

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Council name:

Junee Shire Council

Date of Council resolution endorsing this submission:

29 June 2015 Resolution no. 24.06.15

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FIT FOR THE FUTURE SUBMISSION APPENDICES

Appendix "A" -	OLG Self-Assessment Tool – Combined Junee & Cootamundra LGAs
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1.1 Executive Summary

Provide a summary of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

Junee Shire Council's submission leads by addressing the threshold question of strategic capacity and it is confident that its membership within the Riverina Eastern Regional Organisation of Councils (REROC) and the pilot Riverina Joint Organisation (RJO) clearly demonstrates outcomes worthy of the Panel's vision for local government and on occasions rise above it.

Locally we are also committed to being part of a broader system of government and delivering services and projects on behalf of the State Government within low cost structures. Whether that involves providing contracted work on State Highways for the NSW Roads & Maritime Services, or operating the Southwest Regional Family Day Care scheme across five local government areas, Junee Shire Council is confident and willing to be a delivery arm of government services, particularly in a rural setting where the private sector avoids doing so.

Innovation is also important. When it comes to regional economic development, this Council is held up as a role model by Transport for NSW. It was recently awarded the first Fixing Country Road grants in NSW. The Council's application received high praise from Transport for NSW who now use it as a benchmark example for others to follow. The project itself, a \$1.3M road deviation significantly improved productivity and efficiency for road transport access to the largest intermodal facility by volume in Southern NSW and delivered region wide benefits at a return of over five times on the investment. The project and the flow on regional economic benefits would not have occurred without the initiative of the Council. The flipside to the notion that bigger is better is that smaller provides flexibility and nimbleness when action is needed.

While population projections suggest a decline in rural areas, Junee Shire has not had that experience. Junee's population has increased by 7.57% over the last ten years; the most recent Australian Bureau of Statistics figures indicate that Junee's population increased by 1.6% in 2013/14. This is population growth equivalent to that of Bathurst or Woollahra's population increases in percentage terms.

The Independent Local Government Review Panel's (the Panel) preferred option for Junee Shire Council is a '*Council in Riverina*

JO or merge with Cootamundra'. Together, Junee and Cootamundra analysed the merger option and came to the conclusion that if there were any benefits in merging they were marginal at best and that the physical barrier of the Bethungra Range between our two shires had shaped other separations in our communities that a shift of boundary could never reconcile. Added to this is a considerable difference in broader economic relationships. Cootamundra eventually chose a different path which has led to them pursuing a voluntary merger proposal with the Harden Shire Council. Junee Shire Council has a preference toward being a member of the Riverina Joint Organisation and our submission and our community strongly supports that direction.

Moving onto the seven benchmark ratios, as the Panel was going about its own work; this Council was taking steps to improve the organisation and its financial position. Successful special rate variation approvals supported by management practices that provided efficiency measures and productivity improvements have repositioned the organisation in the short, medium and long-term. While it was never intended at the time, this activity means Council can meet all seven benchmark ratios as intended by the Panel.

With regard to asset management, our own analysis of the period 2009-14 indicates improvements in Bring to Satisfactory (BTS) against Written Down Values across all assets and particularly for road assets. In 2009, the Council's BTS dollars per capita for road assets was approximately \$1000/ person, in 2014 it was a little over \$400/person. This result can be attributed to increased expenditure on renewals and the increasing maturity level of our asset management practices. The embedded special rate variations will only strengthen this position over time.

Junee Shire Council's submission is consistent with what our community want and is broadly consistent with the Panel's recommendations. Further the Council has demonstrated that it has the scale and capacity to provide stronger local government for its community and that we are a fit and capable partner for State and Federal Governments.

Junee Shire Council's submission is supported by several appendices that underpin the narrative in this document. If IPART need further clarity on any issue you are invited to contact the Council.

1.2 Scale and Capacity

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

Yes

Junee Shire Council (the Council) was nominated as a Group F council in the Final Report of the NSW Independent Local Government Review Panel (the Panel) October 2013.

The Panel's options for Council was: A "*Council in Riverina JO or merge with Cootamundra*"

We note in the Panel's final report, it included more than one option for some councils and in some cases bolded its preferred options where more than one structural option was recommended. In Junee's case we were presented with two options of equal weighting without a bolded preference.

IPART's Methodology also provides advice on how they intend to assess FFTF submission in **3.2.2 Consistency with ILGRP preferred options**.

For Group F councils the ILGRP identified that in some cases, councils may be able to continue as stand-alone councils for many years to come, but that most need to consider whether a merger could improve sustainability and build strategic capacity. Therefore, we consider that where a merger option is also identified, it should also at least be explored.(p.33)

The Council has considered both the Panel's and IPART's information and requirements and responded accordingly to those instructions.

In the first instance, the Council explored a merger option with Cootamundra Shire Council, meeting with that organisation on the 2 December 2014 to consider the viability of a merger between the two councils. The outcome of the those discussions were that

there were significant obstacles to a merger including:

- Differences with our respective communities of interest: the Cootamundra community has more interests with their neighbours to the north and northeast and Junee's interests are predominantly to the south and southwest.
- There is a natural barrier between our common boundaries known as the Bethungra Range. This is a topographic barrier that has consequently extended into other social, cultural and economic separations.
- The Bethungra Range limits the capacity for joint activity and savings on duplication of effort particularly in terms of asset management and improvement.

The Council also prepared a financial analysis using the OLG Self-Assessment Tool to establish whether merging would result in any improvement in the benchmark ratios. (Appendix A). This exercise did not improve the result in meeting the key benchmark ratios with only two of the seven being met in a combined approach.

A desktop analysis was also attempted by comparing other information from external sources including:

- OLG Comparative Data
- TCorp Financial Sustainability Rating
- 2013 Infrastructure Audit
- 2013/14 Financial Statements
- LG Solutions Analyser 2013/14
- Local Government Grants Commission return
- Local council information

This is explored more greatly in Appendix B.

The Council acknowledges that this assessment work is not equivalent to a business case approach as outlined in IPART's methodology paper (p.47-49) June 2015. The assessment work was actually completed in February 2015, it was undertaken to provide a quantitative or qualitative assessment, to support whether or not a merger option was preferred. The information sourced was seen as consistent data specific to the councils involved.

Where possible the assessment identified future impacts (positive and negative) through economies of scale and scope from

forming a larger organisation.

Despite the financial inducements for merger options, the cost of implementing the necessary administration changes provide only marginal benefits. This can be attributed to several factors:

- Population density remains very low.
- Road Asset maintenance and renewal remain as a high proportion of council expenditure. There was very little evidence that economies of scale or scope would produce a significant improvement in this area. Without establishing improvement in this area of business activity first, change was not attractive. Figure 1 provides an example of the weighting road assets have on Junee Shire Council.
- The councils are in different phases of respective revenue stream improvements. Junee has already received approval for SRV for the period 2014-17. Cootamundra is at the starting point for their SRV application.
- Real efficiencies could be activated with an offer of voluntary redundancies to some administration and managerial areas of both organisations. The cost of applying such a process would eat into the incentive amounts offered by the State Government for merging councils.
- Disruption costs associated with a merger, software and hardware integration were seen as negatives. Neither council considered their respective corporate management system as being superior and so the cost of bringing the two together without major improvement to the over system was considered as a pointless exercise.
- The risk of a merger focusing attention away from service delivery and towards administration harmonisation was not acceptable given the respective levels of performance of both organisation and their level of maturity within the sector.

Junee Shire Council's own community consultation also indicated that the local Junee Shire community ranked Cootamundra low as a preferred merge partner.(Appendix I.)

Later in February 2015 Council was advised that Cootamundra was pursuing a merger option with Harden Shire Council. Harden is a shire to the east of Cootamundra and well outside Junee's community of interest or influence. This decision directed the Council's attention towards pursuing the Panel's equally preferred option: to be a member of Riverina Joint Organisation (JO).

Turning now to the assessment of Council's strategic capacity.

