

# Template 2

## Council Improvement Proposal

(Existing structure)



# 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:** Palerang Council

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

- **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.

Palerang Council has been on a journey of continuous improvement since its creation in February 2004. This document outlines the current and new activities that will enable Palerang to meet all the Fit for the Future criteria within the necessary time frames.

While Palerang's genesis presented financial challenges, these have been overcome through sound financial management and responsible utilisation of available resources. With a 'Moderate' Financial Sustainability Rating (TCorp, 2013), Palerang is now rated as well as or better than 78% of NSW councils. The 'Negative' outlook is being addressed, and the results of the 2013 Infrastructure Audit simply reflect the fact that Council's Asset Maintenance Register was not complete at that time. Council is confident that any review of its current situation would reflect the reality of Palerang's sound position.

As required by the ILGRP and FFTF guidelines, and with assistance provided under the FFTF program, Palerang and Queanbeyan have investigated the viability of a merger. The business case that was developed (Annexure 1), however, did not reveal any improvement in either council's ability to meet the FFTF financial benchmarks. As a consequence, both councils are submitting improvement proposals with a view to remaining as independent entities.

Within this Improvement Proposal, Palerang provides a comprehensive assessment of its proven ability to meet any scale and capacity

requirements of a sustainable council (Annexure 2).

Palerang Council's Improvement strategy continues its present three-pronged focus on building strategic capacity, financial viability and organisational effectiveness. This strategy is being driven through an internal restructuring that will allow the organisation to better focus on strategic initiatives.

The required improvement in the Operating Performance Ratio can be achieved through a special rate variation of 7% above the rate cap for the next 5 years.

Since its creation, Palerang has concentrated on its infrastructure meets community expectations and modern standards. Examples of the extensive renewal and upgrade program are provided in this report and in annexure 2.

Palerang Council has traditionally adopted a conservative approach to borrowing, providing additional capacity in this aspect of its operations.

The Australian Business Excellence Framework (ABEF), participation in regular performance benchmarking (LG Professional, PWC) and internal auditing procedures provide a sound basis for ongoing assessment of Council's efficiency and effectiveness.

A key aspect of the strategies and actions included in this improvement proposal is that many are already in place as part of Council's evolution. In organisational terms Palerang is a relatively young organisation and its systems and policies are evolving. The ABEF was adopted to strengthen Council's process improvement, while Council's audit function has been augmented through a shared services agreement with Yass Valley and Snowy River.

Palerang Council's financial modelling has been conducted internally and reviewed independently by Morrison Low.

Palerang Council currently meets the FFTF Scale & Capacity requirement and two of the financial benchmarks. Through execution of the present Council Improvement Proposal, Council will meet all seven of the financial benchmarks within five years.

- **Scale and Capacity**

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

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

**Yes with the improvement plan outlined below.**

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).

Listed in Group E of the ILGRP Report (p.115), Palerang Council was identified as a potential merger candidate to consolidate a regional centre, in this case Queanbeyan City Council. Two options were presented: to become a council in a JO, or merge with Queanbeyan, with the latter the ILGRP preferred option.

In line with the FFTF program directive to first consider the ILGRP preferred option, the two councils, with assistance provided through the FFTF program, prepared a business case for a merged entity (Annexure 1). Ultimately, however, neither council found the case compelling and both agreed that each had the scale and capacity in their own right to better serve their respective communities as independent councils within a regional Joint Organisation.

Attention was drawn to Palerang at the time of its creation with a State government administrative oversight resulting in a revenue base for the new council that was \$1 million less than originally planned. With its operations adjusted to accommodate this oversight,

however, Council has consistently demonstrated that it has the scale and capacity to undertake the major exercise of replacing or upgrading all core infrastructure in the LGA, while maintaining services at levels that are sustainable within the bounds of available resources.

In spite of its early challenges, the TCorp report into financial sustainability assessed Palerang's FSR as Moderate, and considered in the context of the low base from which the LGA had grown in less than 10 years, there is good reason to be confident that the assessed Negative outlook is only temporary.

