

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:	Dungog Shire Council
Date of Council resolution endorsing this submission:	Refer to executive summary

1.1 Executive Summary

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

Dungog Shire Councils proposal is submitted on the basis that the following commentary and actions may need modification following discussions with our community and final input from the elected representatives. A natural disaster event on 21 April 2015 that culminated in the loss of three lives, washed away 3 houses and severely damaged many more has left the communities of Dungog Shire reeling. The energies of Councils' staff have been focussed on the recovery process as a consequence Council did seek a two month extension which was not accepted.

The Merger Business (Dungog/Maitland) Case that was prepared by consultants Morrison Low highlighted a negative outcome should the two Councils determine to merge. Whilst undertaking the work on the Merger Business Case the consultants were also asked to undertake an Improvement Plan for Council. On their analysis and work with Council staff in relation to assets and long term financial plan, the Council can achieve the fit for the future benchmarks if the community is willing to accept a significant rate increase. The consultants Improvement Plan is attached as Attachment (1).

Council has been an active participant in many of the Hunter Councils projects throughout the years and as a consequence a number of activities and on ground results have provided significant positive benefits for our community. The establishment of regional procurement, the Local Government Training Institute and associated entities of Local Government Legal and Strategic Services Australia with a significant investment in relation to the records repository highlights this Councils willingness to actively

participate as a regional player. However the Council also looks beyond the region for opportunity and the decision to invest in Southern Phone Company is another positive outcome with a strong dividend flow now coming back to the community.

The Council has a strong focus on environmental activities which is supported by HCCREMS through Hunter Councils, one of the key themes in the Dungog Shire CSP is based around environment.

The Council as a business has operated in a very lean manner for many years, the transfer of our water and sewerage operations to Hunter Water in 2008 left the Council without any major external revenue generators to support the other activities of the Council as the water and sewerage business contributed in the order of 15% of the Councils then rates base to the corporate and engineering functions of Council.

The work with the consultants has seen a focus on assets, as their work indicated that the Council was expensing the consumption of assets at a higher level when compared to their analysis of their broader client base. Tim McCarthy from Morrison Low who was involved in the DLG Infrastructure audit has provided Council with the basis to review our asset lives for components of the road network as part of our Improvement Plan.

Council is coming from a low rate base where historical decisions have left legacy issues in a number of areas mainly in the deferral of maintenance but also in the duplication of assets.

1.2 Scale and Capacity

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

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

No

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

Merger Business Case

The Merger Business Case highlighted that a merger between Dungog and Maitland would result in the need for the new entity to increase the rate base from day one. Maitland Council has already been down the path of a Special Rate Variation and does not see the need to impose more costs on their community as a result of merging with Dungog. For Dungog Shire in view of the significant increases in rates that would be involved for our ratepayers the Council is of the view that we are better off progressing our own Special Rate Variation and having a dialogue with our community as regards service levels etc.

Furthermore the natural disaster event has strengthened the views of some of the Councillors as regards their opposition to a merger in view of the involvement of the Council in the recovery efforts within the community.

Scale and Capacity

Councils' consultants have endeavoured to highlight the Councils scale and capacity in their draft Improvement Plan (pages 7 & 8 previously attached).

Council can argue on the basis of what consultants have identified however the underlying aspects of scale and capacity emphasise the challenge that lays ahead for this organisation. Staffing the organisation with appropriately skilled professional staff has been and will continue to be a major problem for the Shire in view of the competitive labour market of the Hunter Local Government sector it has been a challenge with Council having vacant engineering positions for several years and only achieving a full complement of staff in January 2015. As a very lean organisation there is a definite need to increase staffing levels in key areas to enhance the strategic capacity of the organisation and to support a culture of continuous improvement.

However our workforce has previously demonstrated flexibility to enable greater efficiencies, this is evident with landfill operation which was brought back within the organisation to generate savings for Council. The outdoor workforce also work a 4 day working week to maximise external plant utilisation so that when Council pays for a days hire it is achieved.