There are three elements to Council demonstrating strategic capacity:

- Council's consideration of the Panel's 10 key elements of strategic capacity (Appendix C)
- Council as a member of the Riverina Eastern Regional Organisation of Councils (REROC) (Appendix E)
- Future membership of the Riverina JO

Council's consideration of the Panel's 10 key elements of strategic capacity

This Council dedicates much of what it does towards working with others to achieve better results in the broader system of government. The Panel expressed this as strategic capacity and asked individual councils to demonstrate how they can nurture and improve it. The Council has prepared Appendix C to provide a thorough explanation of how it contributes to strategic capacity. In addition, there is another significant contribution through REROC activities of which the Council is a member. This is detailed later.

One the major contributions councils can make towards strategic capacity is through the Integrated Planning and Reporting framework (IP&R). Even though it has only been in place for 6 years, it has helped to encourage this Council to adopt a more holistic approach in our strategic and corporate planning. Moreover, in practice, it identified the need for better relationship between Council and State Government Agencies. The Panel also picked up on this point and has provided a new framework in JOs. The Council developed a 10 year Community Strategic Plan in 2008. While ahead of the IP&R legislative requirements, the Council was committed to best business practice principles. The transition to IP&R is a significant contribution to strategic capacity in its own right. We would argue strongly that despite size and scale being interpreted as an obstacle to achieving results in this area, the opposite is true.

Junee Shire Council considers itself a strong partner in delivering Federal and State Government programs and projects (Appendix C). Whether it is providing efficient contract labour for Roads and Maritime Service's State Roads such as the Olympic Highway, or delivering maintenance and renewal to the regional road network in our shire for a modest \$9000/km/yr from Block and Repair programs, Council is a competitive and efficient delivery-arm for Government programs and projects in rural areas. That is not to say we rest on our current performance, we have a vested interest in performing even better because, as a public body, we are committed to using the public purse wisely.

When it comes to regional economic development outcomes, Council is upheld as a role model by Transport for NSW, being awarded the first Fixing Country Road grants in NSW. The Council's application received high praise from Transport for NSW who now use it as a benchmark example for others to follow. The \$1.3M road project significantly improved productivity and efficiency for road transport access to the largest intermodal facility by volume in Southern NSW.



Only through the collaboration of State Government, Local Government and private enterprise, has this project been possible. Significant financial contributions were made by the NSW Government, Junee Shire Council, VISY Logistics and Qube Logistics.

The project and the flow on regional economic benefits would not have occurred without the initiative of the Council. The flipside to the notion that bigger is better is that smaller provides flexibility and nimbleness when action is needed.

There are also examples of the Council's ability to deliver important services regionally. For example Junee auspice the Southwest Regional Family Day Care scheme and delivers it across five local government areas without financial support from those neighbouring councils. The Council is also a member of the Riverina Regional Library which is held in high regard by the State Government as a way of delivering library service across 13 Local Government Areas. The same types of regional commitments exist in tourism, noxious weeds management and the NSW rural fire service. The Council has relationships with over 50 entities that influence in one form or another regional strategic capacity, delivering State agency strategic objectives, advocacy and developing skills. (Appendix D)

Council as a member of the Riverina Eastern Regional Organisation of Councils (REROC)

Rural councils in the Eastern Riverina in particular have made a strong contribution towards the State Government desire to achieve regional scale and capacity through REROC for over 20 years now. The opportunity to properly assess REROC's outcomes to deliver scale and capacity was unfortunately a missed opportunity, primarily because the Panel's work was deeply focused on the singular entities of each council. This is not intended as a criticism of the Panel's work; clearly it needed to focus on the sector itself and the public elected representatives involved in it. REROC is a voluntary membership organisation not an instrument of the Government so the Panel did what it could to highlight the ROCs' achievements however it didn't have the tools or time at its disposal to analyse the ROCs as a harmonious unit of activity. The Panel also pointed out, the patchy performance of ROC across the State.

In the vacuum of missed opportunity, REROC has prepared a comprehensive document on its achievement aligned to the Panel's 10 key elements of Strategic Capacity. The document *Councils Working Together – Achieving Strategic Capacity Through Regional Collaboration* (Appendix E) is a timely reminder of previous success and accomplishment and demonstrates the willingness of its council membership to implement State Government programs, projects and reforms as well as driving efficiencies and productivity amongst member councils. The document is a powerful example of outcomes that supports the process and framework FFTF is aspiring to achieve.

This Council is an active member and participant in REROC and their document is a central plank in our FFTF submission to IPART.

Future membership of the Riverina JO

The State Government would like to see more collaborative work between State Agencies and local government - so would we. Council is very much looking forward to the relationship improving between State Agencies and local government. We are fully supportive of that evolving in a JO context, appreciating that the State Agencies do not have the necessary resources to allocate building those relationships with 152 local governments.

The Minister for Local Government selected Riverina councils as a pilot JO; Junee Council is a member of this JO. We are meeting monthly and already there are signs of strong support from State Agencies who are leverage off these new arrangements through a

number of initiatives:

1. The adoption of a Charter to guide its operations.
2. A Statement of Regional Priorities that underpins the intergovernmental collaboration between State Agencies.
3. A JO action plan.

Three regional priorities are underway, headed up by Steering committees with stakeholder representation from State Agencies, who convene the meetings, and JO members. Each Steering committee is supported by technical groups with specialist staff input. The three regional priorities are:

1. Water and Wastewater.
 - Implementing Best Practice in Water and Sewerage Management
 - Consistent definitions for water restrictions across the region
 - Integrated Water Cycle Management
 - Country Towns Water and Sewerage Fund/ infrastructure Investment
2. Regional Transport Planning.
 - Industry Freight Corridors for Grain, Livestock, Timber and General Freight
3. Development of a Regional Approach to Planning.
 - Developing a relationship with DoP in order to implement a Regional Approach to Planning
 - Developing a regional Growth Plan
 - Developing sub-regional Land Management Plans
 - Regional Land use Planning Improvement

The Council looks forward to the Riverina JO continuing its work beyond September 2016 so that it may fulfil the requirements of the Panel's preferred structural option for Junee Shire Council becoming a member of that Joint Organisation.

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.

'making tracks 2025' - A Community Strategic Plan for Junee Shire.

The Junee community owns the Community Strategic Plan (CSP) – it is the community's plan it is not the Council's plan. However, the Councillors and staff have accepted the important responsibility of being the community's agent in adopting, overseeing its implementation and reporting back to the community on its progress.

Community visioning workshops identified a number of common priorities, grouped together into the key themes of:

- **A growing community** – participants suggested strategies to grow population and jobs to sustain the businesses and services within the community.
- **A liveable community** – participants outlined strategies to preserve our heritage, to provide a mix of housing in the town, villages and rural district, to provide improved recreation and sporting facilities, to ensure the safety of our community, to ensure appropriate services and facilities are available to the community, to fund and provide appropriate infrastructure, and to preserve our natural environment.
- **An informed community** – participants signalled a need for strategies to improve the flow of information to and between members of the community
- **Working together** – participants highlighted the importance of strategies involving community and civic leadership, for everyone in the community to have a wider focus than just the Shire, and to be aware of the wider opportunities available by working in partnership with others.

The focus for the Junee Community and therefore the Council is on building capacity and strength through business and population growth and resilience. While these issues are “off balance sheet” items from a Council organisational perspective and not core elements in the Fit for the Future assessment process, we are still compelled to put them to IPART due to their importance to the community, the importance of the role of rural councils in delivering them and the direct relationship they have on employment, education, commerce, and the economy locally.

Zoom in to “on balance sheet” issues, the Council is committed to improving its financial sustainability and, having received Special Rates Variation, is able to meet all the Fit for the Future benchmark ratios.

We also understand and acknowledge that local government does much more than just deliver services, and needs greater ‘strategic capacity’ to plan effectively for the future of its communities, to advocate and negotiate on their behalf , and to play a stronger role in the wider system of government

Underpinning the CSP theme ‘Working together”, are a number of strategic initiatives with opportunities for working in partnership within our region (Appendix D). Council is an active member of Riverina Eastern Regional Organisation of Councils (REROC) which has clearly demonstrated the ability to achieve regional scale and capacity. The FFTF process reinforces this type of success in Joint Organisations (JO) and this Council is supportive of JOs as a means to continue and improve the collaborative efforts and innovation that REROC has achieved. (Appendix E)

Council’s CSP already supports and encourages building regional relationships and partnerships; this is closely aligned to the important aspects of FFTF to improve strategic capacity to enable councils to remain sustainable, provide adequate services, and be valued partners in the system of government.

