:2009 Risk Management – Principals and Guidelines. The Risk Management Toolkit is intended to reflect the operational component of Council's framework to give effect to the Risk Management Policy.

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Key elements of the toolkit involve the following:

- Risk types
- Risk categories
- Consequence descriptors
- Details of how Council's risk registers will cascade
- Procedure for risk management
- Internal risk reporting expectations

The Audit Committee, along with the internal audit function, involves shared resourcing and collaborative arrangements with neighbouring councils.

The internal audit function is anticipated to enhance Council's ability to identify risks, assess the appropriateness of controls and capitalise on potential efficiencies across the organisation.

### **Procurement**

In September 2011, Bellingen Shire Council was one of the first three (3) councils in NSW to participate in the Procurement Excellence Program originally developed by the Victorian State Department of Planning and Community Development and supported by Local Government Procurement (LGP), MIDROC, and PMMS Consulting Group.





As a result of this process, Council developed a procurement roadmap which was informed by a comprehensive data capture and analysis process to identify strengths, synergies and opportunities. The process brought together around 20 Council staff, from across Council operations, to develop a roadmap that reflected organisational needs as a whole. The roadmap was presented to Council's Executive Management Team for approval and set into motion. Actions from this plan were subsequently prioritised and embedded in existing work plans.

The organisational analysis was based on Council's own financial data and PMMS' Procurement Capability Assessment Model was used to assess Council capability across eight dimensions of procurement excellence. These dimensions were used to structure the workshop discussions and analysis to determine the stage of procurement development for each council, relative to best practice for each dimension.

Responsibility for implementation of the procurement roadmap is overseen by a Procurement Steering Committee, with executive, procurement and finance membership. The roadmap is designed to support Council development based on the Local Government Procurement Maturity Model.

Since the development of the roadmap, Council has made significant progress on implementing the projects identified and continues to work towards all of the outcomes contained within it. Procedural and cultural improvements in procurement flowing from this initiative have resulted in the mitigation of significant risks to Council and the successful sourcing of many procurement categories with dramatically improved value for money outcomes.

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For example, Council's procurement planning document was recently taken up by the MidCoast Waste Alliance for planning the next round of waste services procurement and a recent print services contract resulted in estimated savings of \$53,000 per annum.

### **Future Growth**

Council has developed a strategy for identified land use options to ensure future growth opportunities. The realisation of these opportunities will lead to a greater population base with the objective of an increase in total revenue. This report will be presented to Council in the near future.

### **Cost containment strategies**

Council has implemented a range of cost containment strategies with a snapshot including the following:

- Review of the Section (S)355 committees and subsequent implementation of revised guidelines with committees taking on:
  - More delegated responsibility for the direct costs of the facilities
  - The care, control and management of the facilities under the legislation
- A focus on, and improved management of, leave liability
- Tighter controls put in place for the management of overtime
- Reduction in casual labour and an investment in our young people via the establishment of a traineeship program



- Realisation of savings in 2014/15 of \$150,000, managed through a benefits realisation account
- A joint Workers Compensation Improvement Plan with our insurer leading to improved safety performance and a significant reduction in Council's premium estimate for the 2014/15 year (representing a saving of approximately \$186,000)
- An online careers site which, through efficiencies, has enabled the in-house management of the bulk of Council's recruitment efforts and led to ongoing cost savings, the recruitment budget for 2014/15 being reduced by \$40,000 and a reduction in our time to hire
- Online training has enabled efficiencies in the process, improved accessibility and timeliness of training, and a reduction in associated costs
- Development of an intranet to disseminate information has reduced printing costs and improved customer service

### **Asset Framework**

Significant progress has been made toward improving the framework and governance supporting the planning, development, management and financial reporting of transport infrastructure. In August 2014, Council endorsed the establishment of the Transport Infrastructure Sustainability Program Board. This Board was established to deliver the transport infrastructure program of work outlined in the Delivery Program and Special Rate Variation application. The objectives of the Board are to:

- Deliver transport infrastructure projects in the Delivery Program
- Enhance funding for transport infrastructure
- Improve efficiency and productivity in transport infrastructure delivery

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In addition to the establishment of the Board, Council has embarked on a significant review of its transport infrastructure asset registers, auditing the inventory data to update the records in preparation for revaluation required for the end of the 2015 financial year. This process has been aided by Bellingen Shire Council's participation in a joint regional council initiative within the MIDROC group of councils. The project known as the MIDROC "Talking Apples and Apples about Infrastructure" enabled all participating councils to work together to develop a consistent approach to asset management and financial reporting. The project provided a benchmark to compare unit rates for each class of asset at component level, establishing life cost comparison data, comparing in service and useful life and providing an agreed asset revaluation methodology.

### **Understanding Our Business**

In 2014, Council undertook a number of initiatives to better understand our business. This included participation in the PWC/LGP Operational Effectiveness Survey and the undertaking of a staff satisfaction survey.

The Operational Effectiveness Survey covers the following five key operational areas;

- Corporate Leadership
- Financial Management
- Operations Management



- Risk Management
- Workforce Management

Two Operational Effectiveness Surveys have been completed for 2014 and 2015. The third survey will be undertaken at the end of 2015. The outcomes of the first two phases of the project are currently being distilled into an Action Plan for the Bellingen Shire Council.

The Staff Satisfaction Survey was designed to:

- Provide an avenue for feedback
- Gain an indication of overall satisfaction
- Understand satisfaction on specific workplace issues
- See how we are tracking against previous surveys
- Identify key areas for improvement
- Provide input to development of future workforce plans

Over 60% of staff completed the survey.

The survey results showed Council is doing comparatively well in the following areas:

1. Role clarity
2. Teamwork
3. Equity & diversity
4. Safety
5. Feedback & support
6. Wellbeing
7. Involvement
8. Job satisfaction

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Based on the results of the survey, Council will focus on identified areas for organisation-wide improvement in the coming years. In addition, Department/team-based improvement plans are being developed by staff that will include individual and team commitments. These improvement plans will be consolidated in the early part of 2015/16 with a report on the progress of their implementation being undertaken quarterly. Further “pulse surveys” will be undertaken to check on progress.

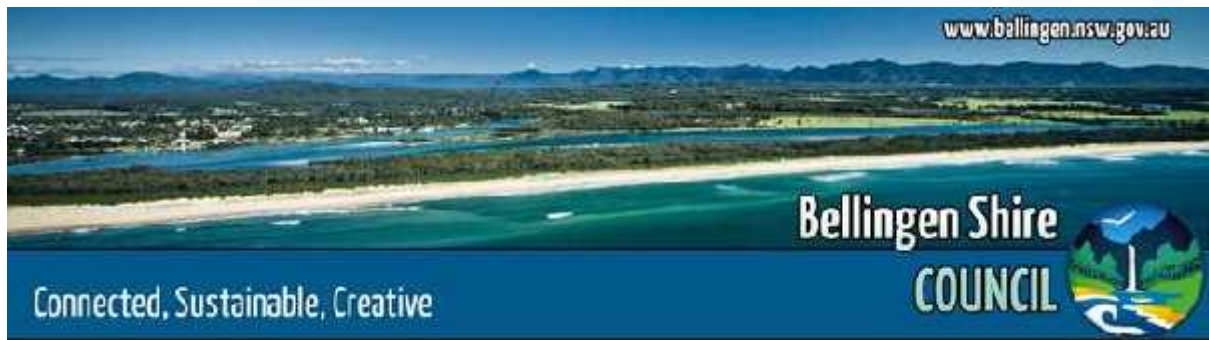
### **Conclusion**

In an era of unprecedented change and an environment of relative disadvantage, restricted revenue and additional cost impositions, Council is faced with real challenges in terms of maintaining and replacing infrastructure and delivering improved and expanded services to our community.

To build financial sustainability, it is imperative that Council address both cost containment/reduction measures as well as options for additional revenue in the context of community want and need.

Our approach is both inward looking and focused on strategic regional partnerships. It is informed by independent research and rests on a strong platform of stakeholder engagement.





Our approach moving forward also builds on a range of extensive initiatives undertaken in relation to organisational reform and efficiency improvements, as well as a solid governance framework, the results of which have been outlined in this paper.

## 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:** Bellingen Shire Council

**Date of Council resolution endorsing this submission:** 25 February 2015 and 24 June 2015

## 1.1 Executive Summary

Bellingen Shire Council (Council) recognises the need for local government reform. Providing it is done with clear consideration, the Fit for the Future process can assist councils in preparing a roadmap for future sustainability.

Bellingen Shire Council agrees with the recommendation of the Local Government Independent Review Panel that it has the necessary scale and capacity to retain its independence as a stand-alone council and become a member of the North Coast Joint Organisation in partnership with three of our neighbouring local councils:

- Nambucca Shire Council
- Coffs Harbour City Council
- Clarence Valley Council

Council, at its Ordinary Meeting in February 2015, resolved to complete Template 2 as part of its submission to the NSW Government. The improvement strategy and action plan (roadmap) demonstrates how Council can better meet the Fit for the Future benchmarks now and into the future through a focus on financial sustainability and provision of efficient and effective services in the context of ongoing community dialogue.

To enable a response to the Fit for the Future program, Council recognised the need to dedicate significant internal resources, including executive staff, and engage with other expertise. Further to this, Council has shouldered a minimum cost of \$50,000 to support the required work of the Project Team in demonstrating how it will become Fit for the Future.

This Improvement Proposal demonstrates that Council will achieve five (5) Sustainability, Infrastructure and Service Management and Efficiency financial performance benchmarks within the five (5) year timeframe with a longer term strategy to meet all seven (7) ratios in the future. To contextualise, Council's initial self-assessment identified that it met two (2) out of the seven (7) financial performance ratios.

Council has undertaken a number of significant measures in recent years to operate more efficiently and improve its long term sustainability. The attached 'Backstory' outlines some of the significant improvements, including some of the already achieved financial gains, Council has made to date to demonstrate our ability to achieve projected outcomes. The 'Backstory' forms an important building block for Council's submission.

In an era of unprecedented change and an environment of relative disadvantage, restricted revenue and additional cost impositions, Council is faced with real challenges in terms of maintaining and replacing infrastructure and delivering improved and expanded services to our community. To build financial sustainability, it is imperative that Council address both cost containment/reduction measures as well as options for additional revenue in the context of community want and need.

Our approach is both inward looking and focused on strategic regional partnerships. It is informed by independent research and rests on a strong platform of stakeholder engagement. Our approach moving forward also builds on a range of extensive initiatives undertaken in relation to organisational reform and efficiency improvements, as well as a solid governance framework, the results of which have been outlined in this submission. Particular reference is provided in the appended document entitled *'Bellingen Shire Council, an organisation in transition, our backstory and where to from here?'*

Council, in undertaking its approach to addressing the ratios and benchmarks, has been conservative and considered in its modelling and preferred option as adopted in its Long Term Financial Plan. This approach has taken into account our community's SEIFA/disadvantage factors, influences and historical constraints that play a role in Council's ability to meet the benchmarks.

Council's Improvement Action Plan provides a framework and a series of strategies that form a platform for Bellingen Shire Council to be sustainable, efficient and effective in managing its finances and infrastructure and delivering services to its community through:

- Generating sufficient funds to provide agreed level and scope of services
- Developing, maintaining and renewing infrastructure through the right mix of revenue and borrowings
- Effective collaboration and shared services and alliancing
- Minimisation of unnecessary burden on business and the community
- Providing value for money to our community based on agreed service levels

The Improvement Action Plan rests on robust and transparent governance arrangements already in place in order that Council can continue to provide its community with the services they require in an effective manner and at an affordable cost.

## 1.2 Scale and Capacity

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

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

**Yes**

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



## 2. Your council's current position

### 2.1 About your local government area

The Bellingen Shire (the Shire) is currently home to 12,818 people (ABS: 2014). The Shire has three distinct geographical areas – ocean, river, and mountains. The Shire has an abundance of natural assets with a total area of 159,978 hectares of which 57% is State Forest, National Parks or Crown Lands (21.35% State Forests, 32.44% National Parks, 0.85% Crown Lands and other of 2.36%). This, along with our cultural attractions has created a thriving tourism industry with more than 300,000 visitors coming to our beautiful Shire each year.

Our Community Vision acknowledges the community's vision for the Shire as one that is Connected, Sustainable and Creative.

#### **Industry Employment**

The largest industries in 2011 (ABS Census) were Health Care and Social Assistance (408), Retail Trade (378), Agriculture, Forestry and Fishing (352), Accommodation and Food Services (335), Education and Training (322), Manufacturing (286) and Construction (212).

#### **Demographics and Trends**

The index of relative socio-economic disadvantage (SEIFA) highlights the Shire as being ranked in the 50 most disadvantaged LGAs in the State. The Shire sits at 950.1 on the index scale. Two of the three distinct localities of the Shire, individually, register even lower on the index scale, highlighting an even greater level of disadvantage (Urunga at 926 and Dorrigo at 928.4).

The 50-59 age group is the largest percentage in our Shire sitting at 17.1% (ABS: 2011) with 44.4% of the Shire aged 50 years or older. The 10-19 age group comes in second sitting at 14.1%.

The projected growth for the Bellingen Shire is 0.1%. According to the NSW Department of Planning, the influencers behind the growth variation include a growing young population, an increase in birth rates and an increase in the number of older people in our Shire.

Our Shire's unemployment rate currently sits at 8%. This is 2% above the national average. Of those employed, 46.3% are full-time and 43.6% are part-time with 61.7% earning less than \$600 per week.

#### **Infrastructure and Assets**

As a local government organisation, Bellingen Shire Council is charged with the responsibility for the delivery of a diverse range of services. Council employs 129 fulltime equivalent people (as at February 2015) in a range of professions.