Rural Council Model

The establishment of a Rural Council model for Dungog was considered and discussed at length by some of our Councillors who were of the view that the Council should progress down that path. However at this time there is still a lot of uncertainty as regards the merits and future functionality of such organisations as there is no information available as regards legislative assurances and how they would inter-relate such with all the other legislation that a Council has to enforce, regulate, comply with or report thereon.

Furthermore within the Hunter the majority of Councils have not been identified for a merger they all have sufficient scale and capacity to progress most activities individually. To be a sole purchaser of services from a joint organisation is impractical, the Council can work around such matters through engagement of our neighbouring councils' resources if available or potentially outsource. The Pilot Hunter JO is focussed on government partnerships and regional advocacy.

2. Your council's current position

2.1 About your local government area

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

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

The Dungog Shire Council area is located in the Hunter Region of New South Wales, approximately 78 kilometres from Newcastle and 215 kilometres from Sydney. The Shire encompasses a total land area of about 2,248 square kilometres. It is bounded by Upper Hunter Shire Council and Gloucester Shire Council in the north, Great Lakes Council in the east, Port Stephens Council and Maitland City Council in the south and Singleton Council in the west.

The Shire is predominantly very rugged to hilly country. One-fifth of the Barrington Tops National Park sits within the Shire, forming part of the Great Dividing Range. The major population centres within the Shire include Dungog; Gresford; Paterson; Vacy; Martins Creek and Clarence Town.

The predominantly rural Shire is a major water resource for the residents of the Lower Hunter and is renowned for its natural environment and pristine waterways. The Williams and Paterson Rivers traverse the Shire and are tributaries of the Hunter River, contributing over 40% of its flow. Dungog Shire Council can be described as the heart and lungs of the Hunter Valley.

The proximity of the employment markets of the lower Hunter give rise to challenges as regards economic leakage from the Shire. The pressure on agricultural lands from development highlights that Council needs to finalise the Rural Lands Strategy as one of the legacies that Council is still dealing with is the defunct Tillegra Dam as lands purchased for this project are not being utilised to their full productive capacity. The development of the Community Strategic Plan witnessed 1 in 20 residents attending face to face meetings across the Shire. The theme, Our Shire, Our Heritage, Our future resonated at the time and still does. Our communities value their way of life, the rural nature and environmental attributes of the Shire. Pages 9-12 of Councils Community Strategic Plan outline the challenges (Attachment 2)

The most significant challenge for the Council is overcoming the infrastructure backlog and to increase the rate of renewal of assets. The emerging challenge is as a consequence of the natural disaster event and future planning as regards the development of Dungog township as the levels of inundation were some 2.8 metres higher than ever recorded. This event as a consequence will result in the Council having to re-think the future development of the Dungog township and a strategy developed as regards residential areas that were inundated for the first time on record. Council in the short-term will also need to consider the future of the seniors residential accommodation that is owned by the Council following the flooding of 18 of the 20 units on site. Diversification of the local economy has been a challenge for many years with traditional timber & dairying industries in decline, yet despite a focus on tourism the community is competing against the rest of rural NSW with the added legacy of poor regional road infrastructure as there are no State Roads within the Dungog LGA.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Close proximity to major labour markets in Lower and Upper Hunter Region • Rich cultural heritage • Active community groups and volunteers • Unique strong identity and pride • Clean environment • Dedicated staff • Lower SEIFA index than average NSW • Attractive lifestyle living opportunities • Attractive geographic location • Proximity to Newcastle Airport and other Hunter tourist attractions 	<ul style="list-style-type: none"> • Low revenue base • Own source revenue opportunities limited • Ageing population • Slow population growth (compared to region) • Limited education, work and recreation opportunities for young people • Lower incomes • Portion of people in full time employment low • Low workforce participation rate • Low GRP • Work leakages to other places • Infrastructure maintenance burden, coupled with duplicate or under-used assets, or assets nearing the end of their life cycle • Limited public transport services • Community demand for a greater range of services • Lack of economic diversity • Small workforce scale and lack of specialist skills
Opportunities	Threats
<ul style="list-style-type: none"> • Diversify local economy and attract business investment • Joint Organisation collaboration • Other LG partnerships/shared services • Special rate variation • Strategic realignment of services through service reviews 	<ul style="list-style-type: none"> • Perceived concerns about community safety • Economic leakage to other regional centres • Loss of locally delivered government services • Loss of local control and determination • Weed infestation threatens agriculture production and biodiversity • Climate change • Balancing conflicting land uses • Cost increases for purchase of services • Rate increases and ability to pay