Demographics.

Junee Shire is a rural area of 6297 people (ABS. 2014) and some 2000 square kilometres in size. Junee’s population has increased by 7.57% over the last ten years. The most recent ABS figures indicate Junee’s population increased by 1.6% in 2013/14, this is equivalent to Bathurst and Woollahra’s population increases in percentage terms. Closer to home, Junee has the second highest percentage population increase in the Riverina & Murray Regions with Albury leading the way at 1.7% over the same period.

The Riverina Murray Regions commissioned Informed Decisions (.id) to investigate population forecast to 2031 for its 29 Local

Government Areas. The methodology applied by .id can best be described as a bottom up approach to population forecasting that uses additional datasets to that of the NSW Planning, the agency charged with the responsibility for Local Government Area Population Projections.

A comparison of results for Junee is presented below.

	2011	2031	Change	% change
.id forecast	6088	6746	658	11%
NSW Planning	6150	5800	-350	-4.9%

<http://www.planning.nsw.gov.au/population-and-housing-projections>
<http://forecast2.id.com.au/Default.aspx?id=384&pg=5180>

There is a substantial difference between the two results. Both .id and NSW Planning are reputable providers of demographic services. We do not see any benefit in trying to deconstruct this data, we simply highlight to IPART the differences, acknowledging that population forecasting is simply that: a forecast. Over a twenty year period the two independent sources offer up a difference of some 1008 people, for the Junee LGA.

Looking backwards, the Shire's population for the period 2011-2014 increased by 165 (ABS). For much the same period (2011-16) NSW Planning had predicted a decline of 200 people.

With the ABS confirming consistent population increases in Junee over a ten year period there is significance evidence to suggest that population forecasting from NSW Planning isn't a reliable method to assess Junee's future population characteristics. Further, the .id forecast presents as a more robust figure, because of its ground trothing and the inclusion of additional datasets.

Assets

Asset management has been sufficiently recognised and accepted as a financial obligation that requires action. The Panel is correct in stating that councils need to have a conversation with their communities on what is an acceptable level of service. Junee commenced that conversation in 2006 and it continues through to this day. The community has consistently put to this organisation that they want to maintain current levels of service, particularly the services provided by the road network which makes up 76% of our infrastructure assets (refer to Fig 1.). Maintaining these levels of service has been achieved through:

1. Council undertaking reforms and introducing efficiency measures , and
2. Successful Special Rate Variation (SRV) approvals embeds a financially sustainable position for the Council.

This has enabled Council to continue to fund services whilst at the same time improving Council's ability to fund its road renewal work into the future.

Both these items work hand in hand to deliver the Community's expectations. The Community is not chasing gold plated infrastructure and levels of service, but recognises that town amenity and the economic imperative of having an adequate road network is vital to achieving future community prosperity.

Council recognises that it is also important to demonstrate to IPART how others see the Council's asset condition and management practices rather than how we see ourselves.

TCorp Financial Assessment, Sustainability and Benchmarking Report for Junee LGA

In 2013 TCorp prepared a Financial Assessment, Sustainability and Benchmarking Report for Junee LGA. It provided the Council with an independent assessment of its financial capacity, sustainability and performance, measured against a peer group of councils.

The key areas focused on were:

- the financial capacity of the Council
- the long term sustainability of the Council, ,and
- the financial performance of the Council in comparison to a range of similar councils measured against prudent benchmarks.

TCorp provides a definition of sustainability on page 5 of their report:

“A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed by its community”.

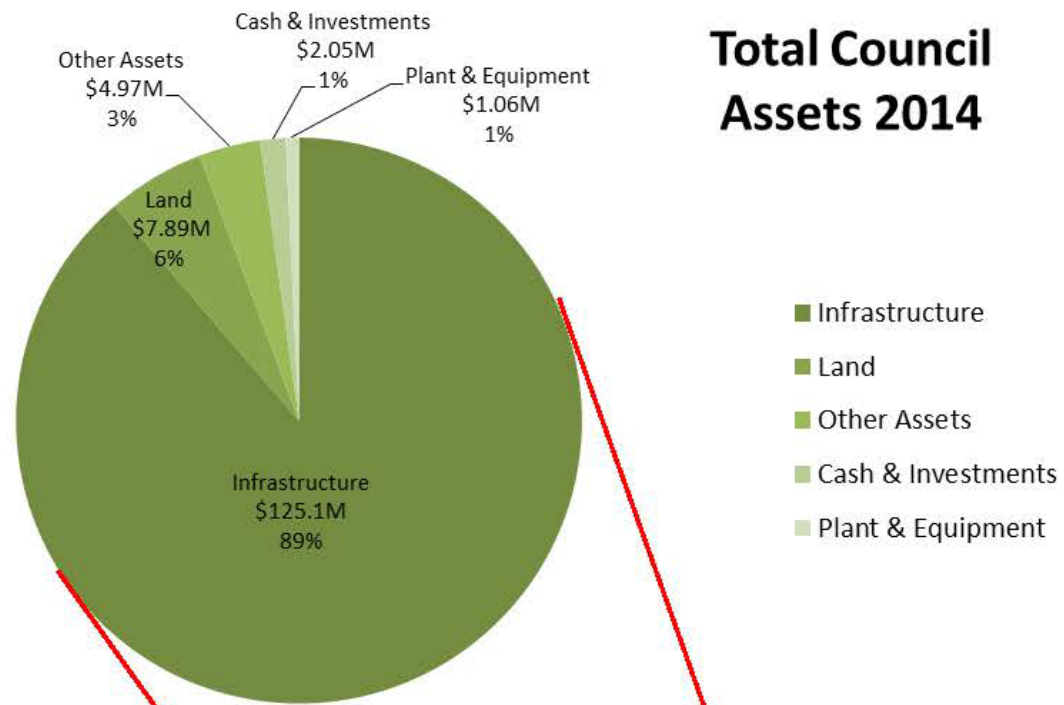
In respect of the long term sustainability of the Council, TCorp’s key observations on page 5 were:

- Council’s long term sustainability can be better assessed once the LTFP is calculated on a consistent nominal dollar basis.
[Council’s LTFP was changed in April 2013 to a nominal basis after we received comments from TCorp during the compilation of their report]
- The outcome of the proposed SRV applications is key to the future financial sustainability of Council as without the increases in rates revenue, expense growth is likely to outpace revenue growth with Council’s position deteriorating in each year.
[Proposed SRVs were subsequently approved]
- Council is currently operating close to its efficiency limit and therefore there are limited opportunities to reduce the expense base.
[We have found further efficiency gains and reduced expenses and look to make more].
- Council is heavily reliant on the provision of operating and capital grants from other areas of government and would not be sustainable without the continued provision of these grants.
- Council’s LTFP includes sufficient levels of capital expenditure to maintain its assets.
[We have been successful with our SRV applications and now provide more funding for asset renewals].

Appendix H provides further commentary on the TCorp Report. In essence it shows that:

1. Junee Shire Council had plans in place to address the Council’s long term sustainability even before TCorp’s assessment was undertaken;
2. TCorp concurred with our own summation of our situation and our actions to ensure sustainability;
3. we said we would seek SRV approval. We’ve now done that and as a result we have a much stronger revenue base;
4. we have taken the actions recommended by TCorp. We have been diligent, attentive and purposeful in securing our long term sustainability.