Bellinghen Council has a broad portfolio of community infrastructure and assets including:

<b>Bridges</b> <ul style="list-style-type: none"> <li>• 84 timber bridges</li> <li>• 19 concrete bridges</li> <li>• 13 composite bridges</li> <li>• 20 large culverts</li> <li>• 9 footbridges</li> </ul>	<b>Roads</b> <ul style="list-style-type: none"> <li>• 70kms State roads</li> <li>• 34kms regional roads</li> <li>• 337kms sealed roads</li> <li>• 195kms unsealed roads</li> <li>• 20kms footpaths</li> <li>• 3kms cycleways and shared paths</li> <li>• 67kms kerb and gutters</li> <li>• 38.5kms drainage conduits</li> <li>• 4 public car parks</li> </ul>	<b>Buildings</b> <ul style="list-style-type: none"> <li>• 1 Administration building</li> <li>• 3 libraries</li> <li>• 4 Depots</li> <li>• 3 waste depots/ transfer stations</li> <li>• 53 sport and recreational facilities</li> <li>• 3 swimming pools</li> <li>• 9 halls</li> <li>• 1 saleyard</li> <li>• 3 commercial buildings</li> <li>• 24 emergency service buildings</li> <li>• 2 surf clubs</li> </ul>
<b>Sewer</b> <ul style="list-style-type: none"> <li>• 75.2kms of gravity sewer mains</li> <li>• 16.2kms of rising mains</li> <li>• 3 treatment plants</li> <li>• 27 pump stations</li> <li>• 1,881 manholes</li> </ul>	<b>Water</b> <ul style="list-style-type: none"> <li>• 177kms mains</li> <li>• 2 treatment plants</li> <li>• 3 bores/ 1 well</li> <li>• 2 river pump stations</li> <li>• 1 reticulated pump station</li> <li>• 11 reservoirs</li> <li>• 1,105 hydrants</li> <li>• 992 valves</li> </ul>	<b>Plant equipment and vehicles to an approximate value of \$8.4 million</b>

## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Stable cohesive Council where the debate is often rich</li> <li>• Experienced Council team</li> <li>• The organisation has an active forward vision around future direction in the context of the needs and desires of its community</li> <li>• Strength in our independence despite our small size</li> <li>• Awareness of potential challenges</li> <li>• Active program around leadership and engagement</li> <li>• Valued regional partner</li> <li>• Existing good relationships with regional LG neighbours</li> <li>• Commenced collaborative efforts with regional neighbours - with success</li> <li>• Existing strong relationships with agencies and politicians</li> <li>• Extensive organisational reform process undertaken since 2012</li> <li>• Service/capacity reviews underway since 2012</li> <li>• Active management of liabilities such as employee leave entitlements, overtime etc</li> <li>• Agreed regional asset valuation and depreciation approach</li> <li>• Procurement roadmap and processes maximising benefit from purchasing decisions</li> <li>• Tourism/natural resources</li> <li>• Community passion about its community and localism</li> <li>• Effective waste management and management of environmental risks</li> <li>• Social capital</li> </ul>	<ul style="list-style-type: none"> <li>• Low socio economic ranking (top 50 in the State for disadvantage)</li> <li>• Low alternate revenue raising capacity</li> <li>• High proportion of pensioners (NSW is the only state that requires councils to provide part funding)</li> <li>• Lack of public transport</li> <li>• 57% of the Shire is non-rateable</li> <li>• 145 bridges and associated maintenance costs</li> <li>• Current level of cost shifting from other levels of government</li> <li>• Limited rate rising opportunities (low SEIFA ranking)</li> <li>• Limited ability of Local Government Associations (State and National) to address long term structural reform issues</li> <li>• Bound by statutory limits on some fees and charges</li> <li>• Reliance on grant funding</li> <li>• Impact of State Government and their shifting priorities</li> <li>• Small population base</li> <li>• Three very different towns that are geographically isolated that demands replication of services</li> <li>• Expectations cannot always be resourced</li> <li>• Insufficient industry base to address local employment issues</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Realising the benefits of previous organisational readiness efforts (with tangible outcomes)</li> <li>• Increased economic benefit from tourism/natural resources</li> <li>• State Government to address impact of pensioner rebate on LG</li> <li>• Revision of rating arrangements to facilitate rating of land owned by other levels of government</li> <li>• Refined funding formula which supports those councils with less income generating opportunity (change in distribution of Financial Assistance Grant funding)</li> <li>• Regional asset re-valuation process should have a positive effect on depreciation and backlog</li> <li>• Revised funding arrangements for distribution of Federal taxes (currently 3%)</li> <li>• 'Tree-changers' investment in community</li> <li>• Community commitment to the Shire including volunteering</li> <li>• Build on mutually beneficial opportunities with willing LG neighbours</li> <li>• Leverage funding and advocacy opportunities with agencies and politicians</li> <li>• Stronger regional influence around key issues and sector leadership</li> <li>• Enhanced leadership, communication and engagement</li> <li>• Reframing of community vision to incorporate proposed reforms</li> <li>• Regional advocacy</li> <li>• Reframing of budget in the context of agreed/revised service levels</li> <li>• Improved reputation management building on a customer focussed organisation</li> <li>• Aged care, tourism, state forestry, regional advocacy - implement actions from economic plan driven by economic development committee</li> <li>• Maintain current leadership and engagement focus</li> </ul>	<ul style="list-style-type: none"> <li>• Limited economic growth</li> <li>• Impact of environmental conditions and natural disasters</li> <li>• Ageing infrastructure and cost to maintain/improve</li> <li>• Ageing population and associated service needs</li> <li>• Potential for further cost shifting from other levels of Government</li> <li>• Community's capacity to see the broader perspective e.g. external impacts and potential opportunities</li> <li>• Tree-changers' expectations of city services in rural location</li> <li>• Reliance on Roads and Maritime Routine Maintenance Council contract</li> <li>• Reliance on natural disaster funding to undertake some necessary maintenance work</li> <li>• Changes in climate</li> <li>• Tension between traditional farming sector practices and environmental priorities</li> <li>• Lack of common agreement among leaders may inhibit collaboration and shared servicing efforts</li> <li>• LG Award may prolong timeframe for realising benefits of collaboration and economies of scale</li> <li>• Tension between regional versus local priorities</li> <li>• Sustaining positive regional relationships in a dynamic political environment</li> <li>• Employee resistance to change</li> <li>• Lack of sustained commitment to collaborative efforts</li> <li>• Interest rate changes</li> <li>• Preparedness to accept an element of risk in order to move forward/identify new opportunities</li> <li>• Limited breadth of revenue options</li> <li>• State government legislative constraints</li> <li>• Grant cut backs</li> <li>• Cost shifting</li> <li>• The unexpected happening and slowing down our progress</li> </ul>



<ul style="list-style-type: none"> <li>• Create evidence based costs to provide services that are bound by statutory fees and charges on all services</li> <li>• Regional advocacy around fees and charges</li> <li>• Access to state based borrowing arrangement (T Corp)</li> <li>• Simplified Special Rate Variation approval process</li> <li>• Ability to retain our local identity – agreeing what is not negotiable in terms of our values/priorities for our Shire</li> <li>• Review of Council's investment portfolio</li> <li>• Reduce service levels on Council assets as appropriate</li> <li>• Use regional model to advocate improved transport model</li> <li>• Entice development of aged care in the Shire</li> <li>• Use regional model to advocate support services for that sector of the community</li> <li>• Regional focus on job creation and economic development</li> <li>• Property rationalisation</li> <li>• Property sinking fund</li> <li>• Private works, user pays</li> <li>• Transferring community assets to community ownership</li> <li>• Determine core business/services</li> <li>• Commercial rent opportunities</li> <li>• Cease donations/support to community groups</li> <li>• Realising dividend from water and sewer</li> <li>• Consideration of a stormwater levy</li> <li>• Asset rationalisation i.e. number of public toilets</li> <li>• Services and/or levels reviewed and rationalised</li> <li>• Fee for service opportunities maximised</li> <li>• Increase fees to cover actual costs</li> <li>• State and local government leadership to define core services</li> <li>• Use historical knowledge of long term residents to inform views</li> <li>• Good access to a range of regional facilities</li> <li>• A potential food bowl</li> <li>• Gateway to New England tourism</li> <li>• Strategic location midway between Sydney and Brisbane</li> </ul>	<ul style="list-style-type: none"> <li>• Cost implications of expanded role for Mayors/GM's</li> <li>• Additional time investment required by elected Council</li> <li>• Imbalance in smaller councils to influence / bigger councils may dominate</li> <li>• Uncertainty regarding voting model – requires regional governance model (potential opportunity)</li> <li>• Drain on our resources by councils who may be better-resourced</li> <li>• Uncertain future decisions of State Government</li> <li>• Pacific Highway handover to Bellingen Council after completion of bypass upgrade</li> </ul>
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<ul style="list-style-type: none"> <li>• Cultural hub – artistic and creative</li> <li>• Special/unique character supported by planning controls</li> <li>• Tourism</li> <li>• Local energy production</li> <li>• Local food</li> <li>• Innovation hubs</li> <li>• Social enterprise</li> <li>• Strong Bellingham brand</li> <li>• Unique visitor experience</li> <li>• Reliable rainfall</li> <li>• Good soil – increased agricultural pursuits</li> <li>• Resource sharing and associated cost savings</li> <li>• Improved linkages with State Government</li> <li>• Impact on bigger outcomes – increase our relevancy in a wider scope</li> <li>• Define what services and processes would benefit from larger scale and capitalise on this</li> <li>• Bring the community together around fundamental values to be retained</li> <li>• Tap into the resources of our regional partners</li> <li>• Create centres of expertise</li> <li>• Embracing the notion of engagement in a more holistic sense and working with community opinion leaders</li> <li>• Establishing competitive business units</li> <li>• Benchmarking of our works and services to achieve maximum value for money</li> </ul>	
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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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-33.3%	No	-28.1%	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	58.6%	No	65.4%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	56.9%	No	52.5%	No

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

There are a large number of key drivers and influences affecting Council's ability to meet the Fit for the Future ratios. Some of the more significant factors include limited income raising capabilities (low SEIFA ranking), significant percentage of non-rateable land, cost shifting by other levels of government, limited ability to generate additional fees and charges, limited grant revenue opportunities, high volume of assets with low population base, unique climate, high number of natural disasters and other major storm events, asset renewal expenditure and service level expectations. A range of these are discussed in more detail below.

### **Operating Performance Ratio**

#### **Limited Rate Increase Capabilities/Restricted Rateable Land Area**

- **Rate pegging** - Rates and annual charges revenue makes up almost 60% of the projected 2014/2015 operating revenue. Historically, 35 years of rate pegging has limited Bellinghen Shire Council's ability to increase rates constraining Council to a maximum increase as specified by the Office of Local Government each year (traditionally between 2.3%-3.5%). Council's costs, year on year, have increased above the rate peg, directly impacting on service delivery and having a cumulative negative impact on Council's 'bottom line'. Many of Council's major expense items are related to construction costs or services that are often labour intensive. These costs are often in contrast to CPI. Historically, past construction indices have exceeded 5%.
- **High percentage of non-rateable land** - There is 57% of the Council area which is unrateable, meaning Council can only collect rates on 43% of the Shire. Of this 57%, 32.4% is National Parks, 21.4% is State Forests, 0.9% is Crown Land and 2.4% other non-rateable land. If, for example, Council was able to rate State Forests, even at 50% of the current farmland rate, this would see an increase in rate revenue of approximately \$500,000 a year. This would equate to approximately an 8% increase in rates. A change in State legislation would be required for this to become a reality. Forestry Corporation is a commercial entity that competes in an open marketplace and utilises public infrastructure maintained by Council, resulting in a detrimental impact on public assets such as the road and bridge network. Giving councils more flexibility to increase rates to meet the increasing costs will certainly enable them to better meet service level expectations, achieve financial sustainability and address the infrastructure maintenance and renewal requirements into the future.

More specifically, Council strongly advocates for a revision in the arrangements for the rating of land owned by other levels of government, in particular, where either the government entity competes in the open market place or in the case of a national park, where the entity contains an income generating facility.

Council plans to advocate this position to the upcoming Inquiry into Local Government Reform and other processes that may consider this issue. In addition, should there be a revision of the funding arrangements from other levels of Government, this would allow revision



of the modelling and funding formulas that have been presented as part of this submission. It is considered that this would allow Council to meet the benchmarks in a shorter timeframe.

- **Large percentage of pensioners** - The Bellingen Shire also has a high proportion of pensioner and concession holders, with 24% of rateable customers receiving a rebate costing Council over \$230,000 per year (2015). Compared to the rest of New South Wales (NSW), Bellingen ranks in the top 23% of the highest number of pensioners per residential assessments. It is noted that NSW is the only state in Australia that requires councils to contribute to the pensioner rebate.
- **Low SEIFA ranking** – The index of relative socio-economic disadvantage (SEIFA) highlights the Shire as being ranked in the 50 most disadvantaged LGAs in the State. The Shire sits at 950.1 on the index scale. Two of the three distinct localities of the Shire, individually, register even lower on the index scale, highlighting an even greater level of disadvantage (Urunga at 926 and Dorrigo at 928.4). This low ranking constrains Council's ability to generate further revenue from rates and annual charges.

#### **Cost Shifting**

- **Cost Shifting** - Local Government is significantly impacted by cost shifting from other levels of government where the responsibility for, or the costs of, providing a service is shifted from State and Federal governments to local government without the provision of corresponding funding or adequate revenue raising capacity. Local Government NSW (LGNSW) reports that, across NSW, cost shifting from the State and Federal government for 2011/12 equates to \$521 million or 5.63% of local government's total income before capital. For rural councils, the cost shifting percentage is 3.95% which, for Bellingen Council, equates to \$1.076 million. It should be noted that the burden of the requirement to raise rates could be alleviated if such cost shifting did not exist.

#### **Grant Revenue**

- **Redirection of grant monies to those in need** – As with many rural councils, Bellingen Shire Council is reliant on grants to assist in the funding of its operations due to its limited ability to raise revenue outside of rates. Whilst any change to funding arrangements is unclear at this stage, given reviews currently underway, Council strongly advocates for a revision in the arrangements for the distribution of Federal Financial Assistance Grants. This will allow funding to be redirected from the more affluent city councils that are not as reliant on grant income, have other income generating opportunities and do not have the infrastructure challenges faced by councils such as Bellingen.

Council plans to advocate this position to the upcoming Inquiry into Local Government Reform. In addition, there should be a revision of the funding arrangements from other levels of government. This would allow revision of the modelling and funding formulas that have been presented as part of this submission. It is considered that this would allow Council to meet the benchmarks in a shorter timeframe.

Those councils that face greater challenges do not have the same alternative income generating opportunities for the benefit of local communities. Council has a total of 531.5kms of local roads equating to 41.5m per head of population. The annual depreciation for Council's road network totalled \$4.118 million in 2014, making up 13% of its annual operating expenditure. Council also has the fourth (4<sup>th</sup>) highest number of timber bridges in the State.

- **Freezing of the Financial Assistance Grant Program** - The Financial Assistance Grants distributed by the NSW Government are currently frozen with no further increases until 2017/2018 and even then this is not guaranteed. Given that Financial Assistance Grants make up approximately 12% of Council's operating income, the freezing of this indexation amount will continue to take hundreds of thousands of dollars from Council's future budgets, which in turn, will have a negative impact on the above ratio and Council's ability to adequately maintain its large infrastructure asset base. The Australian Local Government Association (ALGA) states, '*At a national level, however, funding is not keeping pace with demand for services and infrastructure in local communities and the decision in last year's Federal Budget to freeze indexation of Financial Assistance Grants for 3 years will worsen this. Freezing Financial Assistance Grants at their current level until 2017-18 will result in a permanent reduction in the Financial Assistance Grants base by 13%.*'
- **Limited grants for renewal/maintenance** – The number of available funding options for the renewal and/or maintenance of assets is restricted due to the heavy focus of State and Federal government bodies on allocating money for new assets. To contextualise, the focus of many grant arrangements is new assets. The funding arrangements do not take into account whole of life costing models or ongoing costs of providing services that bring to life those assets. By way of example, Council was successful in securing funding toward the development of a Youth Centre in 2010 to the value of approximately \$2 million. Whilst the facility provides important wellbeing outcomes for our community, it comes at a recurrent operational cost of around \$100,000 per annum (without accounting for depreciation).