Similarly, the Local Government Infrastructure Audit was commissioned before Palerang Council had completed its Asset Maintenance Register, and as a result none of Council's efforts to this end were recognised.

Council has submitted updated financial records to TCorp, has completed its Asset Maintenance Register in line with OLG requirements and is confident that any future assessment of these measures of performance will reflect the reality of Palerang's strong position.

The Palerang LGA is a rural shire with characteristics that embrace agricultural and ecological qualities, supporting demographics that seek out a life style quite distinct from that found in more urban areas. It has a broad demographic composition and its population distribution allows all of these demographic groups to be directly represented on a nine-member Council.

In the short time that it has existed, Palerang Council has brought together people, with a unique range of specialist skills, who have demonstrated their ability to adapt quickly to the requirements of a rural community in a world of rapidly changing technology. One important reason why Palerang Council was able to rise above its early challenges is that it has been able to focus both policy development and operational activities on the needs of its rural community. It is Council's firm belief, well supported by the residents it represents, that the Palerang community will be better served by an agile and innovative council that can remain focussed on the unique needs of a rural community, than by a council dominated by urban interests.

A comprehensive assessment of Palerang Council's scale and capacity, against the criteria identified by the ILGRP and IPART, is provided as Annexure 2.

## 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 Palerang local government area, containing at the headwaters of the Shoalhaven, Molonglo and Yass Rivers, to the east of the ACT, has an estimated resident population of 15,510 (ABS, 2014) with a projected population increase of 5,950 from 2011 to 2031 (Strategic Economic Solutions, 2014). The area is home to many who work in Canberra in government organisations. Its recognisable features include Lake George and its associated wind farms, the state heritage listed town of Braidwood and extensive rural residential settlements. The LGA contains two main towns, Bungendore with a population of 2,754 (ABS, 2011) and Braidwood with a population of 1,158 (ABS, 2011), numerous villages and hamlets among rural land and large areas of rural residential settlement along the ACT border to the west of the LGA.

The Palerang population fits largely into two distinct socioeconomic groups. The communities that are within commuting distance of Canberra rank amongst the highest in the country for individual and household income and tertiary education. This is in stark contrast to the rural communities in the eastern part of the local government area, which is predominantly populated by farming communities.

At the time of the 2011 census, the median age of the population was 41 years, the same as regional NSW. The average number of people per household was 2.7, which was higher than the regional NSW average (2.4).

With respect to employment, 58.7% of employed people in Palerang worked in Canberra and about 10% worked in Queanbeyan. 36% of those living in Palerang and employed in Canberra were employed in public administration and safety, as were 14% of those working in Queanbeyan. The agricultural and forestry industries were the largest employers of people living and working in Palerang, accounting for 16%, while the retail industry (a large proportion of which is driven by tourism) employed 10.2% of those who both live and work in

Palerang (Strategic Economic Solutions, 2014).

The broader Capital Region is one of the fastest growing regions in Australia, primarily as a 'lifestyle dormitory region' leveraging off Canberra's growth. This is reflected in the growth of Bungendore with the population of the town increasing by 26.2% between the 2006 and 2011 census periods. One of the key challenges for Palerang will be managing the growth of Bungendore, which is likely to double over the next few decades, while ensuring that appropriate provision is made for the rest of the local government area.

Community consultation since Palerang's formation has identified that residents value the rural nature of the area and the community spirit that thrives within rural communities. There is a delicate balance to be maintained in ensuring that these values persist while economic growth is encouraged. As with many rural areas, the provision of appropriate infrastructure within rural communities is important in maintaining the social fabric of the shire.

Council has lobbied vigorously for the implementation of improved telecommunications facilities to enable residents to take advantage of opportunities to telecommute, operate small businesses and improve their educational and employment status.