Total Council Assets 2014



Infrastructure Assets 2014

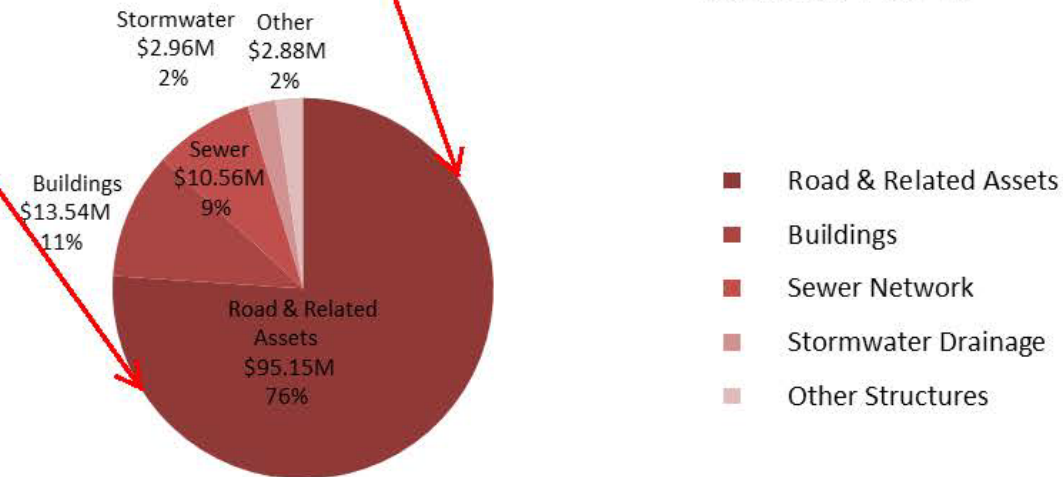


Figure 1 - Junee Shire Council Asset by type and percentage

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Success SRVs have increased revenue • Council meets all seven FFTF benchmarks • High Level of Community satisfaction and performance • The condition of our Asset base showed improvement from 2009-2015 and continue that trend out to 2025 • Asset backlog reduces to below the 2% benchmark in 2016/17 and remains below the benchmarks ration for the life of the LTFP. • Labour Productivity • Highly skilled workforce with scale and capacity to deliver services • High level of own source revenue • A history of prudent use of debt - with the ability to increase borrowings • Employer of choice (flexible work hours, professional development and work-life balance) • High quality recreational facilities • Strong regional collaboration with a proven record • Affordable housing and industrial land available 	<ul style="list-style-type: none"> • Asset Management systems need improvement • Limitation for raising revenue via User Charges and Fees • Australian Accounting Standards • Large local road network • Low population density • Reduced capacity to raise fees and charges •

Opportunities	Threats
<ul style="list-style-type: none"> • Population growth • Improving efficiency and productivity • Technological advances • Regional collaboration and sharing services and resources • Working with Corporate Agriculture businesses • Infrastructure capacity for growth • Working closely with local Stakeholders • Location of the Shire; mid-way between Sydney and Melbourne and two hours from Canberra • Utilise the state borrowing facility • Joint Organisations – coordinated regional approach • Transport hub already operating in our Shire with potential for growth • Increased use of information technology to create efficiencies and streamline processes • Improved performance through operational and efficiency (service) reviews • Review of asset depreciation methodology and condition satisfaction 	<ul style="list-style-type: none"> • Agricultural sector on decline. • Cost shifting • Rural Fire Service (RFS) • Road Maintenance Construction Contracts RMCC. • Shrinking grant base from State and Federal Governments • Aging Population • Rising community expectations • Vulnerability of funding sources

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)	-0.061	No	0.014	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	55.1%	No	57.0%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	84.4%	No	163.9%	Yes

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

Operating Performance Ratio - The Operating Performance Ratio was impacted in 2013/14 by the cessation of advance payments of the Financial Assistance Grant. Without this adjustment the Council would have been very close to meeting this benchmark.

With its two recent successful applications for Special Rates Variation, the Operating Performance Ratio is now able to meet the benchmark in 2016/17 and it does so for all years modelled into the future.

Own Source Revenue - is the only Sustainability ratio not met in 2016/17. While not meeting the 60% benchmark it is very close at 57%. It does reach the 60% benchmark in 2018/19 primarily due to a boost in rates revenue produced by the SRV's in 2013 and 2014.

Building & Infrastructure Asset Renewal - In 2011/12 JSC incurred an impairment of assets of \$2.249M due to flood damage to rural roads. This is a one off event and with this adjusted for we would have met the FFTF benchmark in 2013/14. We argue impairment should not be factored into the denominator in any case because of its special circumstance application and it is reinstating the asset to its previous condition rather than improving its condition.

Junee Shire Council has had a strong history of asset renewal so meeting the benchmark in 2016/17 is not unusual or unexpected.

The OLG's Self-Assessment Tool is attached in Appendix G. The Council's assumptions in preparing its estimated benchmark results is attached in Appendix F.

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%)	4.03%	No	1.93%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	71.4%	No	100.0%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5.09%	Yes	7.60%	Yes

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

Infrastructure Backlog Ratio – This ratio is not met in 2013/14 but is met in 2016/17.

Asset Maintenance Ratio – This ratio was not met in 2013/14. The Council's budgeted maintenance expenditure is at the level required to maintain existing asset conditions. It is supported through the increase in the rate base provided by the two recent SRV's that the Council is now implementing. As the numerator of 'actual' maintenance has not occurred our assumption is that actual maintenance equals the budgeted maintenance in all future periods.

Debt Service Ratio – This ratio is met. Junee Shire Council has been a strong believer in the appropriate use of debt over many years.

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.66	Yes	1.47	Yes

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

This benchmark is being achieved. Junee's population is growing and the Council has been successful in managing its operating expenditure.

2.4 Water utility performance

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

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

No

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

It is important to note that Junee Shire Council only has responsibility for the sewerage network and not potable water; the potable water network is the responsibility of Goldenfields Water County Council.

Council has not achieved the following elements of the Best Practice Management Framework (BPMF):

- Full cost recovery
- Appropriate non-residential charges
- Appropriate trade-waste charges, and
- A developer service plan (DSP) with developer charges.
- An integrated water cycle management (IWCM) strategy

Full cost recovery is currently heavily influenced by the annual depreciation cost and the freeze on inflation for charges in lieu of the approved special rates variation. In the Council's 13/14 Annual Performance Report, the Typical Residential Bill was \$378 which is \$247 below the State mean. This is an annual charge not a sewerage rate.

In the latter part of 2015/16 it is proposed that the *Strategic Business Plan – Sewerage* (SBP) will be reviewed in light of work completed in that year to inform the decision making process on the replacement of the sewage treatment plant. This work will improve the Council's knowledge of the cost of the replacement plant, the mix of own-source and loan funds required to fund its

replacement and the impact that this decision will have on fees and charges.

Also in 2015/16, a review of the *Sewerage Asset Management Plan* (AMP) will be undertaken in parallel with the SBP. This review will update the asset information and will provide a more robust, more accurate depreciation figure.

The current **non-residential charges** and **trade-waste charges** will also be reviewed in conjunction with the work undertaken to review the SBP. Junee Shire Council currently has a trade-waste policy in place, however it is not currently have the consent of the Director General NSW Office of Water .

To date there has been no issues stemming from the presence of trade waste in the wastewater stream. This indicates that there is either so little trade-waste that it is sufficiently diluted by the time it reaches the treatment plant, or that the quality of the trade-waste being discharged is of a standard that it is very similar in characteristic to residential sewage. Given the mix of businesses within the sewerage catchment, it is more than likely the former is the case.

The intention of non-residential charges and trade-waste charges are to reflect the higher cost of treating such waste. However, as indicated above, as there is no material cost difference in treating non-residential and trade-waste, previously, the Council had taken the view that it would be unfair and inequitable to introduce such charges simply for the sake of ticking a box.

Further, the cost to implement Trade Waste in Junee has proved in the past to be prohibitive. However, the Riverina Pilot Joint Organisation's Water Technical Committee are currently investigating the feasibility of sharing staff resources to undertake the required inspections and implementation of Trade Waste policies across the region. If it proves feasible, Junee Shire Council would look to take part.

To date the Council has been the principle developer of residential land within the area covered by the Junee sewerage network. Development external to the Council's own activities has fallen below the 5 lot p.a. exemption threshold allowed for in the *Developer Charges Guidelines for Water, Sewerage and Stormwater 2002* and the more recent *Draft Developer Charges Guidelines for Water, Sewerage and Stormwater, 2012*. For these reasons, the development of a **developer service plan** has not been identified as being a priority for the Council. This current position will be reviewed in light of increasing developer interest in Junee.