## Unique Natural Environment

- **Natural Disasters** - Bellingen Shire Council is in an area prone to large storm events and regular flooding. While large flooding events with damage exceeding \$240,000 are able to be claimed through natural disaster funding (assuming each event meets all relevant criteria), the Bellingen Shire is regularly impacted by small isolated events that can often exceed \$50,000 in immediate response costs, further impacting on Council's ability to meet the Operating Performance ratio. While disaster funding is necessary to sustain Council's ability to repair its infrastructure after flood events, it can have positive and negative implications on a number of the Fit for the Future ratios. Since 2001, Council has had 13 declared flood events totalling \$31 million in damage. This does not account for the other minor flooding and storm events that have occurred but have not met the disaster declaration threshold. As outlined in TCorp's assessment of Bellingen Council in its April 2013 report, '*...Council had to prioritise repair work at the expense of other projects which are deferred in Council's delivery program.*'

- **Natural heritage** – The Bellingen Shire has an abundance of natural assets totalling an area of 159,978 hectares with three distinct geographical areas – ocean, river, and mountains. The Shire, with its natural assets, attracts industries such as oyster farming, dairy and agribusiness that rely heavily on our river systems. This, along with our cultural attractions, has created a thriving tourism industry with more than 300,000 visitors coming to the Shire each year. This requires significant investment from Council in terms of its management of the natural environment to protect the local ecosystems, as well as balancing the need for economic development and long-term financial sustainability of the local industries.

### **Limited Ability to Generate Additional Fees and Charges**

- **Additional Revenue Streams** - Unlike metropolitan councils that have the ability to generate income through channels such as car parking etc., regional and rural councils have limited avenues to pursue in raising additional revenues, making them highly reliant on rating and grant revenues.
- **Statutory Fees and Charges** - Council annually establishes and regulates its fees and charges in accordance with the provisions of the NSW Local Government Act 1993. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how the statutory fee amount is determined nor do such statutory fees tend to increase by CPI or reflect the true cost of providing the service.

### **Depreciation and Other Expenditure Constraints**

- **High Depreciation** - Depreciation generally makes up around a third of Council's annual operating expenditure, with a total of \$9.032 million in 2014. While Council has recently undertaken a review of its assets that has significantly reduced depreciation with the objective of having an agreed regional approach (MIDROC 'Apples for Apples' project), this figure has a significant influence on Council's profit and loss, and in turn, the Fit for the Future Operating Performance ratio. This will continue to be a significant financial consideration into the future. It is anticipated that the above project will continue to have an impact on lowering Council's depreciation as asset methodologies are further refined.

In comparing this to the rest of NSW councils, Bellingen ranks in the top third of the State for the highest levels of depreciation per head of population. A heavy contributor impacting Council's depreciation is the length of road per person. For example, Bellingen Shire Council has 26 times the length of road per person compared to that of Sydney City Council.

- **Cost to service aging population** – Bellingen Shire Council has an aging population with 44.4% of residents in the Shire aged 50 years or older. The need to accommodate and provide services for this demographic places added pressure on Council's limited

resources. The Legislative requirements, and specifically the Disability Inclusion Legislation 2014, means that Council now must ensure accessibility is included in any new and retrofit of infrastructure to enable accessibility and social inclusion for older and disabled persons. Council currently provides community development and services for older persons and those with a disability with limited compensation from State and Federal governments.

### **Own Source Revenue Ratio**

While Council did not meet the Fit for the Future benchmark for Own Source Revenue Ratio in 2013/2014 due to the increase in operational expenditure owing to the impact of natural disasters, it is envisaged that the benchmark will be achieved in the forecast 2016/2017 period and future years.

### **Building and Infrastructure Asset Renewal Ratio**

#### **High Asset to Population Base**

- **Large bridge network** – Bellingen Shire Council has a total of 145 bridges, which includes 84 timber bridges, with a total length of 2.292kms. This has a significant impact on Council's annual depreciation equating to \$525,000 per year of the annual depreciation figures. In comparing this to the rest of NSW councils, Bellingen has one of the highest bridge depreciation figures in NSW ranking in the top 13<sup>th</sup> percentile per head of population. Council is ranked in the top four (4) out of 152 councils for the number of timber bridges within its infrastructure portfolio.
- **Large road network** – Council has a total of 531.5kms of local roads equating to 41.5m per head of population. The annual depreciation for Council's road network totalled \$4.118 million in 2014, making up 13% of Council's annual operating expenditure. A heavy contributor impacting Council's depreciation is the length of road per person. For example, Bellingen Shire Council has 26 times the length of road per person compared to that of Sydney City Council. The cost of renewing and maintaining Council's large road network places a heaving burden on its works program and associated budget due to the expansive transport network per person, often at the expense of other services.
- **Ongoing maintenance and renewal costs** - Given the considerable number of assets constructed and maintained by Council, variations in underlying inflation have the potential to have a significant impact on long-term financial planning. Council has considerable pressure from rising raw material costs including fuel and other construction materials. Any major unplanned increases in these costs will impact on the Long Term Financial Plan and Council's ability to meet this ratio into the future.

- **Dispersed town centres** – Bellingen Shire has three distinct geographical areas – ocean, valley and mountains. These are characterised by the townships of Urunga, Bellingen and Dorrigo. These townships are geographically separated and very different in their representation including demographics and community needs. Servicing these townships currently requires Council to provide the same services in multiple locations such as libraries, public amenities, waste services, community centres and public halls, sport and recreational facilities and Council works depots. The need to provide and maintain like services in multiple locations places a heavier financial burden on Council than those councils who are not similarly dispersed.

### **Service Levels**

- **Service Level Expectation** - Agreed community service levels have a significant influence on the asset ratios. As a matter of process, Council has and will continue to review its assets and services, in conjunction with the community, to ascertain what is considered satisfactory. This will be an important determinant on where funds are to be best placed in future financial planning. With regards to the Building and Asset Renewal Expenditure Ratio, it is likely that Council will continue to be well below this benchmark. Notwithstanding that, a shift towards whole of life costing will enable Council to look in more detail as to the total future cost of managing and maintaining an asset over and above the initial upfront costs. Matching this with expected levels of service to community infrastructure and facilities will assist in better managing this type of expenditure. If the community agree to a lower level of service then was provided in past years, then a lower building and infrastructure renewal ratio can be accepted. Council's asset planning and service review process will accommodate this discussion.
- **Risk** – A consideration of risk is an important determinant as to what service levels are acceptable. Although the community may be satisfied with a lower level of service, consideration into the level of risk associated with the service level needs to be factored into the decision making process. This will also be taken into account in the asset planning and service review process.



## 2.3 Performance against the Fit for the Future benchmarks

### Infrastructure and service management

Measure/ benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	6.4%	No	0.6%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	125.7%	Yes	103.0%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	2.9%	Yes	5.1%	Yes

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

### **Infrastructure Backlog Ratio**

While Council did not meet the Fit for the Future benchmark for the Infrastructure Backlog Ratio in 2013/2014, the benchmark will be achieved in the forecast 2016/2017 period and future years. Council has participated in the 'Talking Apples and Apples about Infrastructure' project facilitated by Jeff Roorda and Associates (JRA) through the Mid North Coast Regional Organisation of Councils (MIDROC).

The objective of the project was to formulate consistent methodologies for:

- Assessing asset condition
- Level of service definition/measurement
- Valuing assets and determining useful life
- Calculating the backlog
- Calculating required annual maintenance

As a result of Council's participation in the project, it was able to more accurately calculate the true infrastructure backlog whilst having consideration to satisfactory condition with reference to community service level expectations. Factors taken into consideration through this process include:

- Asset condition
- Functionality
- Capacity

### **Asset Maintenance Ratio**

Council met the Asset Maintenance Ratio in 2013/2014 and will continue to meet this ratio into the future. As stated above, Council has actively participated in and given consideration to the 'Talking Apples and Apples about Infrastructure' Project which has allowed a more rigorous calculation of Council's asset maintenance requirements.

### **Debt Service Ratio**

Council met the Debt Service Ratio in 2013/2014 and will continue to meet this ratio into the future. Council's Long Term Financial Plan averages 7.32% over the 10 years, well below the maximum benchmark percentage of 20%. This includes current and proposed future borrowings repayments for loans totalling \$10 million, for the purpose of addressing infrastructure renewal.

## 2.3 Performance against the Fit for the Future benchmarks

### Efficiency

Measure/ benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b> <small>A decrease in Real Operating Expenditure per capita over time</small>	Increasing	No	Decreasing	Yes

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

Due to a spike caused by natural disaster funding, Council did not meet the Fit for the Future benchmark for real operating expenditure per capita in 2013/2014. As part of Council securing the Special Rate Variation, the Financial Sustainability Program Board (FSPB) was established and has since implemented some key efficiency strategies and governance arrangements. These initiatives, which are reported through the Program Board to a Committee of Council known as the Special Rate Variation Infrastructure Planning and Productivity Committee (SRVIPP), have resulted in a decreasing operating expenditure trend resulting in the benchmark being achieved in the forecast 2016/2017 period and future years.

Despite conservative population growth projections at between -0.1% and 0.1% as per the NSW Department of Planning, Council's Long Term Financial Plan forecasts a decreasing trend into the future.

## 2.4 Water utility performance

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

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

**Yes**

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

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

Council currently manages all sewer and water infrastructure for the Shire with no existing backlog. Under NSW Best-Practice Management of Water Supply and Sewerage Framework, Council must prepare and implement a sound 30 year strategic business plan and financial plan in accordance with the NSW Water and Sewerage Strategic Business Planning Guidelines. Council undertakes a stringent independent review of its 30 year business plan every 5 years. Council's 30 year business plan adequately addresses its current infrastructure maintenance and renewal requirements. It should also be noted that Council is currently carrying out a feasibility study to address parts of the Shire that are not sewered. This will be reported to Council later this year.

## 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
Increase capacity of the Bellinghen sewerage treatment plan	2019-2020	\$2m	nil
North Bellinghen new service reservoir	2019-2020	\$2.5m	nil



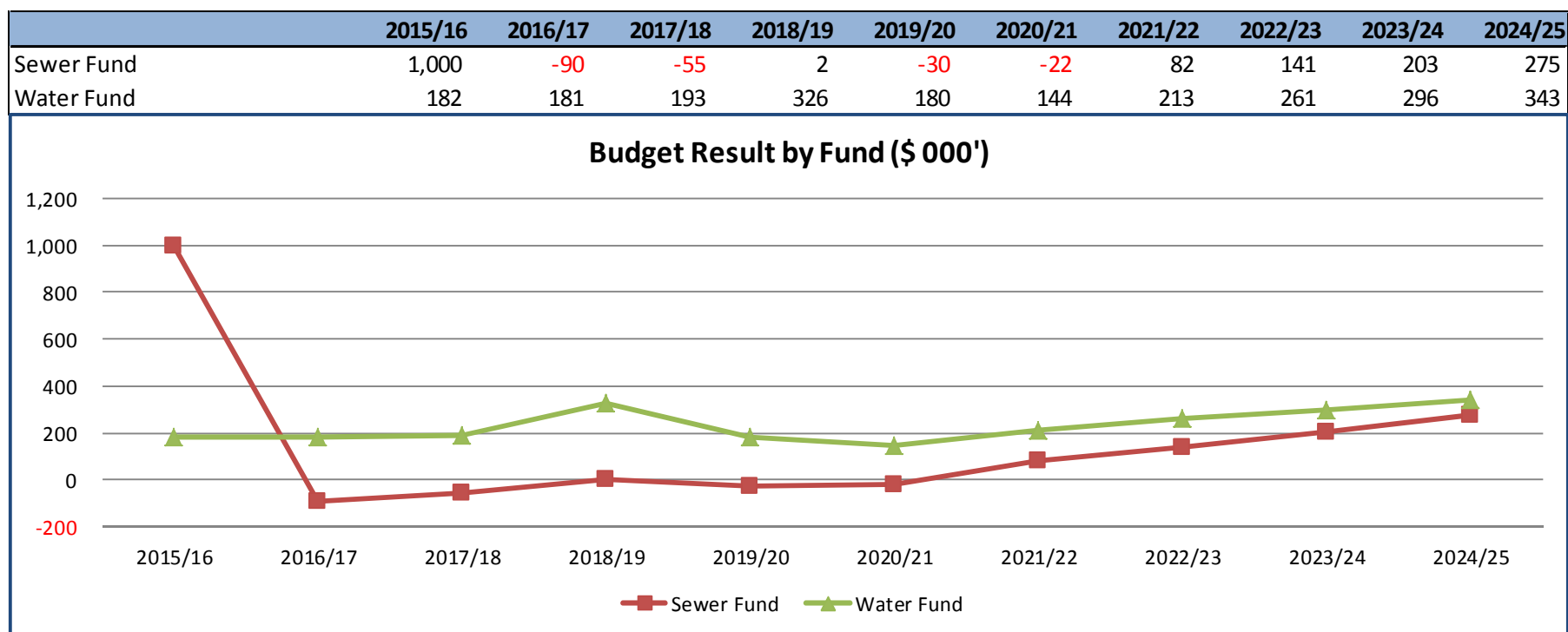
## 2.4 Water utility performance

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

Yes

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

As per above, Council's 30 year business plan adequately addresses its infrastructure maintenance and renewal requirements into the future.



## 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
Regional resource sharing with regards to staff training, treatment plant repairs and systems operation procedures.	Ongoing	Cost saving by sharing fixed costs and sharing staff expertise and experience
Undertake investigations into leakage in the water network.	Ongoing	Reduction in treatment costs by reducing volume of water needed to be treated
Undertake investigations into infiltration into the sewer network	Ongoing	Reduction in treatment costs by reducing volume of effluent needed to be treated
Invest in advanced technology	Ongoing	Reduce operating costs by installing more energy efficient and reliable equipment which will also reduce afterhours callouts for equipment

		failures
Undertake a feasibility study in consideration of those areas of the Shire not currently sewerred	September 2015	Opportunity to increase service capacity and connections. This will also provide an improved environmental outcome.

## 3. How will your council become/remain Fit for the Future?

### 3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Council will continue the organisational reform initiatives commenced in 2012 which have addressed structure and form, governance, leadership and engagement, service delivery, cost containment, liability management and productivity initiatives. The following key strategies outline the continuation of these reforms:

- Creating a revenue base that adequately guides community growth and delivers quality services
- Continuing to review services to ensure value for money and provision of services at an agreed level for Council and its community
- Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
- Expand on regional alliancing, collaboration and shared servicing opportunities
- Continue to meet legislative and operational requirements

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

Council's adopted Long Term Financial Plan (LTFP) includes a permanent 6% per year special rate variation across all categories in years 2016/17 – 2024/25 inclusive of rate peg (in addition to the approved permanent special rate variation for 2014/15 of 11.8%). The LTFP also encompasses a \$250K (2015/16) and \$300K (2016/17) operational cost reduction/saving continued throughout the LTFP in order to improve Council's financial position.