## 2.2 Key challenges and opportunities

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Community supports Palerang to continue as an independent Council</li> <li>2. Financially responsible council – TCorp assessment of moderate even before review of backlog and depreciation and introduction of service and process reviews to improve efficiency;</li> <li>3. Successful in obtaining grants for significant infrastructure projects;</li> <li>4. Significant investment in waste, sewerage and water infrastructure, allowing greater residential and commercial development;</li> <li>5. Strong, committed workforce;</li> <li>6. Experienced management team – skills and expertise recognised by participation in state and cross-border committees etc;</li> <li>7. A strong well-resourced road building arm enabling Palerang to be RMSs preferred contractor for State Roads upgrading projects on its regional network including in a neighbouring larger LGA. This arrangement provides a significant source of additional income to Council.</li> <li>8. Strong relationship with State agencies, esp. RMS, PW, NOW;</li> <li>9. Active involvement in regional activities;</li> <li>10. Close proximity to ACT;</li> <li>11. High growth rate;</li> <li>12. Council and organisation committed to internal reform to improve effectiveness;</li> <li>13. Strong sense of community, particularly in the east;</li> <li>14. Retention of staff numbers required by s.218CA underpins local economy, particularly in Braidwood;</li> <li>15. We have overcome the significant hurdles experienced in the 2004 amalgamation and are building a solid future;</li> <li>16. Palerang is a young, flexible council, ready to address challenges and work cooperatively with its neighbours and partners</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of modern communication technology in parts of the LGA – no NBN and some areas rely on satellite broadband and TV, even 14km from Parliament House;</li> <li>2. Insufficient aged care facilities to meet the needs of an ageing population;</li> <li>3. Lack of high school in Bungendore leads to a steady turnover of the local population;</li> <li>4. Socioeconomic differences between the Canberra-focused commuting community in the west and the local-focused community in the east;</li> <li>5. Ageing workforce, with particular exposure due to imminent retirement of key management staff and their corporate knowledge;</li> <li>6. Maintenance/replacement of Council’s timber bridges, a number of which are nearing the end of their life;</li> <li>7. Requirement for SRV to meet some of the FFTF ratios;</li> <li>8. General lack of adequate health care services beyond those provided by GPs and Braidwood MPS.</li> <li>9. S.218CA of local Government Act 1993 limits full efficiency gains.</li> </ol>

<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Growth of renewable energy sector – windfarm expansion and major solar farm already approved;</li> <li>2. Greenfields and infill housing development – around 1000 lots possible under current and mooted proposals;</li> <li>3. Expansion of Bungendore CBD with recent approval of full-service supermarket;</li> <li>4. Expansion of employment opportunities the appropriate land rezoning;</li> <li>5. Additional VPAs from major projects to fund community infrastructure;</li> <li>6. Re-engage with tourism and economic development by adding resources as part of proposed org. restructure and leveraging off the Canberra Region brand.</li> <li>7. Greater regional cooperation through the strengthening of the CBRJO.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not all in the community support population growth and associated development;</li> <li>2. State reform programs (planning and local government) are creating uncertainty and diverting resources for little to no benefit to date;</li> <li>3. Cost shifting by State Government is placing a strain on Council’s resources;</li> <li>4. LG reform potentially leading to loss of representation and possibly lower services for less populated areas;</li> <li>5. Community and organisation resistance to change;</li> <li>6. Climate change;</li> <li>7. ILGRP recommendation of two JOs for Canberra region;</li> <li>8. Legacy of previous amalgamation process which was poorly managed by the State.</li> </ol>

## 2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-6.5%	No	-5.6%	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	79.2%	Yes	75.2%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	65.2%	No	131.3%	Yes