In the past Junee Shire Council has investigated the option of introducing an **integrated water cycle management (IWCM)** strategy, however at that time the issues surrounding the transfer of water supply data from the County Council in a manner that

could be linked to our own, proved to be too great a hurdle. The Council has in place a **strategic business plan**, but not an IWCM. To date, an IWCM strategy has not been prioritised as an important project to pursue. The SBP and asset management planning has satisfied the requirements of our sewage business. The SBP was originally completed in 2008 and in line with the BPF will be reviewed in 2015/16.

Further to this, many of the issues commonly raised in the process of developing an IWCM have already been addressed by Junee Shire Council. For instance, effluent recycling was introduced in 2001 and continues to be utilised to dispose of the majority of the effluent produced (the remainder evaporating) and the construction of an artificial wetland has led to considerable improvements in the quality of the recycled effluent.

Also in 2015-16, Junee will be involved in the development of a regional IWCM strategy. This work will be undertaken by the Riverina Pilot Joint Organisation, utilising its abilities to coordinate the water supply authority (Goldenfields Water County Council) and a number of sewerage authorities that operate within the catchment area of the County Council. The Riverina Pilot JO has identified water and sewerage as a regional priority and the work in developing an IWCM will be undertaken by the Water Technical Committee.

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

25.58% or \$2.7m in 2013/14.

The primary driver for this high backlog figure is the approach that has been taken to date for determining the condition of the sewerage utility's assets. The approach thus far has been to use the age to determine condition; and given much of the network was constructed in the late 1930's, this has meant that by default that proportion of the network has been deemed unsatisfactory.

In 2015/16, as has already been mentioned, it is intended that the Council will be reviewing its asset management plan with one of the outcomes being a new methodology for determining the backlog figure. This approach is an evidence based approach recognising risk and incidence of network failure as an indicator of condition. This approach is one that is generally being adopted across the region and has been advocated for by the Institute of Public Works Engineering Australasia and Jeff Roorda & Assoc.

In addition to this work, another significant driver of the backlog figure is the Junee Sewage Treatment Plant (STP). The STP has

been identified as nearing the end of its useful life and has been scheduled for renewal in 2019/20. This is a critical asset for the community and accordingly the decision has been made to renew it prior to its age posing a high risk. Funding for the renewal has been allocated in the LTFP.

We noted that both Coolamon and Junee have indicated sewer infrastructure upgrades in the near future. Initial discussions have been held that have indicated that there may be some economies of scale achieved by coordinating these projects. Whilst still in the preliminary discussion there may be some advantages in joining resources and technology for the tendering and construction purposes.

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
Renewal/upgrade of wastewater treatment plant	Options analysis 2015-16 Construction 2019-20	\$3.7m	Loan of 25-50% value of works

2.4 Water utility performance

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

No

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

Using the NSW Office of Water's Economic Real Rate of Return as the benchmark by which a utility is performing on a break-even basis or not, the Council's sewerage utility is currently not managing its sewerage utility on a break-even basis. There is one factor that heavily influences this performance.

The Council consciously made the decision to freeze sewerage charges for its community for the period 2014/15 – 2016/17. This decision was made to ease the impact of a successful Special Rates Variation for the general fund. The sewerage fund is currently growing its cash reserves substantially in preparation for the renewal of the sewage treatment plant planned to take place in 2019/20. The estimated EOFY balance of cash in Council's Sewer Fund over the next 10 years is set out below.

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1,914,358	1,961,865	2,114,675	2,109,811	1,291,250	1,286,732	1,290,753	1,125,121	1,168,684	1,243,330

The next review of the Strategic Business Plan (SBP) will reflect this freeze and develop a strategy to return to operating the utility on a break-even basis. This review is scheduled to take place in 2015/16.

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. Achieve NSW Government Best Practice Management Framework for Sewerage Utility	Jun-17	<ul style="list-style-type: none"> • Strategy to achieve full cost-recovery over the term of the Delivery Program • Become eligible to pay a dividend. • Become eligible to apply for funding under Country Towns Water Supply and Sewerage Program
2. Review of Strategic Business Plan - Sewerage	Jun-16	<ul style="list-style-type: none"> • Strategy to achieve full cost-recovery over the term of the Delivery Program
3. Review of Sewerage AMP	Jun-16	<ul style="list-style-type: none"> • More accurately identify backlog, depreciation and long-term asset renewal requirements

4. Development of IWCM strategy with Riverina Pilot JO	Dec-15	<ul style="list-style-type: none"> • Informs the Sewer Business Plan (SBP) and Asset Management Plan (AMP) of the required renewals and best value 30 year scenario
5. Developer Service Plan	Jun-17	<ul style="list-style-type: none"> • Adjusts the current developer charges to more accurately reflect the cost of providing new infrastructure.

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.

Benchmark	Strategy	Outcome
Operating Performance Ratio	- Reduce operating expenditure through formal operational and service level reviews.	<ul style="list-style-type: none"> This will enable stringent control expenditure levels and improve the Operating Performance Ratio. Estimated savings of \$120K across all Service Areas.
	- Conduct a workforce review	<ul style="list-style-type: none"> Estimated labour savings \$50K per annum across all service areas. This is part of the savings mentioned above.
	- Continue to build Council's rate base through already approved s508A SRV	<ul style="list-style-type: none"> Council's rate base lifted to a level that meets financial sustainability measures.
	- Look for Private Works opportunities	<ul style="list-style-type: none"> Profits from undertaking Private Works add to an improved cash position and operating result.
	- Review the Council's discretionary fees and charges strategies with a view to cost recovery where appropriate.	<ul style="list-style-type: none"> Additional revenue from increased fees and charges.

Own Source Revenue Ratio	- Review sewer charges to enable long term sustainability and funding of infrastructure replacement.	<ul style="list-style-type: none"> • Sewer Fund to produce operating surpluses • Potential for the Sewer Fund to pay a dividend to General Fund
	- Request Goldenfields Water County Council pay a dividend to its constituent council	<ul style="list-style-type: none"> • Potential annual dividend by 2018/19
	- Increase sponsorship opportunities	<ul style="list-style-type: none"> • Additional income to be directed to the recreation centre facilities ongoing maintenance and renewal.
Building and Assets Renewal Ratio	- Already a strong ratio primarily through SRV success in providing additional revenue for renewal works.	<ul style="list-style-type: none"> • Infrastructure backlog ratio continues to fall and meets the FFTF benchmark in 2016/17

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.

The key assumptions that support the Sustainability strategies and outcomes are:

- SRV applications that were approved in 2013 and 2014 will build the Council's revenue rate base. This is not so much an assumption but a given as it is the item that most strongly improves our annual results and capacity for sustainability.
- Our community have told us in the last two community surveys that they wanted to maintain existing levels of services and the

Council's Long Term Financial Plan delivers this.

- Council's outdoor workforce have an excellent reputation for the efficiency and quality of work they do. This makes Council an attractive option to the community for Private Works when +civil construction work is needed.
- Further enhancement of our asset management planning will deliver engineering efficiencies.
- Road maintenance and renewal is a significant part of our budget.
- We will review our workforce and organisational structure in order to remain an efficient organisation and this will produce expenditure savings.
- While the revenue is not factored into our LTFP we believe there is scope for Goldenfields Water County Council to pay a dividend to its member councils due to its very strong financial position.