Council in its consideration of its LTFP was presented with 3 models (please refer to the attached LTFP for information on models 2 and 3). The above model was the preferred model adopted by Council. Council believes the approach taken in formulating this model sufficiently addresses its financial requirements over the longer term whilst having regard to Bellinghen's SEIFA disadvantage rating and the affordability of its residents to pay. An important part of the modelling process was to calculate the impact on the average residential rate assessment, with the adopted model resulting in an increase of between \$1.06 and \$1.69 per week. Council has done this with a clear understanding of the process of the Fit for the Future program and benchmark requirements.

While the current benchmark of Operating Performance will not be met within the 10 year timeframe, based on the rural council assessment model, Council in its forecast, and based on current information to date, considers it is likely to meet the ratio within 12 years and believes this is the most prudent and appropriate approach for both Council and community. That said, a range of initiatives including service reviews as well as regional collaboration and shared service alliances, are forecast to deliver improved efficiencies and reduced costs. The projections in the KPMG report offer opportunities of up to \$2 million that our modelling has not specifically factored in.

Some of the actions/activities Council will undertake in order to see the forecast operational cost reductions/savings (\$250k 2015/16 and \$300k 2016/17) include:

- Continue a safety first approach in order to continue the reduction in Council's workers compensation premium
- Continued review of Section 355 Committees with a focus on the appropriate allocation of expenses and a reduction in Council's ongoing maintenance costs
- Review of Council's public conveniences with the view of reducing service levels for those with minimal use
- Review of operational land with the intent to develop rationalisation program to be rolled out during 2015/16
- Fees and charges review to maximise own source revenue streams from 2016/17
- Continued service delivery reviews in order to identify efficiencies and cost savings

Council's Community Strategic Plan (the Plan), also known as Council's Community Vision, outlines the community's expectations around desired service levels and service delivery. The Plan informs Council's assessment of service levels moving forward to ensure value for money for both Council and community.

While Council has considered its ability to meet the ratios within 10 years, it has taken a conservative approach. In consideration of these assumptions, Council has not included unquantifiable data estimates such as:

- The possible rating of currently non-rateable land (State Forests, Crown Lands)
- Council's land use strategy providing the opportunity to develop residential and rural resident land increasing rating income
- Significant increases in funding from State and Federal agencies

Council will continue to aggressively pursue the reform agenda that has been underway since 2012 to continue to realise and build on the savings and improvements as outlined in this submission. Given the achievements to date, the fact that the modelling is conservative and there are specific and quantified potential savings from operating regionally, we remain optimistic that a 10 year horizon may be achievable. Council's progress towards this will be closely monitored and reported, and forecast adjustments made as appropriate.



The following table further outlines Council's key assumptions that underpin its 2015/16 - 2024/25 Long Term Financial Plan.

**Table 2.1: Summary of Key Planning Assumptions**

Assumption/Variable	Calculation Basis	LTFP %
Consumer Price Index (CPI)	NSW Treasury Corporation Forecasts	2.50%
Salaries and Employee Oncosts	Award increases and performance based increases	3.50% - 15/16 and 3.00% (years 2-10)
Interest Rate Income	Market estimate	3.00% - 4.00%
Rate Pegging (General Rates Income)	Independent Pricing and Regulatory Tribunal (IPART) and Dept. Local Government figures	2.40% - 15/16 and 3.00% (years 2-10)
Sewer Rates Income	Hydro Science draft 30 year business plan	5.00% - 15/16 and 3.00% (years 2-10)
Water Rates Income	Hydro Science draft 30 year business plan	5.00% - 15/16 and 3.00% (years 2-10)
Waste Charges Income	Based on reasonable cost estimates	3.50% - 15/16 and 3.00% (years 2-10)
Fees and Charges Income	As per wages above + TCorp Recommendation	3.50%

- Population Growth** - Given the uncertainty in population growth in regional NSW based on current Department of Planning population projections, it was concluded that growth in rates, fees and charges revenue was negligible. Also, any increase in revenue may be offset against the consequent any increase in costs servicing a greater population base. As a result the LTFP has been prepared on the assumption of a consistent population base.
- Economic Growth** - While opportunities for economic growth have been identified, the prospect of providing a stronger economy is considered a longer term investment which is reflective of current population growth projections. Moving forward, the development of an Economic and Business Development strategy that is being overseen by Council's Economic and Business Development Committee, will cement this focus. No additional revenue has been forecast throughout the LTFP based on the uncertainty of the return on investment.

- **Fees and Charges** - A review of Council fees and charges was undertaken in April 2015 using best value principles of value for money, a consideration for community expectations and values, and a balance between affordability and accessibility of services. As part of the process, Council:
  - Undertook training and workshops for managers and responsible officers in effective pricing
  - Benchmarked fees and charges with other councils and service providers
  - Improved the format of the Fees and Charges Policy to better align with the Community Vision
  - Provided workshops and information packs for its Section 355 Committees

A further review of fees and charges with particular emphasis on understanding true costs and realising opportunities around facilities that are managed by Section 355 Committees, is programmed for future years and on the back of work undertaken to date.

- **Interest and Investment Revenue** - Balancing the need to preserve funds and ensure liquidity with the requirement to maximise returns is an important aspect of managing Council's investments. In light of this, the Investment Policy (the Policy) was reviewed in April 2015 to provide a stronger framework and guidance on which to base investment decisions. The Policy reflects current legislative requirements including the Minister for Local Government Investment Order and the Basel III banking liquidity reforms instituted by the Australian Prudential Regulation Authority.
- **Grants and Contributions** - In reviewing grants and contributions, it is considered prudent not to forecast an increase, other than 3%, over the period of the plan. Council notes the current reviews that are underway in relation to grant arrangements and advocates strongly for a revision of funding arrangements. Any reduction or discontinuance of grants will be offset by a corresponding reduction in expenditure. The Federal Financial Assistance Grants distributed by the NSW Government is currently frozen with no further increases until 2017/2018. An increase above 3% in 2018/2019 has been forecast to reflect the redistribution from the wealthier city councils to the rural/regional councils based on needs rather than population numbers.

## 3.1 Sustainability

Outline your strategies and outcomes in the table below.

### 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Move towards a breakeven operating result in the medium to long term	Create a revenue base that adequately guides community growth and delivers quality services	<ul style="list-style-type: none"> <li>Permanent 6% rate rise from 2015/16 - 2024/25</li> <li>Additional review of fees and charges by 30 April 2016</li> </ul>	<ul style="list-style-type: none"> <li>Generation of additional income of \$4.662M (incl. of rate peg)</li> <li>Additional revenue streams identified and increase of revenue base</li> </ul>	<ul style="list-style-type: none"> <li>These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios</li> </ul>
	Continue reviewing services and service levels to ensure value for money for Council and its community	<ul style="list-style-type: none"> <li>Continue the work of the Financial Sustainability Program Board (FSPB) which reports to the Special Rate Variation</li> </ul>	<ul style="list-style-type: none"> <li>Operational savings of \$250k in 2015/16 and \$300k in 2016/17</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios

		<p>Infrastructure Planning and Productivity Committee of Council (SRVIPP)</p> <ul style="list-style-type: none"> <li>Continue review of Council services</li> </ul>	<ul style="list-style-type: none"> <li>Identifying additional cost savings</li> </ul>	
	<p>Expand on regional alliancing, collaboration and shared service opportunities</p>	<ul style="list-style-type: none"> <li>Consider recommendation from independent MIDROC/KPMG report regarding shared arrangements particularly focussed on 'back of house' functions</li> <li>Continue with input into the establishment of the North Coast</li> </ul>	<ul style="list-style-type: none"> <li>Continue conversations with the intent to establish an MOU with willing participating councils</li> <li>Investigate and pursue funding opportunities (external) supported by the OLG's Innovative Fund</li> <li>Continue negotiations with proposed JO with the intent to</li> </ul>	<p>These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios over the medium to long term</p>

		JO	commence work on establishing a framework, initial scope and Terms of Reference	
Improve overall building & infrastructure asset renewal performance	Continue reviewing services to ensure value for money for Council and its community and the delivery of services to an agreed level	<ul style="list-style-type: none"> <li>Clearly identify community expectations around service levels by continuing to undertake a review of Council services</li> </ul>	<ul style="list-style-type: none"> <li>The development of a framework of service level agreements that informs the Asset Management Framework</li> </ul>	These outcomes will positively impact on the Effective Infrastructure and Service Management ratios
	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements	<ul style="list-style-type: none"> <li>Review Council's Asset Management Framework by 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>More streamlined methodology in assessing asset conditions, service levels, useful lives and required annual maintenance that will positively influence depreciation and clearly identify community</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios



		<ul style="list-style-type: none"> <li>Report outcomes through the Transport Infrastructure Sustainability Program Board (TISPB) which reports to the (SRVIPP) Committee of Council</li> </ul>	<ul style="list-style-type: none"> <li>Greater transparency of the outcomes and accountability reported back into Council through these governance arrangements</li> </ul>	<p>expectations around service levels</p>
	Continue to meet legislative and operational requirements	<ul style="list-style-type: none"> <li>All legislative and operational requirements met</li> </ul>	<ul style="list-style-type: none"> <li>Achieved within statutory timeframes</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios

## 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.

- Prudently utilise borrowings to increase Council's ability to fund greater infrastructure renewals
- Operational land and property asset review in consideration of a rationalisation program
- Change focus from the development of new assets to renewal and maintenance of existing assets
- Continue to undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
- Continue to undertake a complete review of Council services to define agreed service standards against community expectations and ability to resource with the underlying objective of productivity improvement and efficiency gains

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

- **Borrowings** - Raise additional borrowings of \$10 million over the next 10 years to contribute to Council's infrastructure renewal program
- **Rate Increase**— modest rate increases have been modelled with the objective of additional income generation in order to enable investment in the infrastructure renewals and maintenance program
- **Property Management** - Council's property portfolio is currently being reviewed as identified in the 2014/15 Operational Plan, which will consider the long term viability of owning these properties, along with the creation of a sinking fund to facilitate the divestment and therefore further investment in the improvement of various building assets
- **Depreciation** – Review of Council's asset conditions, service levels, useful lives and required annual maintenance to positively influence depreciation

## 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
To improve performance of Infrastructure and service management	Using borrowings to increase Council's ability to fund greater infrastructure renewals	<ul style="list-style-type: none"> <li>Obtain additional borrowings of \$10M, according to LTFP forecast, over the next 10 years</li> </ul>	<ul style="list-style-type: none"> <li>Maximise investment in asset renewals and replacements</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios
	Operational land and property asset review in consideration of a rationalisation program	<ul style="list-style-type: none"> <li>Undertake audit of Council assets and the calculation of return on investment to identify land and property assets for sale</li> </ul>	<ul style="list-style-type: none"> <li>Identification of land and property assets in the context of a rationalisation program</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios

	Change focus from the development of new assets to renewal and maintenance of existing assets	<ul style="list-style-type: none"> <li>Calculate whole of life costs as part of consideration into the construction of any new assets</li> </ul>	<ul style="list-style-type: none"> <li>Stronger focus on renewal of existing assets to reduce Council's backlog and overall financial sustainability</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios
	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements	<ul style="list-style-type: none"> <li>Review Council's Asset Management Framework by 30 June 2016</li> <li>Continue to ensure the best value of infrastructure management</li> </ul>	<ul style="list-style-type: none"> <li>More streamlined methodology in assessing asset conditions, service levels, useful lives and required annual maintenance that will positively influence depreciation and clearly identify community expectations around service levels</li> <li>Continue the governance arrangements which have been established in</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios

		through committees of Council	relation to productivity, service reviews, efficiencies and investment in transport infrastructure through the Financial Sustainability Program Board (FSPB), The Transport Infrastructure Sustainability Program Board (TISPB) and the Special Rate Variation Infrastructure Planning and Productivity Committee of Council (SRVIPP).	
	Continue to undertake a complete review of Council services to define agreed service standards against	<ul style="list-style-type: none"> <li>Continue the work of the FSPB which reports to the SRVIPP Committee of</li> </ul>	<ul style="list-style-type: none"> <li>The development of a framework of service level agreements that informs the Asset Management</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service

	community expectations and ability to resource with the underlying objective of productivity improvement and efficiency gains.	Council	Framework	Management and Efficiency ratios
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### 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.

- Identify land use opportunities to increase population density to create economies of scale
- Continued work of the Financial Sustainability Program Board to provide the requisite oversight of productivity and service efficiencies which will continue to be actively pursued
- Expand on regional collaboration opportunities
- Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions

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

- **Population Growth** - Given the uncertainty in population growth in regional NSW based on current Department of Planning population projections, it was concluded that growth in rates, fees and charges revenue was negligible. Also, any increase in revenue may be offset against any increase in costs servicing a greater population base. As a result the LTFP has been prepared on the assumption of a consistent population base.
- **Total Operating Expenditure** – Generally, operating expenditure is increased by CPI, although some other expenses are of a sporadic nature or tied to grant funding that is not reflective of CPI. The exception to this is employee costs.

Council's long term forecast relating to staffing is contained in detail within the Workforce Management Strategy. The Workforce Management Strategy also identifies the human resources Council requires to continue its strategic direction and deliver services in an efficient and effective manner.

All associated employee costs have also been increased by 3.5%, with the exception of superannuation. The increase in employer contributions for Superannuation Guarantee Contributions (SGC) has been delayed until 2018/2019. Contributions will stay at 9.5% until 2018/19 after which they will increase by 0.5% until they reach 12% in 2021/22.

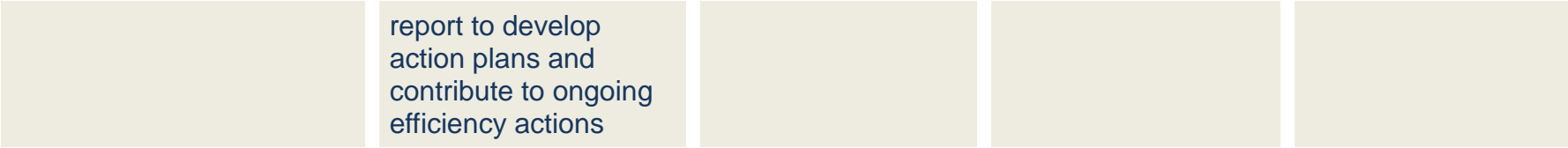
### 3.3 Efficiency

Outline your strategies and outcomes in the table below.