	<ul style="list-style-type: none">• Community resistance to change• Loss of jobs to outside LGA
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2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	1.3%	Yes	-32.6%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	51.2%	No	51.5%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	163.6%	Yes	224.6%	Yes

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

Both operating and own source revenue results highlight the true position of Council in 2016/2017, the 2013/2014 Operating Performance Ratio (OPR) reflects levels of revenue that have been related to grant initiatives. Councils forecast OPR 2016/17 is lowest level as focus will improve with SVR in place. Own source revenue highlights reliance upon external grant funding with low rates revenue base improvement projected to meet target 2018/2019 if SVR in place. Building & Infrastructure asset renewal in 2013/2014 reflects special grant funding under the Hunter Infrastructure & Investment Fund (HIIF), works going forward continue to target infrastructure renewal and addressing backlog within roads and bridges category the HIIF projects continue through 2014/2015 FY and identified projects on the road network as a consequence of known capital grant funding through 2015/2016.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	13.94%	No	1.9%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	76.8%	No	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.5%	Yes	2%	Yes

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

The methodology for calculating the infrastructure backlog has been reviewed and amended. The asset gap has been remodelled to reflect that any operating surplus or improvement savings are applied firstly to improve renewal of assets and to address the infrastructure backlog as quickly as possible. Once the backlog is addressed maintenance levels are increased.

Whilst Councils debt service ratio is low there is an expectation that this will increase as a consequence of the recent natural disaster event and this has not been taken into any of the Councils calculations. Council is seeking urgent grant funds from Office

Environment & Heritage for a flood study to look at the voluntary acquisition of several properties that were washed away in the flood or were severely inundated as Council does not have available funds for such a project and Council would need to resort to a loan borrowing.

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	\$1,250	No	\$893	Yes

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

This measure does not reflect a true position, and the IPART approach to measuring the efficiency criterion works on an assumption that a Council can always perform better or identify more operational savings on a per population basis, what it fails to recognise is the uniqueness of each Local Government Area. Council has the lowest FTE in the Hunter region and also amongst the Group 10 Councils, Council is also the lowest recipient of all Group 10 Councils per head of population for the FAG grant by more than \$50per head of population. ROEX can easily escalate in any one year particularly in small Councils with a low expenditure base if they have to commit to significant legal costs to defend a decision in the Land & Environment Court which is something staff cannot predict.

2.4 Water utility performance

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

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

Yes / No

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

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

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2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding

2.4 Water utility performance

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

Yes / No

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

2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1.		