(Appendix F & H)

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.Ensure Council is efficient in its service delivery to the community	a) Reduce operating expenditure through formal operational and service level reviews.	<ul style="list-style-type: none"> Review of four Service Areas per year. Completion by 30 June 2019. 	<ul style="list-style-type: none"> This will enable stringent control expenditure levels and improve the Operating Performance Ratio. Estimated savings of \$120K across all Service Areas. Note: These savings build on savings already achieved through earlier expenditure control measures. Eg. savings of \$80K per annum in operating our recreation centre. 	Positive impact on: <ul style="list-style-type: none"> OPR ROE Negative impact on: <ul style="list-style-type: none"> Nil.
	b) Conduct a workforce review	<ul style="list-style-type: none"> The workforce review will be complete by 30 June 2016. 	<ul style="list-style-type: none"> Estimated labour savings \$50K per annum. This is part of the savings mentioned above. 	Positive impact on: <ul style="list-style-type: none"> OPR ROE Negative impact on:

				<ul style="list-style-type: none"> • Nil.
2. Maximise the Council's revenue streams	a) Continue to build Council's rate base through already approved s508A SRV	<ul style="list-style-type: none"> • Council's rate base improves significantly over the period 2014-2020 through the implementation of rate increases approved in 2 recent successful SRV applications. 	<ul style="list-style-type: none"> • Council's rate base lifted to a level that meets financial sustainability measures. 	<p>Positive impact on:</p> <ul style="list-style-type: none"> • OPR • OSS • BARR • IBR • AMR <p>Negative impact on:</p> <ul style="list-style-type: none"> • Nil.
	b) Look for Private Works opportunities	<ul style="list-style-type: none"> • For commencement in the 2016-17 financial year, private works opportunities will be actively sought out rather than responded to when Council is approached. (The works program is fully committed in 2015-16 so no opportunity for additional PW in that year). 	<ul style="list-style-type: none"> • Profits from undertaking Private Works add to an improved cash position and operating result. 	<p>Positive impact on:</p> <ul style="list-style-type: none"> • OPR • OSS • BARR • IBR <p>Negative impact on:</p> <ul style="list-style-type: none"> • Nil.
	c) Review the Council's discretionary fees and charges strategies with a view to cost recovery where appropriate.	<ul style="list-style-type: none"> • Review general fees & charges – to be completed by 30 June 2016 	<ul style="list-style-type: none"> • Additional revenue from increased fees and charges. 	<p>Positive impact on:</p> <ul style="list-style-type: none"> • OPR • OSS • BARR

		<ul style="list-style-type: none"> Review lease fees for Council properties – to be completed by 30 June 2017 	<ul style="list-style-type: none"> Additional revenue from increased lease fees. 	<ul style="list-style-type: none"> IBR <p>Negative impact on:</p> <ul style="list-style-type: none"> Nil.
	d) Review sewer charges to enable long term sustainability and funding of infrastructure replacement.	<ul style="list-style-type: none"> Update the Sewer Business Plan in 2015/16 	<ul style="list-style-type: none"> Sewer Fund to produce operating surpluses Potential for the Sewer Fund to pay a dividend to General Fund 	<p>Positive impact on:</p> <ul style="list-style-type: none"> OPR OSS BARR IBR <p>Negative impact on:</p> <ul style="list-style-type: none"> Nil.
	e) Request Goldenfields Water County Council pay a dividend to its constituent councils.	<ul style="list-style-type: none"> Review the potential to receive a dividend from Goldenfields Water once they have achieved best practice pricing which will result in meeting all eligibility criteria for paying dividends 	<ul style="list-style-type: none"> Potential annual dividend by 2018/19 	<p>Positive impact on:</p> <ul style="list-style-type: none"> OPR OSS BARR IBR <p>Negative impact on:</p> <ul style="list-style-type: none"> Nil.
3. Strengthen partnership opportunities with state and federal agencies and community groups.	a) Increase sponsorship opportunities	<ul style="list-style-type: none"> Review and identify additional sponsorship opportunities by 30 June 2016 	<ul style="list-style-type: none"> Additional income to be directed to the facilities ongoing maintenance and renewal. 	<p>Positive impact on:</p> <ul style="list-style-type: none"> OPR OSS BARR IBR <p>Negative impact on:</p> <ul style="list-style-type: none"> Nil.

OPR = Operating Performance Ratio | OSRR = Own Source Revenue Ratio | BARR = Building and Asset Renewal Ratio | IBR = Infrastructure Backlog Ratio | AMR = Asset Maintenance Ratio | DSR = Debt Service Ratio | ROE = Real Operating Expenditure

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.

Benchmark	Strategy	Outcome
Infrastructure Backlog Ratio	Review the methodology used to calculate backlog	<ul style="list-style-type: none"> Methodology reflects risk. Methodology reflects levels of service. Backlog better reflects the condition of the asset and the service provided.
	Undertake infrastructure benchmarking exercise	<ul style="list-style-type: none"> Apply 'reality check' to our infrastructure assets. Pursue continuing improvement in the management of our infrastructure assets.
	Implement renewal program	<ul style="list-style-type: none"> Backlog ratio contracts to <2% by 2019/20 Maintain backlog ratio at <2% Reduce maintenance costs by \$841k over the period 2015-2024
	Dispose of any assets identified as surplus to our needs	<ul style="list-style-type: none"> Reduce our depreciation liability Link levels of service with the asset stock
Asset Maintenance Ratio	Review our Asset Management Plans	<ul style="list-style-type: none"> More realistic assessment of risk and tolerance to risk. Revised levels of service. More realistic assessment of maintenance costs
	Review Roads Hierarchy Policy	<ul style="list-style-type: none"> Refine annual asset maintenance cost Levels of service adjusted to community expectation

Benchmark	Strategy	Outcome
	Review asset system prior to revaluation of road assets	<ul style="list-style-type: none"> Improved asset system will allow for better implementation of asset renewal optimisation. More accurate recording of asset management activities which flows on to more accurate asset infrastructure information for revaluations.
	Undertake service review	<ul style="list-style-type: none"> Link levels of service with the asset stock. Identify any assets that are surplus to our needs.
Debt Service Ratio	Fund major infrastructure at least in part by debt.	<ul style="list-style-type: none"> Policy reflects availability of State Loan Borrowing Facility

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

A number of assumptions have been made in developing our strategies and the outcomes expected to flow from their implementation.

Firstly, it has been assumed that to-date, in the absence of high quality data, previous asset management plans and strategies have been overly conservative in each of their own assumptions. For example, the sewerage network's condition – due to the constraints placed on the inspection of the network – has been determined on an age basis, a conservative assumption that, given the low rate of blockages, suggests it considerably overstates the backlog figure. As asset management within the Council matures, a greater confidence in the reliability of condition data in particular will see improvements in this area.

Secondly, there is an assumption that with the inclusion of risk management principles into the methodology used to arrive at the infrastructure backlog ratio, the backlog figure will be reduced. For example, a road's seal that is currently in condition four will, under the present methodology, be included in the backlog figure. However, its failure may pose such little risk to the organisation – considering financial, safety and reputation – that it is one that sits quite comfortably with the community. In that case it would be deemed to be satisfactory and accordingly excluded from the backlog figure.

Thirdly, with our level of asset management at 'core' level, it has been assumed that there are operating and capital savings to be made, largely via asset renewal optimisation and that these will be achieved as our level of asset management matures.

Fourth, with an increase rate of renewals and a contracting backlog, the overall maintenance cost will either plateau or reduce in real terms.

(Appendix F & H)

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 our backlog to meet benchmark by 2019/20	a) Review our Asset Management Plans	<ul style="list-style-type: none"> Review of Sewerage and Roads Asset Management Plans completed by 30 June 2016 	<ul style="list-style-type: none"> More realistic assessment of risk and tolerance to risk. Revised levels of service. More realistic assessment of maintenance costs. 	Positive impact on: <ul style="list-style-type: none"> OPR BARR AMR Negative impact on: <ul style="list-style-type: none"> Nil.
	b) Review the methodology used to calculate backlog	<ul style="list-style-type: none"> Develop methodology for calculation of backlog by 30 June 2016 	<ul style="list-style-type: none"> Methodology reflects risk. Methodology reflects levels of service. Backlog better reflects the condition of the asset and the service provided. 	Positive impact on: <ul style="list-style-type: none"> OPR ROE Negative impact on: <ul style="list-style-type: none"> Nil
	c) Undertake infrastructure benchmarking exercise	<ul style="list-style-type: none"> Complete Jeff Roorda & Assoc. REROC/RAMROC Infrastructure Benchmarking project by Dec 2015 	<ul style="list-style-type: none"> Apply 'reality check' to our infrastructure assets. Pursue continuing improvement in the management of our infrastructure assets. 	Positive impact on: <ul style="list-style-type: none"> OPR BARR ROE Negative impact on: <ul style="list-style-type: none"> Nil