### 3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
To improve Council's efficiency in providing services and delivering infrastructure that achieves value for money for current and future ratepayers	Identify land use opportunities to increase population density to create economies of scale	<ul style="list-style-type: none"> <li>Identify key impediments to future land development limiting the Shire's future growth potential</li> </ul>	<ul style="list-style-type: none"> <li>A list of key actions to address the impediments that will enable future growth opportunities</li> </ul>	Minor impact on the Sustainability ratios
	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies	<ul style="list-style-type: none"> <li>Identifying ongoing operational efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>Savings/ efficiencies of \$250K for 2015/16 and \$300k for 2016/17</li> </ul>	This outcome will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios

	Expand on regional collaboration opportunities	<ul style="list-style-type: none"> <li>Consider recommendation from independent MIDROC/KPMG report regarding shared arrangements particularly focussed on back of house functions</li> <li>Continue with input into the establishment of the North Coast JO</li> </ul>	<ul style="list-style-type: none"> <li>Continue negotiations with the intent to establish an MOU with willing participating councils</li> <li>Continue conversations with proposed JO with the intent to commence work on establishing a framework, initial scope and Terms of Reference</li> </ul>	These outcomes will positively impact on the Sustainability, Effective Infrastructure and Service Management and Efficiency ratios
	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey	<ul style="list-style-type: none"> <li>Identification of ongoing efficiencies within each business unit</li> </ul>	<ul style="list-style-type: none"> <li>Action plans developed</li> </ul>	These outcomes will positively impact on the Sustainability and Efficiency ratios



report to develop  
action plans and  
contribute to ongoing  
efficiency actions

### 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
Deliver strategies through the Financial Sustainability Program Board to enable savings of \$250K in 2015/16	30 June 2016
Additional review of fees and charges with the intent of identifying additional income streams and creating an increased revenue base	30 April 2016
Continue to hold negotiations with intent to establish MOU with willing participating councils regarding recommendations within the KPMG MIDROC shared services report	30 June 2016
Continue to hold negotiations with intent to establish initial scope, framework and Terms of Reference with North Coast JO councils	30 June 2016
Review of Council's Asset Management Framework to better define asset conditions, service levels, useful lives and required annual maintenance	30 June 2016
Develop a framework of service level agreements that informs the Asset Management Framework	30 June 2016
Continue to undertake a review of Council's services	30 June 2016

Obtain additional borrowings according to the adopted 2015/16 budget to the value of \$1M to invest in the renewal of the local infrastructure	30 June 2016
Develop a rationalisation program as a result of the auditing of Council's operational land and property assets	30 June 2016
Develop a strategy from identified land use options to enable future growth opportunities	30 June 2016
Review of the Section 94 Local Roads Contribution Plan	31 December 2015
Develop action plans to implement ongoing efficiencies identified from Operational Effectiveness Survey report	30 June 2016
<b>* Please attach detailed action plan and supporting financial modelling</b>	

The above actions will be enabled by the 2015/16 Operational Plan in particular the actions identified in the attached detailed action plan.



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

Bellingen Shire Council has provided a considered focus on the Fit for the Future Program regarding local government reform.

The following was undertaken in the development of the Action Plan and overall FFF engagement:

- A *Fit for the Future Information Centre* has been established on Council's website
- A *Fit for the Future* working group has been established to develop the submission that includes the General Manager, Deputy General Managers, Executive Manager Organisational Development, Chief Financial Officer and Manager Asset Management and Design
- A *Fit For the Future* Project Officer was appointed, and Council has allocated initial funding to the process
- Staff briefings regarding the recommendations of the Independent NSW Local Government Reform Panel (ILGRP) and the *Fit for the Future* Reform package
- Briefings with key opinion leaders and Chambers of Commerce
- Councillors have been briefed by way of a number of reports to Council meetings throughout 2013 and 2014 regarding the work of the ILGRP and in September 2014, February and June 2015 regarding *Fit For the Future*
- Workshops with Councillors in December 2014, February and April 2015 to inform the progression of the FFF submission
- The General Manager and Deputy General Manager Corporate and Community have attended a number of information sessions provided by the Office of Local Government
- Key staff have attended forums facilitated by external organisations such as the Office of Local Government, Local Government NSW, and IPWEA
- Council participated in the MIDROC 'Talking Apples and Apples Infrastructure' review program which will provide key input to the asset management framework and future long term financial plans
- Regular liaison with the Office of Local Government's Relationship Manager for the Mid North Coast
- Regular liaison with IPART including attendance at the assessment methodology public forum in Coffs Harbour
- FFF project team members participated in the Joint Organisation Pilot webinar
- FFF workshops with Councillors in May and June 2015 obtaining input into the draft submission and Improvement Action Plan

- The submission, including the Improvement Action Plan, was presented to Council and adopted at the June 2015 Ordinary Meeting

### 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.

#### **Alternative Financial Models**

##### **Financial Services Model 2 – Service Levels Reduced**

The purpose of the 'Financial Services Model 2' is to model the impact on Council's financial position if it was not to include any new special variation over the life of LTFP i.e. increase rates by the annual rate peg limit only. This model incorporates a permanent special variation that commenced in the 2014/15 financial year to fund road improvements and maintenance, as well as infrastructure programs. This scenario also models a \$1.5 million operational cost reductions/savings in 2015/16 continued throughout the LTFP in order to improve Council's infrastructure.

##### **Financial Services Model 3 – Meeting the 'Fit For the Future' Requirements by 2020**

The purpose of the 'Financial Services Model 3' is to model the impact on Council's financial position if it were to meet all required FFF ratios by year five (5), that is, 2019/20 of the plan. The model includes a \$250K (2015/16) and \$300K (2016/17) operational cost reductions/savings continued throughout the LTFP in order to improve Council's infrastructure and assumes a permanent 16% per year special rate variation across all categories in years 2016/17 – 2019/20.

##### **Nambucca Shire Council letter of request**

Nambucca Shire Council made a formal approach to Bellingen Shire Council regarding discussions around a potential merger and/or shared service arrangements. This matter was considered in a meeting between Council staff and elected representatives. There was agreement to pursue shared servicing and alliancing.

**Template 3** – Based on the changes made to the IPART methodology released on 5 June 2015, Council considered completing Template 3. This was reconsidered based on additional work required and not yet undertaken as well as the revised assessment of Group 11 councils to be reviewed as a rural council in the context of verbal advice from IPART.

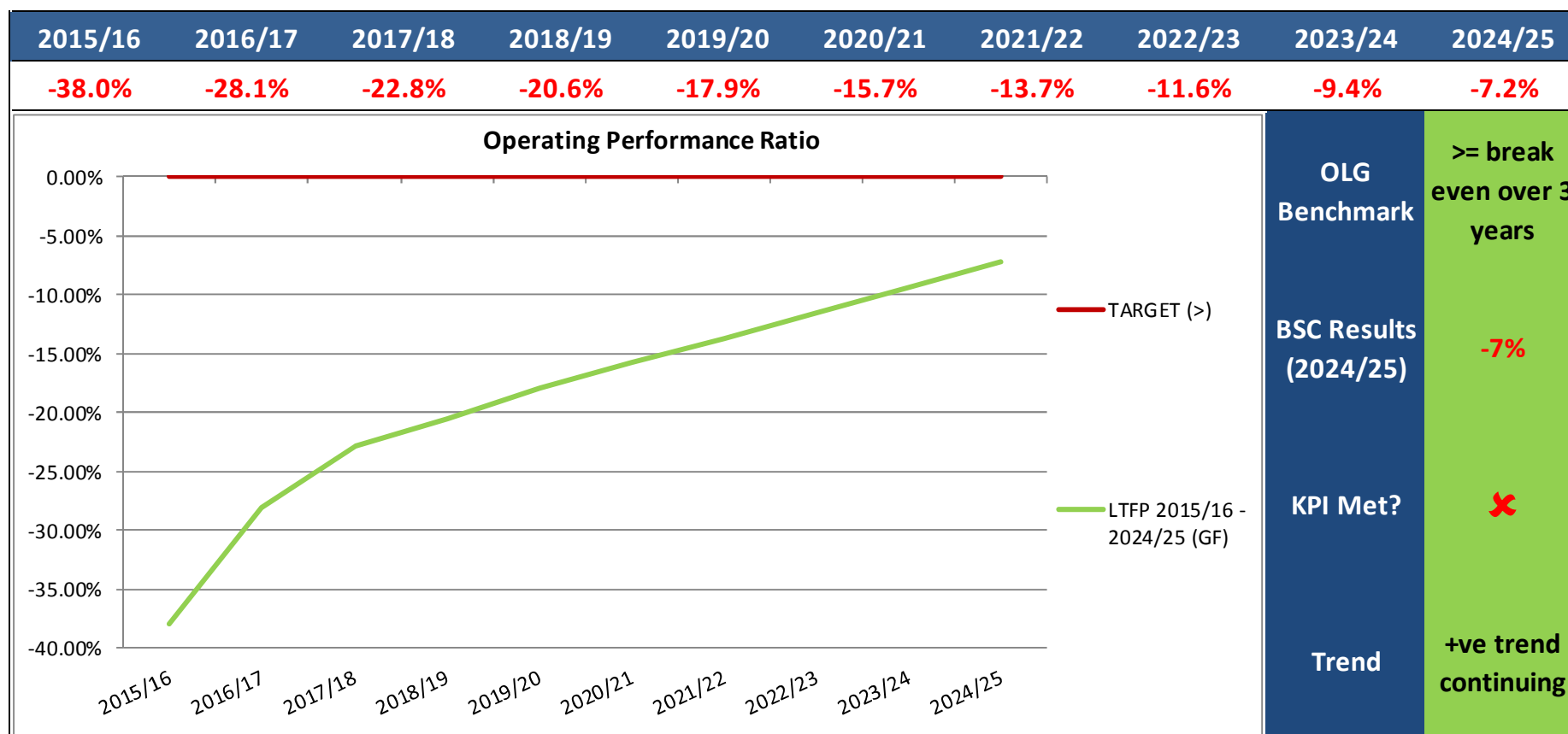
## 4. How will your plan improve performance?

### 4.1 Expected improvement in performance

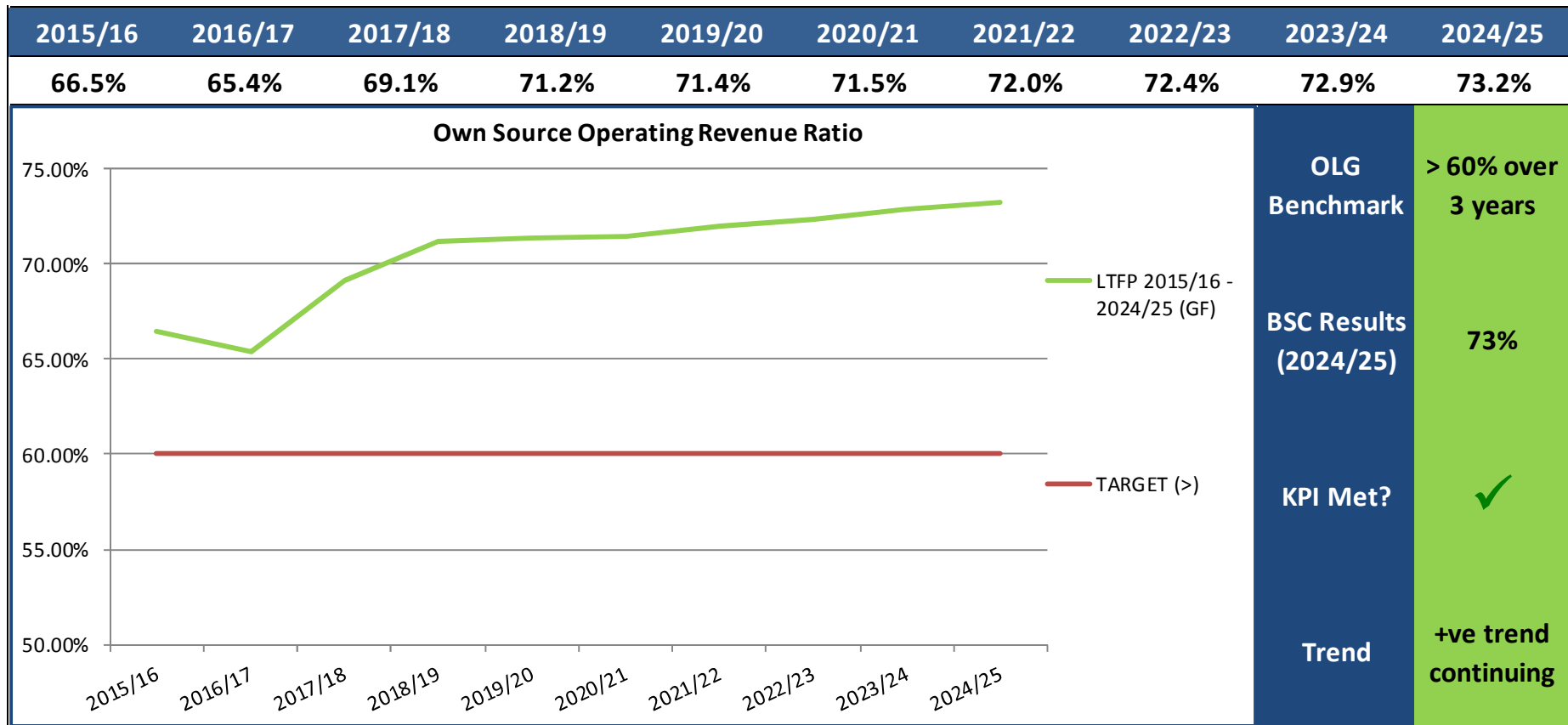
Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-28.1%	-22.8%	-20.6%	-17.9%	No
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	65.4%	69.1%	71.2%	71.4%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	52.5%	64.4%	58.0%	56.8%	No
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	0.6%	0.3%	0.8%	0.5%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	103.0%	102.7%	102.0%	101.4%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	5.1%	6.0%	6.6%	7.2%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	Decreasing	Decreasing	Decreasing	Decreasing	Yes

As outlined in the Fit for the Future methodology the rural council category has been expanded to include group 8, 9, 10 and 11 councils, allowing these councils to be assessed against a 'lesser test' of meeting the benchmarks with a 10 year timeframe. As Bellingham now falls within this category, please find below Council's projected results against each ratio as at 2024/25:

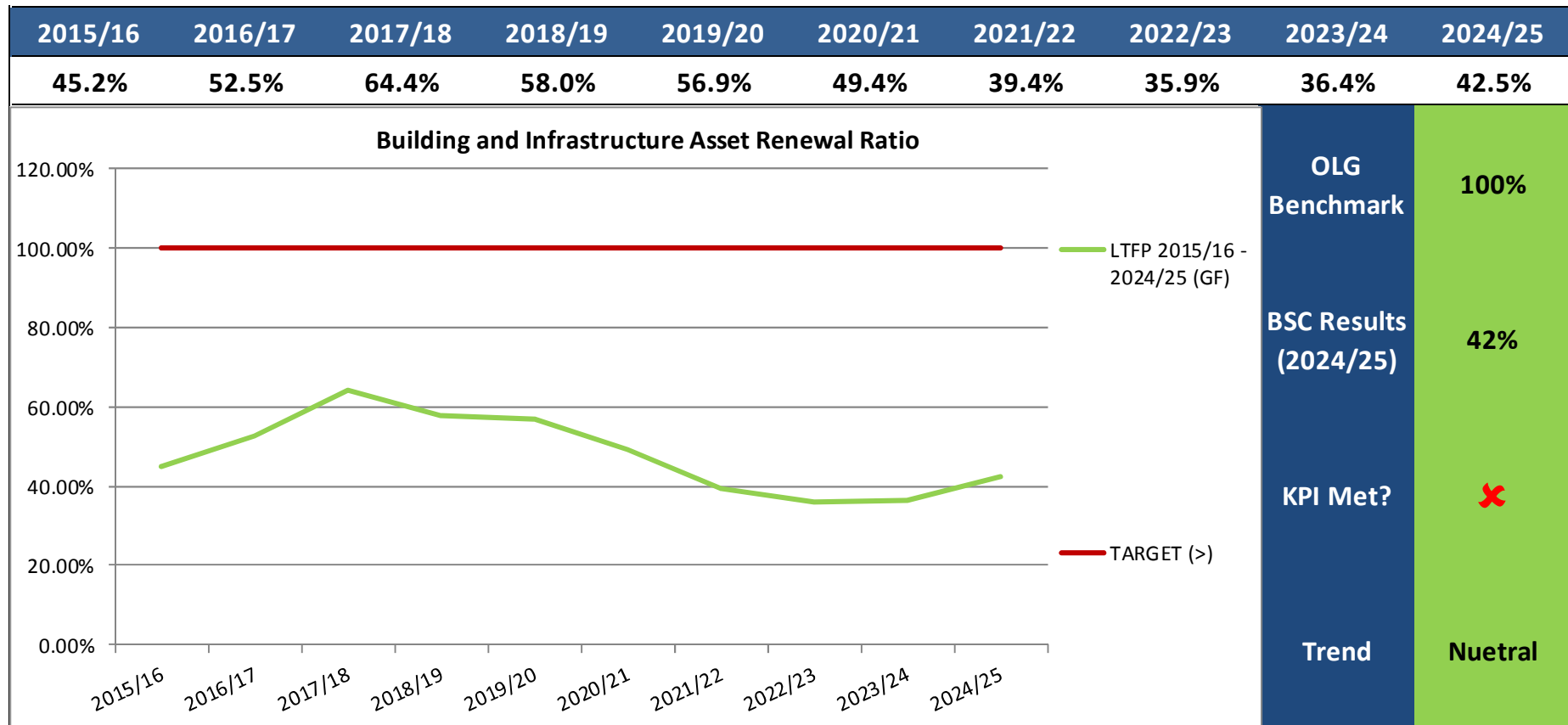
### Operating Performance Ratio



## Own Source Revenue

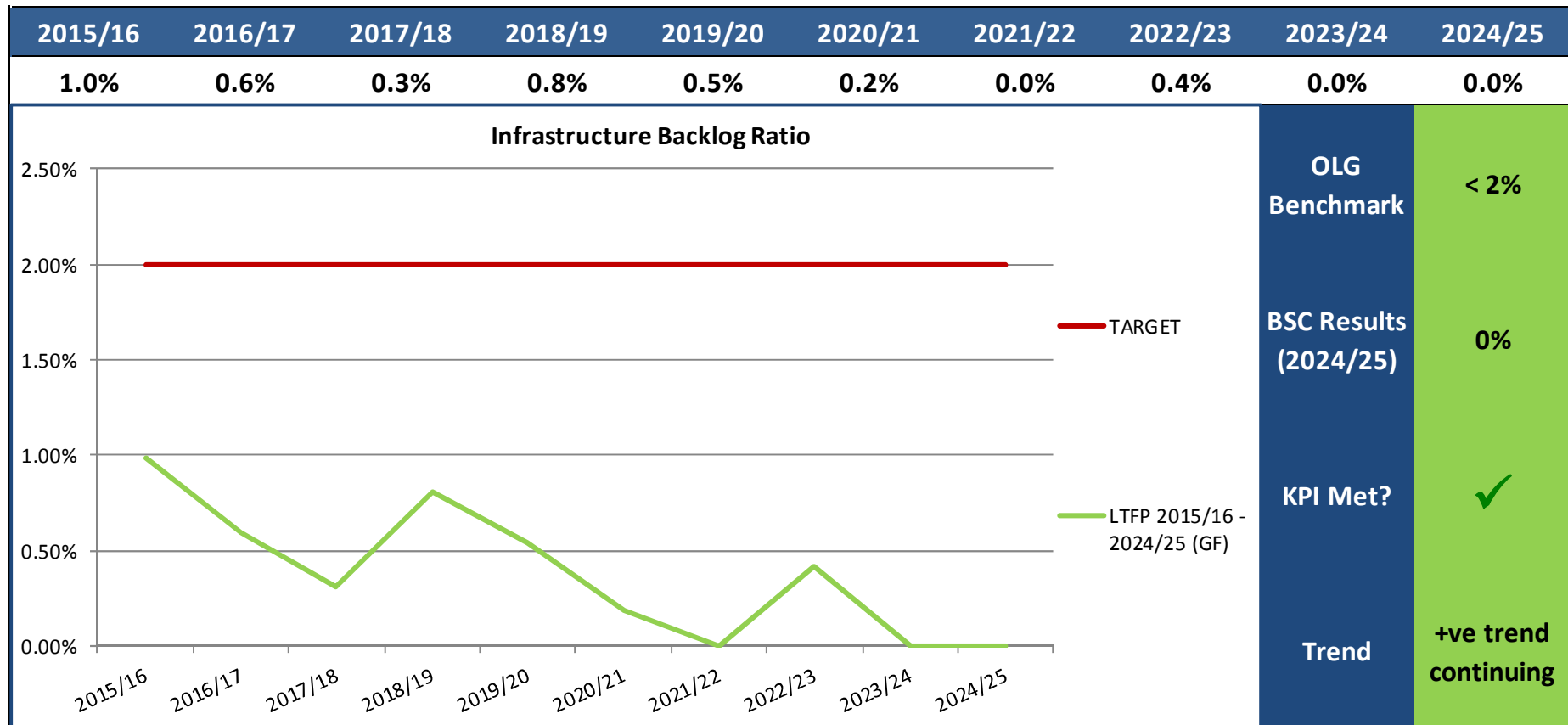


## Building and Infrastructure Asset Renewal

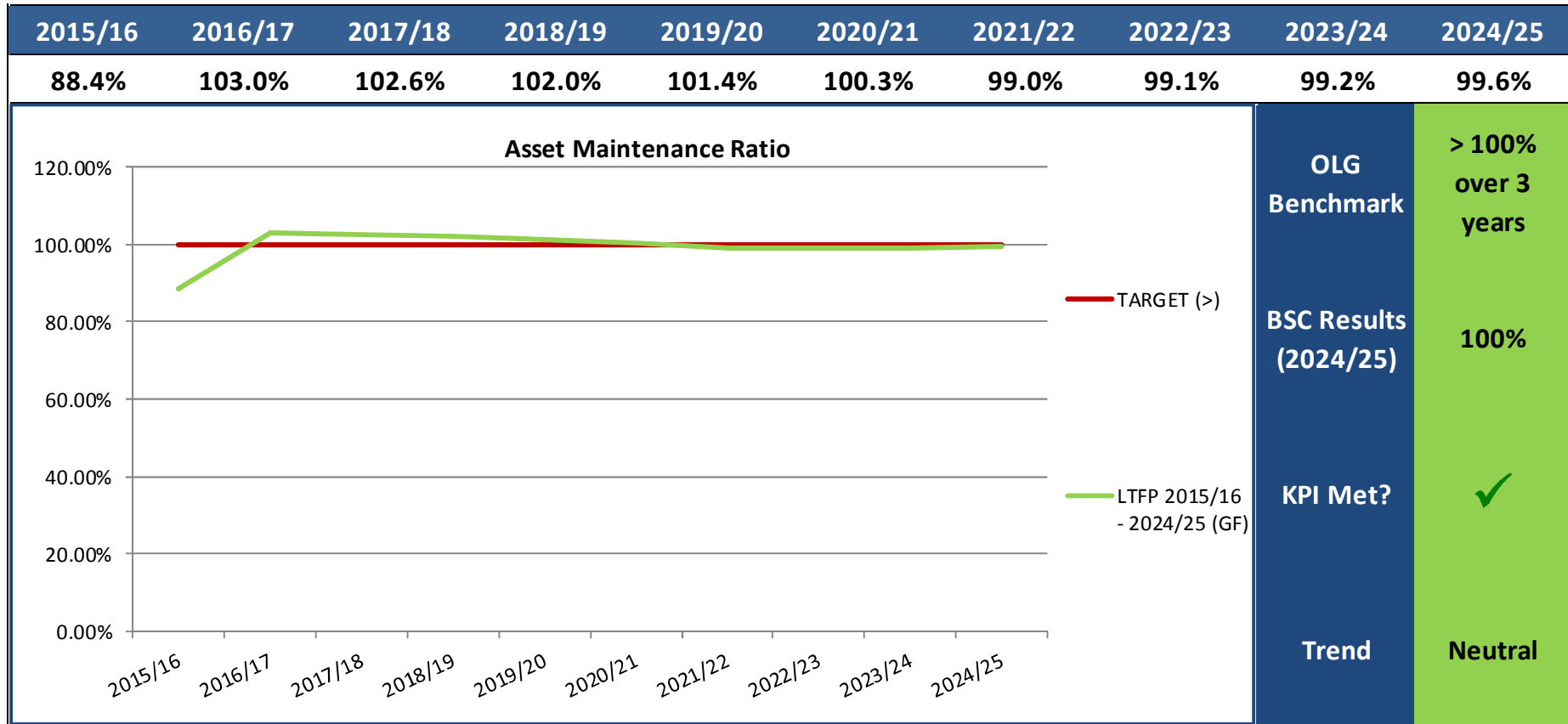




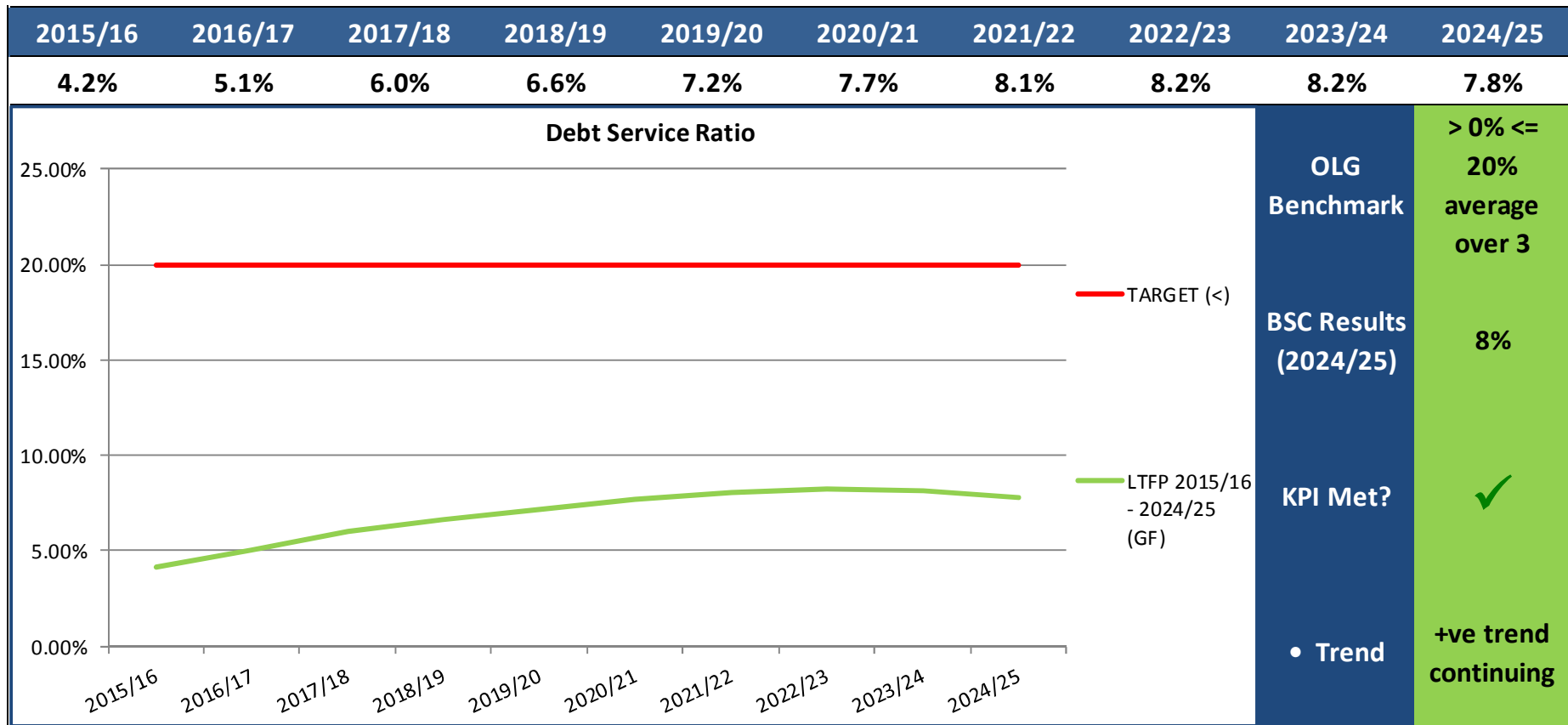
## Infrastructure Backlog Ratio



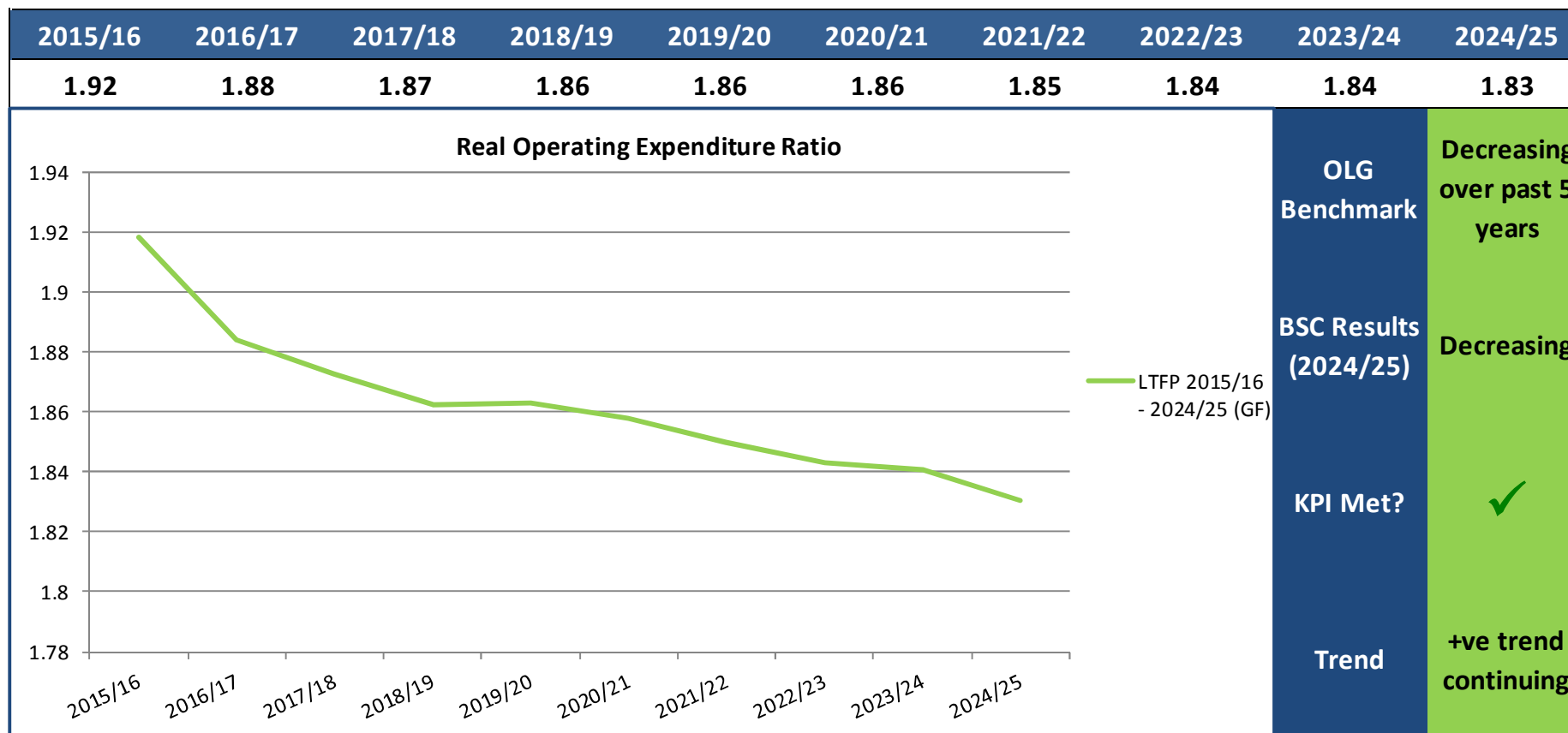
## Asset Maintenance Ratio



## Debt Service Ratio



## Real Operating Expenditure per capita



## 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.

Council in undertaking its approach to addressing the ratios and benchmarks has been considered in its modelling and preferred option (Financial Services Model 1). This approach has taken into account our community's SEIFA/disadvantage factors in consideration of lessening the burden on ratepayers.