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

3.1 Sustainability

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

Key strategies include:

1. Increase own source revenues
2. Review of services and service levels with the community
3. Continue to monitor pricing of external plant hire v day labour internal plant
4. Divestment of non-performing assets
5. Review the application of depreciation expense

Outcomes Anticipated:

1. SVR in place that enables the Council to progress asset renewals in a timely manner
2. Community acceptance of service levels
3. Contract plant pricing is more cost effective than internal plant & staff operation
4. Underperforming assets are identified and the Council makes a decision as regards their future need
5. Consistent recording of asset consumption

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

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

1. The increase of own source revenues highlights that the Council must increase the general rates significantly to overcome the current imbalance in respect of infrastructure renewals, the modelling has revealed that rate increases of 13% pa over 6 years will result in the Council achieving the Fit for the Future benchmarks by 2020/2021. This is Councils No.1 priority as regards securing the entities sustainability into the future.
2. Council has developed a road strategy that identifies potential changes to service levels in the community, the strategy deals with aspects as regards renewals dealing with sealed road widths to enable greater lengths of the sealed road network to be renewed with a reduction of the sealed width in areas where traffic volumes are low. This approach enables the Council to accelerate the Councils renewals program.

The strategy also looks at the unsealed network and the Councils maintenance obligations to properties that are at the end of the network.

Councils public halls are operated by Sec 355 Management Committee the pricing structure of these facilities has to change as the Council needs to shift more of the general operating costs on to the committees. In other words the levels of subsidy have to decrease.

Changing technology and the way consumers utilise such will result in the Council reviewing several areas of the Councils operations.

Assumptions for these items not factored into the long term financial plan as yet as savings need to be quantified from a road servicing perspective, values from changes in committee operations estimated at approx. \$30-\$50K.

3. Evidence that Council spend is value for money
4. Underperforming assets or where the Council provides community service type obligations to various organisations need to be re-visited, certain parks are poorly utilised and cannot meet Safer by Design principles and these should be looked at for consolidation. Similarly Councils public halls need to be considered from a commercial perspective as having 4 halls within a 20km radius is not cost efficient. Whereas one facility that is large enough to host multiple activities at any one time would provide a much greater return on investment.

5. The regional road network is the prime road network within the Dungog LGA, with no State Roads our communities are totally reliant upon the regional road network to connect to the various markets across the region, accordingly these roads bear the burden of heavy transport movements. Yet in comparison with neighbouring Councils that have a state road network to transport product to market etc. because of the higher vehicle movements on the regional road network no consideration is given to the end destination of the regional roads. Our neighbouring Councils are funded at a much higher level for regional road maintenance resulting in a higher standard of road being maintained in their LGA. Refer Attachment (3) for examples of the disparity.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. To increase own source revenue & improve operating performance ratio	a) Special rate variation b) Review Councils pricing policy c) Benchmark unit rates to similar type Councils for road construction and maintenance	a) IPART determination received b) Pricing policy focus on full cost recovery wherever applicable 2015/2016 Operational Plan c) Unit rate information obtained by 2015/2016	a) SVR granted that enables Council to become FftF. b) Pricing reflects full cost recovery and pricing mechanism is transparent. c) Comparison undertaken and Councils rates are equal to or better than relevant Councils	Result in positive impact on relevant asset indicators if revenue sources are increased

<p>2. To ensure the elected representatives of Council understand the importance of financial sustainability and the need to balance such against the community's wants.</p>	<ul style="list-style-type: none"> a) Councillor training in relation to financial matters including specific training on whole of life costing and decision making. b) Development of key points that can assist a Councillor in their discussions with their community. c) Ensure the LGNSW implements a decision making toolkit to assist Councillors in their evaluation of priorities. 	<ul style="list-style-type: none"> a) All Councillors to be trained within one month of election. b) Development of a manual c) LGNSW has toolkit in place by July 2016 	<p>A more informed elected Council that can articulate the basis upon which their decisions are made. Coupled with their knowledge of the Councils financial position.</p>	
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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.

Strategies

1. Secure additional revenue to enable the implementation of the renewals program within the Councils Asset Management Plan
2. Assess the methodology for calculating infrastructure backlog
3. Continued focus on road infrastructure renewal in a planned manner that is consistent with the Councils Asset Management Plan
4. Investigate systems that enable the ongoing capture of asset information and the updating of Councils asset management system and AMP.