	d) Review Roads Hierarchy Policy	<ul style="list-style-type: none"> Link levels of service to road hierarchy and incorporate into AMP review 	<ul style="list-style-type: none"> Refine annual asset maintenance cost Levels of service adjusted to community expectation 	Positive impact on: <ul style="list-style-type: none"> OPR BARR AMR Negative impact on: <ul style="list-style-type: none"> Nil
	e) Implement renewal program	<ul style="list-style-type: none"> Complete annual renewal program Expend additional \$3.55m from SRVs on asset renewals over the period 2015-2024 	<ul style="list-style-type: none"> Backlog ratio contracts to <2% by 2019/20 Maintain backlog ratio at <2% Reduce maintenance costs by \$841k over the period 2015-2024 	Positive impact on: <ul style="list-style-type: none"> OPR BARR AMR Negative impact on: <ul style="list-style-type: none"> Nil
2. Improve asset maintenance systems	a) Review asset system prior to revaluation of road assets	<ul style="list-style-type: none"> Investigate options and determine preferred system by 30 June 2016 Implement new system by 30 June 2017 	<ul style="list-style-type: none"> Improved asset system will allow for better implementation of asset renewal optimisation. More accurate recording of asset management activities which flows on to more accurate asset infrastructure information for revaluations. 	Positive impact on: <ul style="list-style-type: none"> BARR IBR AMR Negative impact on: <ul style="list-style-type: none"> OPR
3. Rationalise assets	a) Undertake service review	<ul style="list-style-type: none"> Complete two service reviews per annum across functional areas that have infrastructure assets 	<ul style="list-style-type: none"> Link levels of service with the asset stock. Identify any assets that are surplus to our needs. 	Positive impact on: <ul style="list-style-type: none"> OPR BARR IBR AMR Negative impact on: <ul style="list-style-type: none"> Nil

	b) Dispose of any assets identified as surplus to our needs	<ul style="list-style-type: none"> Dispose of assets within 12 months of completion of service review 	<ul style="list-style-type: none"> Reduce our depreciation liability Link levels of service with the asset stock 	Positive impact on: <ul style="list-style-type: none"> OPR BARR IBR ROE Negative impact on: <ul style="list-style-type: none"> Nil
	c) Acquire any assets identified as assisting with meeting our agreed levels of service	<ul style="list-style-type: none"> Develop a strategic asset acquisition plan in line with outcome of each service review 	<ul style="list-style-type: none"> Reduce cost of asset acquisition Link levels of service with the asset stock 	Positive impact on: <ul style="list-style-type: none"> Nil Negative impact on: <ul style="list-style-type: none"> Nil
4. Continue appropriate use of debt	a) Fund major infrastructure at least in part by debt.	<ul style="list-style-type: none"> Review Borrowing & Overdraft Facility Policy 	<ul style="list-style-type: none"> Policy reflects availability of State Loan Borrowing Facility 	Positive impact on: <ul style="list-style-type: none"> Nil Negative impact on: <ul style="list-style-type: none"> Nil

OPR = Operating Performance Ratio | OSRR = Own Source Revenue Ratio | BARR = Building and Asset Renewal Ratio | IBR = Infrastructure Backlog Ratio | AMR = Asset Maintenance Ratio | DSR = Debt Service Ratio | ROE = Real Operating Expenditure

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.

Benchmark	Strategy	Outcome
Real Operating Expenditure	- Continue Residential Land development	<ul style="list-style-type: none"> • Attractive residential and semi-rural blocks available for purchase.
	- Marketing and promotion campaign developed	<ul style="list-style-type: none"> • Measure number of enquiries resulting from campaign/s • Monitor land sale over time, look for improvement
	- Review property and land acquisition plan	<ul style="list-style-type: none"> • Ensure suitable land is available to meet future demand.
	- Complete two service reviews per annum across functional areas that have infrastructure assets	<ul style="list-style-type: none"> • Link levels of service with the asset stock. • Identify any assets that are surplus to our needs.
	- Implement recommendation from OEH energy audit	<ul style="list-style-type: none"> • Estimated energy efficiency of \$40k/annum

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

Real Operating Expenditure

The council is fortunate enough to have been able to meet this benchmark in the Self-Assessment Tool 2009/2014 this has been achieved through strong financial management of the organisation and the capacity to continue delivering services in a climate where increasing revenue is limited. In future years the benchmark continues to be met.

The key assumption used in Council's calculation was to use a discount rate of 3% operating expenditure in its modelling which is consistent with other indices and rate pegging limits. For example IPART recommend a 3% rate peg figure when modelling for SRV application.

Population increases of 0.6% have been used in the denominator for population. This figure represents the average population increase 2009/2014 in the self-assessment tool provided by OLG

(Appendix F & H)

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. Maintain population growth	a) Continue Residential Land development	<ul style="list-style-type: none"> Next stage of residential land release in 2019/20 	<ul style="list-style-type: none"> Attractive residential and semi-rural blocks available for purchase. 	Positive impact on: <ul style="list-style-type: none"> ROE Negative impact on: <ul style="list-style-type: none"> Nil
	b) Marketing and promotion campaign developed	<ul style="list-style-type: none"> Implement actions and tasks of marketing campaign 	<ul style="list-style-type: none"> Measure number of enquiries resulting for campaign/s Monitor land sale over time, look for improvement 	Positive impact on: <ul style="list-style-type: none"> ROE Negative impact on: <ul style="list-style-type: none"> Nil
	c) Review property and land acquisition plan	<ul style="list-style-type: none"> Complete review by 2019 	<ul style="list-style-type: none"> Ensure suitable land is available to meet future demand. 	Positive impact on: <ul style="list-style-type: none"> ROE Negative impact on: <ul style="list-style-type: none"> Nil

2. Continue to achieve a decrease in real operating cost per capita	a) Undertake service review	<ul style="list-style-type: none"> Complete two service reviews per annum across functional areas that have infrastructure assets 	<ul style="list-style-type: none"> Link levels of service with the asset stock. Identify any assets that are surplus to our needs. 	Positive impact on: <ul style="list-style-type: none"> ROE OPR Negative impact on: <ul style="list-style-type: none"> Nil
3. Review operational cost at Junee Junction Recreation & Aquatic Centre	a) Implement recommendation from OEH energy audit	<ul style="list-style-type: none"> Complete 50% of recommendation in 2016 Remaining 50% completed by 2018 	<ul style="list-style-type: none"> Estimated energy efficiency of \$40k/annum 	Positive impact on: <ul style="list-style-type: none"> ROE OPR AMR Negative impact on: <ul style="list-style-type: none"> Nil
	b) Automated chemical dosing continuance	<ul style="list-style-type: none"> Annually 	<ul style="list-style-type: none"> Productivity improvement in the order of 700hr /annum 	Positive impact on: <ul style="list-style-type: none"> ROE OPR AMR Negative impact on: <ul style="list-style-type: none"> Nil
	c) Introduce 24hr access to Gymnasium	<ul style="list-style-type: none"> Completed by December2016 	<ul style="list-style-type: none"> Increase membership for Gymnasium use 	Positive impact on: <ul style="list-style-type: none"> ROE Negative impact on: <ul style="list-style-type: none"> Nil

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	Risks
Review and develop discretionary fees and charges strategies with a focus on improving cost recovery where it is appropriate.	<ul style="list-style-type: none"> Profits from Private Works are increased and add to an already improving cash position and operating result. Additional revenue from increased fees and charges add to an already improving cash position and operating result. 	<ul style="list-style-type: none"> If additional Private Works does not meet budget targets there would be a shortfall in revenue. Low risk; additional revenue not factored into DPOP.
Review sewer charges to enable long-term sustainability and funding of infrastructure replacement.	<ul style="list-style-type: none"> Sewer fund to have a strategy in place to be fully funded. 	<ul style="list-style-type: none"> Minimal risk in this improvement.
Review asset management plans and practices.	<ul style="list-style-type: none"> Asset management practices reflect risk, levels of service and generally are greater in their maturity. A more realistic assessment of maintenance costs, thus better forecast maintenance costs. Backlog better reflects the condition of 	<ul style="list-style-type: none"> Minimal risk in this improvement

	the asset and the service provided.	
Undertake infrastructure asset benchmarking	<ul style="list-style-type: none"> • 'Reality check' our infrastructure assets. • Achieve continuing improvement in the management of our infrastructure assets. 	<ul style="list-style-type: none"> • No risk in this improvement
Review the technology and systems that underpin asset management	<ul style="list-style-type: none"> • Achieve better implementation of asset renewal optimisation. • Achieve greater accuracy and reliability in recording asset maintenance and renewal activities. • Be in a position to use these records to better plan for such activities and more accurately undertake asset revaluations. 	<ul style="list-style-type: none"> • No risk in this improvement
Undertake services reviews (four service areas in 2016/17 including two with infrastructure assets)	<ul style="list-style-type: none"> • Achieve estimated \$120k in savings across all service areas. • Link levels of service to match the asset stock. • Identify assets that are surplus to the community's needs. 	<ul style="list-style-type: none"> • Targeted savings not achieved. Mitigated as savings yet to be incorporated into DPOP.
Review Roads Hierarchy Policy	<ul style="list-style-type: none"> • Levels of service better reflect community expectation. • Levels of service are better articulated to the community. • Better control of road maintenance and operating budget. 	<ul style="list-style-type: none"> • No risk in this improvement