Council would like it acknowledged that the following factors and historical constraints have impacted on its ability to meet two (2) of the ratios within the five (5) year timeframe as per the requirements of Template 2. However, Council in its forecast, and based on current information to date, considers it is likely to meet the Operating Performance ratio within 12 years and believes this is the most prudent and appropriate approach for both Council and community.

Council will continue to aggressively pursue the reform agenda that has been underway since 2012 to continue to realise and build on the savings and improvements as outlined in this submission. Given the achievements to date, the fact that the modelling is conservative and there are specific and quantified potential savings from operating regionally, we remain optimistic that a 10 year horizon may be achievable. Council's progress towards this will be closely monitored and reported, and forecast adjustments made as appropriate.

- **Rate pegging** - Rates and annual charges revenue makes up almost 60% of the projected 2014/2015 operating revenue. Historically, 35 years of rate pegging has limited Bellingh Shire Council's ability to increase rates constraining Council to a maximum increase as specified by the Office of Local Government each year (traditionally between 2.3%-3.5%). Council's costs, year on year, have increased much higher than the rate peg, directly impacting on service delivery and having a cumulative negative impact on Council's 'bottom line'. Many of Council's major expense items are related to construction costs or services that are often labour intensive. These costs are often in contrast to CPI. Historically, past construction indices have exceeded 5%.
- **High percentage of non-rateable land** - There is 57% of the council area which is unrateable, meaning council can only collect rates on 43% of the shire. Of this 57%, 32.4% is National Parks, 21.4% is State Forests, 0.9% is Crown Land and 2.4% other non-rateable land. If, for example, Council was able to rate State Forests, even at 50% of the current farmland rate, this would see an increase in rate revenue of approximately \$500,000 a year. This would equate to approximately an 8% increase in rates. A change in State legislation would be required for this to become a reality. Forestry Corporation is a commercial entity that competes in an open marketplace and utilises public infrastructure maintained by Council, resulting in a detrimental impact on public assets such as the road and bridge network. Giving councils more flexibility to increase rates to meet the increasing costs will certainly enable them to better meet service level expectations, achieve financial sustainability and address the infrastructure maintenance and renewal requirements into the future.

More specifically, Council strongly advocates for a revision in the arrangements for the rating of land owned by other levels of government, in particular, where either the government entity competes in the open market place or in the case of a national park, where the entity contains an income generating facility.

Council plans to advocate this position to the upcoming Inquiry into Local Government Reform and other processes that may consider this issue. In addition, should there be a revision of the funding arrangements from other levels of Government, this would allow revision of the modelling and funding formulas that have been presented as part of this submission. It is considered that this would allow Council to meet the benchmarks in a shorter timeframe.

- **Large percentage of pensioners** - The Bellingen Shire also has a high proportion of pensioner and concession holders, with 24% of rateable customers receiving a rebate costing Council over \$230,000 per year (2015). Compared to the rest of New South Wales (NSW), Bellingen ranks in the top 23% of the highest number of pensioners per residential assessments. It is noted that NSW is the only state in Australia that requires councils to contribute to the pensioner rebate.
- **Low SEIFA ranking** – The index of relative socio-economic disadvantage (SEIFA) highlights the Shire as being ranked in the 50 most disadvantaged LGAs in the State. The Shire sits at 950.1 on the index scale. Two of the three distinct localities of the Shire, individually, register even lower on the index scale, highlighting an even greater level of disadvantage (Urunga at 926 and Dorrigo at 928.4). This low ranking constrains Council's ability to generate further revenue from rates and annual charges.
- **Cost Shifting** - Local Government is significantly impacted by cost shifting from other levels of government where the responsibility for, or the costs of, providing a service is shifted from State and Federal governments to local government without the provision of corresponding funding or adequate revenue raising capacity. Local Government NSW (LGNSW) reports that, across NSW, cost shifting from the State and Federal government for 2011/12 equates to \$521 million or 5.63% of local government's total income before capital. For rural councils, the cost shifting percentage is 3.95% which, for Bellingen Council, equates to \$1.076 million. It should be noted that the burden of the requirement to raise rates could be alleviated if such cost shifting did not exist.
- **Redirection of grant monies to those in need** – As with many rural councils, Bellingen Shire Council is reliant on grants to assist in the funding of its operations due to its limited ability to raise revenue outside of rates. Whilst any change to funding arrangements is unclear at this stage, given reviews currently underway, Council strongly advocates for a revision in the arrangements for the distribution of Federal Financial Assistance Grants. This will allow funding to be redirected from the more affluent city councils that are not as reliant on grant income, have other income generating opportunities and do not have the infrastructure challenges faced by councils such as Bellingen.

Council plans to advocate this position to the upcoming Inquiry into Local Government Reform. In addition, there should be a revision of the funding arrangements from other levels of government. This would allow revision of the modelling and funding formulas that have been presented as part of this submission. It is considered that this would allow Council to meet the benchmarks in a shorter timeframe.

Those councils that face greater challenges do not have the same alternative income generating opportunities for the benefit of local communities. Council has a total of 531.5kms of local roads equating to 41.5m per head of population. The annual depreciation for Council's road network totalled \$4.118 million in 2014, making up 13% of its annual operating expenditure. Council also has the fourth (4<sup>th</sup>) highest number of timber bridges in the State.

- **Freezing of the Financial Assistance Grant Program** - The Financial Assistance Grants distributed by the NSW Government are currently frozen with no further increases until 2017/2018 and even then this is not guaranteed. Given that Financial Assistance Grants make up approximately 12% of Council's operating income, the freezing of this indexation amount will continue to take hundreds of thousands of dollars from Council's future budgets, which in turn, will have a negative impact on the above ratio and Council's ability to adequately maintain its large infrastructure asset base. The Australian Local Government Association (ALGA) states, '*At a national level, however, funding is not keeping pace with demand for services and infrastructure in local communities and the decision in last year's Federal Budget to freeze indexation of Financial Assistance Grants for 3 years will worsen this. Freezing Financial Assistance Grants at their current level until 2017-18 will result in a permanent reduction in the Financial Assistance Grants base by 13%.*'
- **Limited grants for renewal/maintenance** – The number of available funding options for the renewal and/or maintenance of assets is restricted due to the heavy focus of State and Federal government bodies on allocating money for new assets. To contextualise, the focus of many grant arrangements is new assets. The funding arrangements do not take into account whole of life costing models or ongoing costs of providing services that bring to life those assets. By way of example, Council was successful in securing funding toward the development of a Youth Centre in 2010 to the value of approximately \$2 million. Whilst the facility provides important wellbeing outcomes for our community, it comes at a recurrent operational cost of around \$100,000 per annum (without accounting for depreciation).
- **Natural Disasters** - Bellingen Shire Council is in an area prone to large storm events and regular flooding. While large flooding events with damage exceeding \$240,000 are able to be claimed through natural disaster funding (assuming each event meets all relevant criteria), the Bellingen Shire is regularly impacted by small isolated events that can often exceed \$50,000 in immediate response costs, further impacting on Council's ability to meet the Operating Performance ratio. While disaster funding is necessary to sustain Council's ability to repair its infrastructure after flood events, it can have positive and negative implications on a number of the Fit for the Future ratios. Since 2001, Council has had 13 declared flood events totalling \$31 million in damage. This does not account for the other minor flooding and storm events that have occurred but have not met the disaster declaration threshold. As outlined in TCorp's assessment of Bellingen Council in its April 2013 report, '*...Council had to prioritise repair work at the expense of other projects which are deferred in Council's delivery program.*'
- **Natural heritage** – The Bellingen Shire has an abundance of natural assets totalling an area of 159,978 hectares with three distinct geographical areas – ocean, river, and mountains. The Shire, with its natural assets, attracts industries such as oyster farming, dairy and agribusiness that rely heavily on our river systems. This, along with our cultural attractions, has created a thriving tourism industry



with more than 300,000 visitors coming to the Shire each year. This requires significant investment from Council in terms of its management of the natural environment to protect the local ecosystems, as well as balancing the need for economic development and long-term financial sustainability of the local industries.

- **Additional Revenue Streams** - Unlike metropolitan councils that have the ability to generate income through channels such as car parking etc., regional and rural councils have limited avenues to pursue in raising additional revenues, making them highly reliant on rating and grant revenues.
- **Statutory Fees and Charges** - Council annually establishes and regulates its fees and charges in accordance with the provisions of the NSW Local Government Act 1993. Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how the statutory fee amount is determined nor do such statutory fees tend to increase by CPI or reflect the true cost of providing the service.
- **High Depreciation** - Depreciation generally makes up around a third of Council's annual operating expenditure, with a total of \$9.032 million in 2014. While Council has recently undertaken a review of its assets that has significantly reduced depreciation with the objective of having an agreed regional approach (MIDROC 'apples for apples' project), this figure has a significant influence on Council's profit and loss, and in turn, the Fit for the Future Operating Performance ratio. This will continue to be a significant financial consideration into the future. It is anticipated that the above project will continue to have an impact on lowering Council's depreciation as asset methodologies are further refined.

In comparing this to the rest of NSW councils, Bellingen ranks in the top third of the State for the highest levels of depreciation per head of population. A heavy contributor impacting Council's depreciation is the length of road per person. For example, Bellingen Shire Council has 26 times the length of road per person compared to that of Sydney City Council.

- **Cost to service aging population** – Bellingen Shire Council has an aging population with 44.4% of residents in the Shire aged 50 years or older. The need to accommodate and provide services for this demographic places added pressure on Council's limited resources. The Legislative requirements, and specifically the Disability Inclusion Legislation 2014, means that councils now must ensure accessibility is included in any new and retrofit of infrastructure to enable accessibility and social inclusion for older and disabled persons. Councils currently provide community development and services for older persons and those with a disability with limited compensation from State and Federal governments.
- **Large bridge network** – Bellingen Shire Council has a total of 145 bridges, which includes 84 timber bridges, with a total length of 2.292kms. This has a significant impact on Council's annual depreciation equating to \$525,000 per year of the annual depreciation figures. In comparing this to the rest of NSW councils, Bellingen has one of the highest bridge depreciation figures in NSW ranking in

the top 13<sup>th</sup> percentile per head of population. Council is ranked in the top four (4) out of 152 councils for the number of timber bridges within its infrastructure portfolio.

- **Large road network** – Council has a total of 531.5kms of local roads equating to 41.5m per head of population. The annual depreciation for Council's road network totalled \$4.118 million in 2014, making up 13% of Council's annual operating expenditure. A heavy contributor impacting Council's depreciation is the length of road per person. For example, Bellingen Shire Council has 26 times the length of road per person compared to that of Sydney City Council. The cost of renewing and maintaining Council's large road network places a heaving burden on its works program and associated budget due to the expansive transport network per person, often at the expense of other services.
- **Ongoing maintenance and renewal costs** - Given the considerable number of assets constructed and maintained by Council, variations in underlying inflation have the potential to have a significant impact on long-term financial planning. Council has considerable pressure from rising raw material costs including fuel and other construction materials. Any major unplanned increases in these costs will impact on the Long Term Financial Plan and Council's ability to meet this ratio into the future.
- **Dispersed town centres** – Bellingen Shire has three distinct geographical areas – ocean, valley and mountains. These are characterised by the townships of Urunga, Bellingen and Dorrigo. These townships are geographically separated and very different in their representation including demographics and community needs. Servicing these townships currently requires Council to provide the same services in multiple locations such as libraries, public amenities, waste services, community centres and public halls, sport and recreational facilities and Council works depots. The need to provide and maintain like services in multiple locations places a heavier financial burden on Council than those councils who are not similarly dispersed.
- **Service Level Expectation** - Agreed community service levels have a significant influence on the asset ratios. As a matter of process, Council has and will continue to review its assets and services, in conjunction with the community, to ascertain what is considered satisfactory. This will be an important determinant on where funds are to be best placed in future financial planning. With regards to the Building and Asset Renewal Expenditure Ratio, it is likely that Council will continue to be well below this benchmark. Notwithstanding that, a shift towards whole of life costing will enable Council to look in more detail as to the total future cost of managing and maintaining an asset over and above the initial upfront costs. Matching this with expected levels of service to community infrastructure and facilities will assist in better managing this type of expenditure. If the community agree to a lower level of service then was provided in past years, then a lower building and infrastructure renewal ratio can be accepted. Council's asset planning and service review process will accommodate this discussion.
- **Risk** – A consideration of risk is an important determinant as to what service levels are acceptable. Although the community may be satisfied with a lower level of service, consideration into the level of risk associated with the service level needs to be factored into the decision making process. This will also be taken into account in the asset planning and service review process.

## 5. Putting your plan into action

### How will your council implement your Improvement Action Plan?

The Improvement Action Plan (Plan) will remain the responsibility of the General Manager and supported by the Executive Leadership Team which includes Council's Deputy General Managers, Executive Manager Organisational Development and Chief Financial Officer. Council's Plan has been formulated through the existing IP&R Framework. The actions identified within the Plan will be tasked to various responsible officers according to their delegations of authority, facilitated through the Operational Plan.

While the IP&R Framework requires Council to report half yearly, Council, through its own robust governance arrangements, undertakes its own reporting and monitoring on a quarterly basis to ensure the delivery of expected outcomes within the agreed timeframes. This aligns with Council's quarterly budget review process. Council will also provide ongoing reporting of actions identified within the Plan and the FFF performance measures in its annual report providing feedback to the community on the achievements and progress against the key strategies and action items.