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

1. The road network already consumes 48% of the Councils general rates revenue, Councils asset renewal costs need to exceed the projected consumption costs of the assets so that the Council can get out of the maintenance spiral trap that we are currently in.
2. Better integration of asset financial management data and assessment of asset conditions, that is clearly understood by both financial services and engineering personnel to ensure consistency in approach
3. It is important that the unit rates utilised within the Asset Management Plan are updated regularly so as to ensure no significant deviation in forward project estimations and projects are not dropped off the scheduled list to rein in the budget.
4. Need to have confidence in cost controls, current processes need greater enhancement and investment as the integration of systems for financial records & assets.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Reduce infrastructure backlog.	a) Secure SRV and utilise funds to reduce the infrastructure backlog b) Implementation of a structured renewals program c) Continue to advocate for increased funding for the road network	a) SRV determined by IPART in 2015/2016 FY b) Asset Management Plans encapsulate 10 year works program c) Key target areas and priorities developed	a) Lower infrastructure backlog enabling the Council to focus on other community priorities	

<p>2. Improve the overall management of Councils assets information</p>	<p>a) Assess the methodology for calculating the infrastructure backlog</p> <p>b) Investigate the implementation of an affordable asset management system that can integrate with the Councils financial systems</p>	<p>a) Auditors accept staff methodology</p> <p>b) Staff undertake evaluation of systems with various Councils by June 2017</p> <p>c) Currency of Councils Asset Management Plans is maintained</p>	<p>a) Assets information is current and readily accessible.</p>	
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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.

Strategies

1. To undertake service delivery reviews
2. To ensure the Council is adequately resourced to meet future community expectations
3. To actively participate within the Hunter Councils various professional groups to develop the organisations culture
4. Implementation of an internal audit program

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

Efficiency needs to be explored beyond financial parameters, when organisations staffing level is as lean as Dungog there are occasions where the organisation becomes unable to meet service expectations and statutory obligations in a timely manner particularly when staff absences are involved.

Service delivery reviews will highlight the need for a greater investment into staffing and information technology, I would anticipate that early on the Councils real OEX will increase before we witness stability. Outsourcing and resource sharing in several areas where the organisation has skill gaps will be essential, they are not currently budgeted in forward financial projections however the workforce strategy that is currently under review is highlighting the need.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. To optimise customer service staff skill sets	a) reconfigure the administration building to eliminate the need for 3 counters to be manned.	a) Council committing funds to the project	a) Improved productivity levels b) Improved customer service experience	Will impact on debt service ratio
2. Ensure that services are required by the community	a) Undertake service delivery reviews b) Optimise the utilisation of technology in service delivery	a) 50% of operations are reviewed by Jan 2017 residual by Jan 2018	a) Better understanding of service delivery cost. b) Inward review of organisations operations and measuring of effectiveness	

3.4 Improvement Action Plan

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

Action plan

Actions	Milestones
1. Progression of a special rate variation application providing for rates increases of 13% p.a for six years. Councils financial modelling is attached	Application submitted in accordance IPART 2016 timelines
2. The review and documenting of the Councils methodology for calculating the infrastructure backlog.	Completed by December 2015
3. Implementation of a new Sec 94 Plan	T.B.A

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

The development of Councils action plan has been undertaken in conjunction with Councils consultants Morrison Low. The need for the Special Rate Variation was encapsulated within the commentary on Councils revised Delivery Program (2013-2017) and was also outlined in the 2014/2015 Operational Plan, what has delayed the implementation of an SVR application was the need to complete our Asset Management Plans to a satisfactory level so that the financial modelling could be refined to initially identify the relevant shortfall in revenue generation and what would be required to address the infrastructure backlog and future renewals.