Conduct a workforce review	<ul style="list-style-type: none"> • Achieve labour savings estimate to be \$50k p.a. 	<ul style="list-style-type: none"> • Targeted savings not achieved. Mitigated as savings yet to be incorporated into DPOP.
Implement recommendations from Office of Environment and Heritage energy audit	<ul style="list-style-type: none"> • Achieve energy efficiency saving of \$40k p.a. 	<ul style="list-style-type: none"> • Targeted savings not achieved. A real impact as factored into DPOP.
Undertake energy audits for high energy consumption service areas		
Increase sponsorship opportunities	<ul style="list-style-type: none"> • Generate additional revenue through partnering with community groups and local businesses. 	<ul style="list-style-type: none"> • Additional revenue not sourced. Mitigated as additional revenue not yet incorporated into DPOP.
Continue residential land development	<ul style="list-style-type: none"> • Maintain supply of attractive residential and semi-rural lifestyle blocks. • Maintain a growing population. 	<ul style="list-style-type: none"> • Sales of land slower than budgeted.

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

Council will implement its Improvement Action Plan by including specific actions in its Combined Delivery Program and Operational Plan (DPOP) and will regularly report on progress through its biannual performance reports and annual reports.

The Council organised a number of community events to provide information to the community on FFTF activities. This included a community survey which received some 260 responses. (Appendix I)

The Council also encourages community participation through press releases, social media and information on its website. (Appendix J)

The responses to the following question were:

As you may know, the State Government in NSW is looking at ways that councils can better serve their communities and be sustainable for the long term. This includes amalgamations, creating a new council, or other ideas. Prior to this survey, were you aware of these proposals by the State Government?

Answer Options	Response Percent
Yes	84.1%
No	15.8%

Over 84% of respondents were aware of the FFTF reforms.

How interested are you personally in local Council reform issues?

Answer Options	Response Percent
Very interested	42.5%
Quite interested	42.5%
Not very interested	11.4%
Not at all interested	3.4%

Over 84% of respondents were interested in local Government reforms issues.

If you were to choose between being part of a new larger council or being a member of the newly formed Joint Organisation, which would you prefer?

Answer Options	Response Percent
New larger Council	25.8%
Member of a Joint Organisation	73.7%

If asked to choose between two options 73% of respondents preferred being a member of a Joint Organisation rather than merging with another council.

To what extent do you support or oppose council amalgamations generally?

Answer Options	Response Percent
Strongly oppose	54.6%
Slightly oppose	14.1%
Neutral or unsure	11.3%
Slightly support	6.4%
Strongly support	13.3%

Over 68% of respondents were opposed to council amalgamations. This question is framed differently to the previous question however returns a similar result.

The Council has conducted four councillor workshops considering a range of option regarding FFTF. Councillors also attend REROC meetings and regularly attended workshops held by the Office of Local Government and LGNSW.

Councillors and executive staff attended Riverina JO briefing in Wagga Wagga and Gundagai prior to the formation of application to the Minister for consideration to be a Pilot JO. These briefing sessions were very well attended with upwards of 100 people at each session.

Council considered its final submission on the 29 June 2015 and resolved to approve this submission.

In short, the Improvement Action Plan seeks to increase revenue, improve our asset management abilities and produce efficiencies in our operations. These will all add to the sustainability of the council and show up in improved benchmark ratios.

The risks associated with this Improvement Action Plan are identified alongside the plan.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

Council held a number of workshops to test strategies and actions in consideration of FFTF reforms. This included consideration of three financial scenarios to establish the type of impact each would have on the key benchmark ratios. By way of setting the context of the workshops, the following information is provided:

- Each financial planning scenario needed to meet the seven benchmark ratios.
- Each financial planning scenario would span from 2015/2025.
- A single sheet was provided detailing the revenue and expenditure changes in each scenario that effect services or program delivery. The elected body as a whole was asked to consider how each of the changes would impact the organisation and/or community.
- Councillors were made aware of the need to continue to meet the Roads to Recovery reference rate in all scenarios. This is a particularly important aspect of the organisation's business activity which, if not meet, could jeopardise future grant revenue.
- The purpose of creating a number of different financial planning scenarios was to contrast different approaches to achieving the seven benchmarks – refer below.

Proposed Financial Planning Scenarios:

- Financial Planning Scenario 1 = Removing or shave service levels across the board.
- Financial Planning Scenario 2 = Hitting one or two particular service levels more dramatically than others.

- Financial Planning Scenario 3 = Selling off major property assets to improve cash position.

The Councillors were provided with the following attachments as workshop information:

- Ratio and benchmark assessment.
- 10 year Income statement.
- 10 year Restricted Asset balance sheet.
- Précis sheet noting revenue and expenditure changes in the Financial Planning scenario that effect service or program delivery.

Option considered in financial scenarios included:

Leasing Council's Recreation Centre – Discounted in the medium term because the current financial position of the Recreation Centre would require a high contribution from the Council to the lessee. The Centre needs several years to improve revenue and reduce expenditure prior to considering testing a commercial leasing option.

Reduce operational hours at Recreation Centre and Library – Discounted because of disruption to members of the public.

Sell major Property Assets – The Council is the owner of the Junee Medical Centre which has a significant written down value. This option was discounted as the Council felt it wanted to retain some control in attracting medical practitioners into Junee. It did decide to sell two houses used for accommodation for medical practitioners to improve its cash position.

The outcome from the workshops identified a preference for financial scenario 1 as it meets all seven benchmarks and provides an equitable approach across the board rather than disadvantaging one group of individuals over another.

At the same time internal workshop were being held, meetings were taking place with councils outside those the Panel had recommended for Junee. These included Temora, Coolamon, Gundagai and Wagga Wagga. While those meeting were productive in the sense of a renewed commitment towards sharing plant and resources, each Council wanted to remain autonomous.

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)	-0.025	0.006	0.014	0.034	0.040	0.049	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	56.3%	54.6%	57.0%	58.8%	62.0%	62.1%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	149.9%	187.8%	169.3%	165.0%	135.6%	137.3%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	2.82%	2.15%	1.93%	1.70%	1.55%	1.42%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	96.1%	94.4%	100.0%	100.0%	100.0%	100.0%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	7.05%	7.33%	7.60%	7.87%	7.54%	7.21%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.53	1.49	1.47	1.43	1.40	1.37	Yes

4.1 Expected improvement in performance

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

Historically the council had been constrained by a low rate base and action was taken in the form of SRVs in 2009, 2013 and 2014 to break free of these constraints which now see the Council in a position where we meet all seven benchmarks by 2018/19.

As a direct result of the Council's leadership and the measures put in place that allow it to achieve a sustainable position, the benchmarks into the future are met. That we do meet the benchmarks validates the decision to take action in those previous years.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The General Manager will be responsible for the ongoing implementation and monitoring of the Improvement Action Plan and assessing progress within the timeframes specified. This will be supported by delegating responsibility to appropriate staff through the Individual Performance Development Plans.

To further ensure proper management and accountability, these actions will be incorporated into the 2016/17 Council Operational Plan. Operational Plans are reviewed each six months and reported to the Council. Any actions that have a budgetary implication will be reviewed as part of the Council's Quarterly Budget Review process. This is also reported to the Council.