In addition to the above, Council has established governance arrangements related to the Special Rate Variation (SRV) secured in 2013, including a Committee of Council, the Special Rate Variation Implementation Planning and Productive Committee (SRVIP), to oversee productivity initiatives and progress of works e.g., land and property review, fees and charges review. The SRVIP is also supported by internal program boards, known as the Financial Sustainability Program Board and the Transport Infrastructure Sustainability Program Board, and a project management framework.

Ongoing actions resulting from the Plan will be included in the new Delivery Plan 2016/17 to be adopted by Council in June 2016 and further endorsed by the newly elected Council post September 2016. Progress against the Plan will be reported through the SRVIP process.

Further to this, Council has also established an internal audit function. The Audit Committee has adopted a forward meeting plan, the Internal Audit Charter (based on the model charter contained in the OLG Guidelines), the Internal Audit Plan and the Risk Management Toolkit. In addition, the Audit Committee has considered and recommended a Risk Management Policy for Council consideration.

The Policy is intended to form the apex of Council's risk management framework and has been prepared with the intention of assisting Council to achieve alignment with ISO31000:2009 Risk Management – Principles and Guidelines. The Risk Management Tool kit is intended to reflect the operational component of Council's framework to give effect to the Risk Management Policy.

Key elements of the toolkit involve the following:

- Risk types
- Risk categories
- Consequence descriptors
- Details of how Council's risk registers will cascade
- Procedure for risk management
- Internal risk reporting expectations

The Audit Committee, along with the internal audit function, involves shared resourcing and collaborative arrangements with neighbouring councils.

The internal audit function is anticipated to enhance Council's ability to identify risks, assess the appropriateness of controls and capitalise on potential efficiencies across the organisation.

Lastly, Council has proactively engaged with its neighbouring councils in relation to the establishment of the North Coast Joint Organisation and other regional alliancing opportunities. Progress with these initiatives will be regularly reported to Council. That said, it is also acknowledged that prior to individual councils considering pursuit of shared service delivery on a regional basis, individual councils will need to undertake a policy decision making process within their respective organisations regarding the pursuit of shared service delivery. The councils will need to consider the pros and cons of any shared service delivery proposal carefully and arguably in consultation with their respective workforces. This is part of a natural, considered and evidenced based decision making process.

The foregoing outlines a rigorous and transparent governance approach that will continue building on the extensive reform agenda undertaken over the past four years, (as detailed in the attached document entitled *Bellingen shire Council – an organisation in transition, our backstory and where to from here?*), and ensure effective implementation of the Improvement Action Plan.

# Appendices

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The following supporting documents are provided to assist in IPART's assessment of Council's submission to the Fit for the Future Program.

**Attachment 1 - KPMG MIDROC report (Internal Report – Confidential)**

Attachment 2 - Independent report by John Comrie

Attachment 3 - Long Term Financial Plan

Attachment 4 - Bellingen Shire Council reports (Fit for the Future and SRVIPP)

Attachment 5 - Asset Management Policy and Strategy (currently under review)

**Attachment 6 - Land Use Opportunities (Internal Report - CONFIDENTIAL)**

Attachment 7 - Community Engagement initiatives

## Section 3.4 Improvement Action Plan

Action	Outcome	Milestones	Financial Implications/ modelling	Link to Council Plan/ Framework	Risk
Deliver strategies through the FSPB to enable savings of \$250K in 2015/16	Strategies developed informing the Operational Plan within the IP&R framework that realise savings	30 June 2016	Modelled through the LTFP process as indicated in Financial Services Model 1	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Not able to achieve full realisation of savings</li> </ul>
Additional review of fees and charges with the intent of identifying additional income streams and creating an increased revenue base	Additional revenue streams identified and increase of revenue base	30 April 2016	Modelled through the LTFP process as indicated in Financial Services Model 1	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Community response in accepting reviewed fees and charges</li> </ul>
Hold negotiations with intent to establish MOU with willing participating councils regarding recommendations within the KPMG MIDROC shared services report	Establish agreement with willing councils regarding shared service arrangements that will inform final MOU	30 June 2016	Potential savings identified as per the KPMG independent report into MIDROC councils	<ul style="list-style-type: none"> <li>IP&amp;R – Operational Plan</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Agreement not able to be established within timeframe</li> <li>Level of savings anticipated not realised due to number of willing councils to participate in service arrangements</li> </ul>
Continue to hold negotiations with intent to establish initial scope, framework and Terms of Reference with North Coast JO councils	Initial scope, framework and Terms of Reference established with North Coast JO councils	30 June 2016	Potential benefits through further regional procurement and greater regional collaboration.	<ul style="list-style-type: none"> <li>IP&amp;R – Operational Plan</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Scope, framework and Terms of Reference not able to be established within timeframe</li> </ul>
Review of Council's Asset Management Framework to better define asset conditions, service levels, useful lives and required annual maintenance	Robust Asset Management Framework established	30 June 2016	More robust asset system providing more accurate asset values that reflects positively on depreciation	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Time and resources not able to be allocated to review to meet outcomes within timeframe</li> </ul>
Develop a framework of service level agreements that informs the Asset Management Framework	Service level agreement framework developed that provides greater clarity around community service level expectations	Ongoing	Positively influences Councils Asset Management Framework to provide better guidance around Council's asset renewal and maintenance long term resourcing decisions	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> <li>Infrastructure Works Program</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Lack of community agreement on overall service levels to establish framework</li> </ul>
Continue to undertake a review of Council's services	Service reviews undertaken with the view that ongoing assessment will need to be considered based on previous actions relating to informing service levels	Ongoing	Ongoing saving and efficiencies identified	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> <li>Infrastructure Works Program</li> <li>Community Vision Theme</li> </ul>	<ul style="list-style-type: none"> <li>Time and resources not able to be allocated to the reviews to meet outcomes within a reasonable timeframe</li> </ul>
Obtain additional borrowings according to the adopted 2015/16 budget to invest in the renewal of the local infrastructure	Borrowings obtained according to 2015/16 budget as per cash flow	30 June 2016	\$1M injection into Council's infrastructure renewal program	<ul style="list-style-type: none"> <li>LTFP</li> <li>IP&amp;R – Operational Plan</li> </ul>	<ul style="list-style-type: none"> <li>Unable to access proposed TCorp borrowing facilities</li> </ul>

Action	Outcome	Milestones	Financial Implications/ modelling	Link to Council Plan/ Framework	Risk
	requirements				
Develop a rationalisation program as a result of the auditing of Council's operational land and property assets	Identify parcels of operational land assessed for potential sale and return on investment calculated	30 June 2016	Creation of a sinking fund to facilitate further investment in the improvement of various building assets	<ul style="list-style-type: none"> <li>• LTFP</li> <li>• IP&amp;R – Operational Plan</li> <li>• Asset Management Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Economic conditions not conducive to the sale of identified assets in Council's portfolio</li> </ul>
Develop a strategy from identified land use options to enable future growth opportunities	Strategy developed	30 June 2016	Future economic growth leading to greater revenue base	<ul style="list-style-type: none"> <li>• Land Use Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements to enable growth opportunity considered cost prohibitive</li> <li>• Legislative and regulatory blockages</li> </ul>
Review of the Section 94 (S94) Local Roads Contribution Plan	S94 Contribution Plan placed on public exhibition for final adoption by Council	31 December 2015	Allocate funds to projects identified and adopted within S94 Contribution Plan	<ul style="list-style-type: none"> <li>• LTFP</li> <li>• IP&amp;R – Operational Plan</li> <li>• Infrastructure Works Program</li> </ul>	<ul style="list-style-type: none"> <li>• S94 Contribution Plan not adopted with timeframe</li> <li>• Projects identified within S94 Contribution Plan not accepted by community</li> </ul>
Identification of ongoing efficiencies within each business unit	Develop action plan through the identification of ongoing efficiencies	30 June 2016	Realise ongoing efficiencies	<ul style="list-style-type: none"> <li>• IP&amp;R – Operational Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Not realising ongoing efficiencies</li> </ul>

The following information includes existing actions and outcomes incorporated in the adopted 2015/2016 Operational Plan.

## Sustainability

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
Reconciliation and distribution of monies held in trust for sale of land for unpaid rates	Reallocation completed by 30 June 2016	Create a revenue base that adequately guides community growth and delivers quality services
Commence review of non-rateable land	Review completed by 30 June 2016	Additional review of fees and charges with the intent of identifying additional income streams and creating an increased revenue base
Service delivery reviews - provision of financial information	Provide relevant financial information by 30 June 2016	Continue reviewing services and service levels to ensure value for money for Council and its community
Explore the acquisition and use of an online engagement tool in conjunction with the review of the GMS	Service provider contacted and quotes obtained	Continue reviewing services and service levels to ensure value for money for Council and its community
Conduct 2016 Community Satisfaction Survey	Survey completed	Continue reviewing services and service levels to ensure value for money for Council and its community
Execute Strategic Business Plan to achieve defined measures and targets within that plan	Measures within plan implemented	Continue to meet legislative and operational requirements
Implement 2015/16 commitments in the FFF Action Plan	Complete relevant actions plan items by 30 June 2016	Linked to all strategies as outlined in the FFF Action Plan
Implement the Customer Service Charter Service Standards in responding to customer enquiries through personal contact, correspondence and phone calls	Correspondence dealt with within 15 working days from receipt; Phone calls/messages are returned within 24 hours; Prompt attendance at counters and for appointments	Continue reviewing services to ensure value for money for Council and its community and the delivery of services to an agreed level
Develop procedures to accompany Council's adopted compliance/ enforcement policy	Develop procedures for overgrown vegetation, barking dogs, stormwater and others as necessary	Continue to meet legislative and operational requirements
Execute action plan flowing from Governance Health check	Plan completed	Continue to meet legislative and operational requirements
Commence preparation of end-of-term report	Report commenced in anticipation of final meeting of Council in August 2016	Continue to meet legislative and operational requirements
Plan for IP&R 2016-2020 (CSP, Delivery Program and Resourcing Strategy)	Complete by Q4 2015/16	Continue to meet legislative and operational requirements
Oversee development and implementation of Enterprise Risk Management Framework	Complete by Q4 2015/16	Continue reviewing services to ensure value for money for Council and its community and the delivery of services to an agreed level



Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
Complete annual update of WHS Corporate Plan and implement priority actions	Review undertaken, Plan updated, Priority actions agreed Regular updates to CET: - Incidents - Days lost to injury	Continue to meet legislative and operational requirements
Implement actions from the Economic and Business Development Plan	Actions implemented	Continue reviewing services to ensure value for money for Council and its community and the delivery of services to an agreed level

## Infrastructure and Service Management

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
Complete and implement asset management plan for plant.	Plan completed and in use	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Review lease agreements for assets owned by Council which are leased to other entities in accordance with the lease agreements	Complete quarterly	Operational land and property asset review in consideration of a rationalisation program
Develop a new asset management framework	New asset management framework complete by 30 June 2016	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Manage asset revaluation process with other relevant managers/staff (All asset classes to be revalued on a 5 year rolling basis)	Complete annually as part of financial statement preparation	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Commence community consultation on Community Vision	Consultation commenced in anticipation of discussions with new Council in 2016-2017	Continue to undertake a complete review of Council services to define agreed service standards against community expectations and ability to resource with the underlying objective of productivity improvement and efficiency gains.
Review and execute Sewerage Asset Management Plan (SAMP) to ensure that they are up-to-date, relevant, reflect best practice in local government asset management and is adopted by Council. Will include measures/KPI's and targets	SAMP complete	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Review Water Asset Management Plan (WAMP) and execute to ensure that they are up-to-date, relevant, reflect best practice in local government asset management and is	WAMP complete	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
adopted by Council. Will include measures/KPI's and targets		
Review options for asset management software and report to Council	Report presented	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Complete the review of the Pedestrian Access Mobility Plan (PAMP) and Bike Plan.	PAMP and Bike Plan adopted by Council	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Review and progressively improve Roads Asset Management Plan (RAMP)	RAMP to reflect current best practice as outlined in the International Infrastructure Management Manual	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements
Negotiate with Roads and Maritime Services in regards to the handover of the Old Pacific Highway	Negotiations undertaken	Undertake a complete review of Council's assets and depreciation to ascertain true value and maintenance requirements

## Efficiency

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
Develop improved timesheet process and systems	Improved process completed by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Finalise implementation of committed costing	Committed costing implemented throughout Council by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Continue implementation of all 'Blackadder/Morrison Lowe Review' changes.	Continue implementation process with majority of changes completed by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Review invoice distribution across organisation to improve current processes and streamline	Improved process completed by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Investigate options for new corporate operating system (IT)	Initial investigations completed by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
		efficiencies
Review of financial planning policy	Review completed by 30 June 2016	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Develop workforce capability	Corporate training plan; Performance planning and feedback; Succession plan;	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions
Facilitate organisational response to staff survey	Progress against agreed plans; Employee feedback on priority areas;	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions
Continue implementation of leadership and engagement framework for our current and future leaders including Councillors	Program development	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions
Facilitate Council's involvement in industry benchmarking	MIDROC involvement; LGPA Operational Effectiveness Survey Round 3; LGNSW HR Benchmarking;	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions
Implement actions from the 2014-2018 Equity and Diversity Plan	Plan developed; Priority actions agreed; 6 mthly updates to CET	Review outcomes from the Local Government Professionals NSW and Price Waterhouse Coopers Operational Effectiveness Survey report to develop action plans and contribute to ongoing efficiency actions
Review Council's Development Control Plan	DCP adopted by Council	Identify land use opportunities to increase population density to create economies of scale
Commence review of Council's Growth Management Strategy	Review commenced	Identify land use opportunities to increase population density to create economies of scale
Conduct Internal Audits according to Internal Audit Plan	Audits completed according to plan and presented to Audit Committee at next appropriate meeting following completion of the audit	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Conclude work on Information Management Strategy - continuation from 2014-15	Strategy Document	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies

Operational Plan Action/Activity	Expected Outcome 2015/2016	Link to Strategy in the FFF Action Plan
Implement an e-Business Paper System - continuation of 2014-15 objective	Live system used for Business Paper generation and minutes capture	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Maintain SRV governance arrangements	Comply with reporting requirements	Continue reviewing services and service levels to ensure value for money for Council and its community
Contribute to the waste collection service contract negotiations	Waste collection tender issued	Expand on regional collaboration opportunities
Conduct complete review of Bellinghen Emissions Reduction Program to determine effectiveness in achieving reduction in energy/greenhouse gas emissions	Review undertaken and relevant recommendations identified	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Review residential density provisions in Chapter 2 of Bellinghen DCP 2010 upon completion of sewer modelling.	Upon completion of sewer modelling, density review commenced.	Identify land use opportunities to increase population density to create economies of scale
Implement Phase 2 of Procurement Roadmap	Actions in Phase 2 implemented	Continued work of the Financial Sustainability Program Board to further identify operational productivity improvements and efficiencies
Explore the implications of amending secondary dwelling standards with a view towards encouraging increased investment in affordable housing stock	Report presented to Council	Identify land use opportunities to increase population density to create economies of scale