The financial modelling attached (Attachment 4) has not been discussed in detail with the Council or the community, the modelling was undertaken on a number of different scenarios with the base model in the first instance. The second model was structured in a similar manner to Maitland City Council over 7 years at 7%p.a. The model (1) which enables the Council to achieve all Fit for the Future benchmarks by 2021 is based on the assumption of a 13% increase per annum over six years. It should be noted that the Council treats the roads & bridges component of the Financial Assistance Grant as capital, if the roads & bridges component is brought in as operating income the Council could meet the FftF benchmarks in 2020, both scenarios are included.

Until the Council has a discussion with the community as regards the proposal and in respect of service levels the modelling cannot progress much further. This is why the Council was seeking the two month extension as the senior management team and the elected representatives need to work through the processes with our community.

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.

An alternative strategy that was considered by the General Manager was looking at the organisation and a different model of service delivery from a regional Council, the underlying difficulty was that there would be local job losses, secondly the Council would be paying for all hours staff were engaged on Council matters whereas in the existing Council there is a significant unpaid overtime commitment by the internal staff. Also the aspirations of the community as contained within the CSP may not be recognised in the same manner by externally resourced staff. Finally the Council would need to secure suitable resources to administer the contract performance and the same challenge going forward is the decision making and service review provisions of neighbouring Councils aside from changing senior managers which could potentially put the service delivery model at risk despite contracts in place.

Discussions were also held with Gloucester Shire Council to look at the opportunity of merging with them. This was discounted as the financial situation and infrastructure backlog of both Councils are major hurdles that need to be overcome, also the relevant distance from Dungog to Gloucester is equidistant as Dungog to Maitland or Raymond Terrace. However more than 60% of the Shires population would live further away than the regional centre of Maitland in comparison to Gloucester.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-13.1%	-30.1%	-32.6%	-29.7%	-17.7%	-7.7%	No *
Own Source Revenue Ratio (Greater than 60% average over 3 years)	48.8%	50%	51.5%	59%	62.2%	64.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	254.2%	272.6%	224.6%	118.2%	100%	100%	Yes
Infrastructure Backlog Ratio (Less than 2%)	8.6%	3%	1.9%	1.9%	1.9%	1.9%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103%	100%	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.4%	2.2%	2%	1.8%	1.7%	1.3%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	\$830	\$931	\$893	\$880	\$867	\$854	Yes

Note: IPART will assess this table in accordance with section 3.3 in the [Methodology for Assessment of Council Fit for the Future Proposals](#)

*if your council is including FAGs in this calculation please provide information for years 2020/21 to 2024/25 on the following page.

4.1 Expected improvement in performance (rural with FAGS considered*)

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	2%	9.7%	14.9%	18.5%		Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	66.1%	68%	69.3%	70%		Yes

*Includes councils in OLG groups 8,9, 10 and 11 only. See page 42 of IPARTs [Methodology for Assessment of Council Fit for the Future Proposals](#)

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

The modelling as prepared would result in the Council achieving the FftF benchmark in all categories by 2020/2021. However it is stressed that the Council must have the appetite to progress a significant rate variation. Other modelling that was undertaken by Council officers resulted in the Council looking beyond a 10 year horizon to meet the benchmarks, the level of infrastructure asset deterioration following this natural disaster event highlights the importance of progressing greater investment in to our assets within the shortest possible time period.

The rural sector has also been severely impacted by the storm event with significant damage to on farm infrastructure and damage to pastures and in some cases significant livestock losses. The Council is going to have to balance the concerns of the community as regards affordability etc. as they look to progress a Special Rate Variation.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Not as yet fully developed as there have been limited discussions with the elected representatives on the Fit for the Future project since the first week in April. The Councillor workshop on 24 June 2015 was the first opportunity for the elected representatives to meet with our consultant to discuss the merger business case outcomes and the proposed improvement plan.

However key indicators in relation to milestones etc. will be mapped through a project management exercise. Monitoring of meeting the Fit for the Future benchmarks would be encapsulated within the Councils Annual Report as regards progress with six monthly reviews tied to the quarterly financial reporting cycle.