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

Council's revenue base was not established on a correct basis on formation in 2004 and this has been highlighted in the NSW TCorp review. Council has progressively improved its performance since formation and results fluctuate over the years depending on level of private works for RMS. Council has also focused in its early years in addressing the need to provide surety of service in key infrastructure for water, sewer and waste. This key work on the water and sewer assets has established a platform on which Council will now be able to build for general fund operations. Council has also progressed considerable work on its key transport infrastructure assets. The ratios calculated on past performance in these areas have been skewed by historical misinterpretation of data capture and

associated reporting issues. As part of its FFTF submission Council is reactivating discussions with its community on the need of special rate variation (SRV), which were initially part of the FY14 operational plan. Council started internal discussions in July / August 2014 and has commenced engagement with the community as part of the FFTF workshops held. The SRV discussion was placed on hold due to the FFTF process. The modelling in Council's FFTF submission includes allowance for SRV of 7% for a period of 5 years from 2016/17 retained permanently in the rates base. Council will be undertaking further detailed review of the required level of SRV as part of its ongoing engagement process with our community in relation to a future SRV application.

## 2.3 Performance against the Fit for the Future benchmarks

### Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	5.03%	No	2.34%	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	70.4%	No	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	1.4%	Yes	3.7%	Yes

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

Council has progressed considerable work on its key transport infrastructure assets. The ratios calculated on past performance in these areas have been skewed by historical misinterpretation of data capture and associated reporting issues. Further detailed review on its infrastructure asset data is being undertaken as part of the revaluation process and this will also include further external assistance to inform the community engagement process for SRV process noted above. Council has engaged Morrison Low to undertake a review of its disclosures on Special Schedule 7 and this has resulted in a restatement of prior year calculations. Further to this Council will be seeking assistance in completing an independent review and audit of its accounting and reporting of infrastructure assets prior to the completion of the external audit of its 2014/15 financial reports. Council is demonstrating clear improvement in its infrastructure management capacity and all criteria show this improvement trend. Council has undertaken responsible approach to its borrowing program since its formation in 2004 and has financial capacity to utilise borrowings in the future and remain in the criteria range which is a positive indicator of its sound financial management.

## 2.3 Performance against the Fit for the Future benchmarks

### Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b> <small>A decrease in Real Operating Expenditure per capita over time</small>	1.58% (Increasing)	No	1.32% (Decreasing)	Yes

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

Council's result here is skewed because of the level of private works completed late in financial years for RMS. Council is conservative in its forecasting for these type of works in future years and also the impacts of the planned efficiencies that are forecast to result from changes to operations sees Council meeting this criteria.

## 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, once current work is complete.**

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

Council currently enjoys 89% and 90% compliance for the implementation of the NSW Best-Practice Management Framework for its sewerage and water supply enterprises (source: 2013-14 NSW Water Supply and Sewerage Performance Monitoring Report). In both cases the only element missing relates to the development of its Integrated Water Cycle Management strategy (IWCM). As part of its 2014/15 operational plan and budget, Council voted funds to embark on this process – the result being the engagement of Hydroscience Australia in the first half of 2015. With the release of the revised IWCM checklist in July 2014, this engagement will see Palerang as one of the first LWUs to develop its IWCM under these new arrangements.

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

Since the development of its 2013/14 financial statements, Council has done a lot of work on its asset management systems. Condition assessments have been reviewed along with costs associated with replacement. Works identified in Council's Long Term Financial Plan (LTFP) have been scrutinised against what can genuinely be considered as backlog as opposed to what might otherwise be considered as improvement.

There is no doubt that Palerang Council has traditionally held a backlog of works when it comes to its Water and Sewerage businesses. By way of example, it is now well documented that at its formation Council faced a significant problem with respect to its sewerage enterprise at Braidwood. A failing treatment plant and capacity problems with both its pumping stations and

reticulation network more generally were the most prominent issues facing Council at the time. In the eleven and a half years since then, Palerang Council has effectively managed to resolve these issues along with others (both backlog related and improvement related) – many of which have been undertaken “in-house” using the now highly developed skills of its engineering and day labour staff. A short chronology of these works is listed below:

- Braidwood sewerage – replacement of all three sewage pump stations \$790,000 to 8 hr ADWF storage (designed and constructed entirely “in-house” 05/06-08/09);
- Braidwood sewerage – Entire replacement of 2000EP treatment plant \$7.6m (contract 06/07 – 11/12);
- Braidwood sewerage – reticulation upgrades \$200,000 (designed and constructed entirely “in-house” 07/08);
- Braidwood sewerage – Construction of 300 metres of new sewer reticulation and new pump station to service a previously unsewered part of Braidwood (Victory St) \$310,000 (designed and constructed entirely “in-house” 11/12);
- Bungendore sewerage – Addition of new 3000EP sewage treatment plant to existing facility \$7.46m (contract – 12/13);
- South Bungendore sewerage – Incorporating 2km of gravity main and new pumping station to previously unsewered section of South Bungendore \$877,000 (designed and constructed entirely “in-house” 07/08 – 09/10);
- Bungendore sewerage – Recommissioning of EAT1 at Braidwood STP \$450,000 (currently underway by contract – 14/15);
- Bungendore sewerage – Design and construction of new rising main for pump station #4 \$250,000 (designed and constructed entirely “in-house” 14/15);
- Bungendore sewerage – Design and construction of replacement pump station for pump station #1 \$400,000 (designed and constructed entirely “in-house” – 14/15)
- Braidwood water – refurbishment of two existing reservoirs including relining and roofing \$307,000 (contract – 09/10);
- Bungendore / Captains Flat water – commissioning of fluoridation plants \$169,000 (contract – 09/10);
- Braidwood water – Design and construction of new DAFF water treatment plant \$3m (contract – 12/13);
- Bungendore water – refurbishment of bore #2 \$157,000 (contract – 08/09);
- Bungendore water – establishment of new borefield, and 6 kilometres of rising main \$1.42m (designed and constructed entirely “in-house” – 09/10-11/12);
- Bungendore water – Design and construction of new conventional WTP at Currandooly \$3.8m (contract – 12/13 to 13/14);
- Braidwood water – Design and construction of new 1.5ML reservoir \$1.5m (contract – 14/15);
- Bungendore / Captains Flat water – re-roofing and access adjustments to various reservoirs \$270,000 (contract – 14/15)

Still future works have been proposed as part of the LTFP but these are aimed at either asset renewal or service embellishment. Historically Council’s special schedule 7 reports for its water and sewerage enterprises have included these items notwithstanding the fact that they are fully funded. In light of the works conducted over the past decade and the funding arrangements in place for



the foreseeable future, Council is now in a position to reflect on a NIL backlog for its water and sewerage businesses.

## 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
NIL works proposed of this magnitude. The bulk has already been undertaken (see above).			

## 2.4 Water utility performance

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

**Yes**

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

Council has been operating on a full-cost recovery basis since 2007.

## 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
Conclude Council's IWCM project. This engagement is currently underway.	By the end of 2015	Council's full compliance with BPM.
Provide for a replacement trunk supply main for Braidwood.	2015/16 (funded – asset renewal reserve)	Reliable principal supply line for Braidwood
Provide for raw water supply line as part of the above project	2015/16 (funded – loan)	Provision of first stage of raw water dual supply for Braidwood Parks.
Provide for replacement ultra-filtration membranes for the Captains Flat WTP	2015/16 (funded – asset renewal reserve)	Continued supply of high quality potable water to Captains Flat (refer Council's Drinking Water Quality Management Plan)

Provide for replace met 500kL reservoir at Captains Flat	2015/16 (funded – asset renewal reserve)	Replaces an aged asset gifted from the former Lake George Mining Company
Provide for the replacement of Shoalhaven Pump Station Pump shed	2017/18 (funded – asset renewal reserve)	Security of supply
Continued investment into the Captains Flat Dam – a High Hazard Dam according to Dam Safety Committee guidelines: (including): <ul style="list-style-type: none"> <li>• Dam Safety Emergency Plan (19/20)</li> <li>• Dam prestressed cable lift off test (21/22)</li> <li>• Precise survey (15/16)</li> <li>• 5 yearly dam surveillance report (16/17)</li> </ul>	Funded	Satisfaction of legislated requirements.
Upgrade of Captains Flat WTP Switchgear Control Assembly (SCA). This component is now nearing 15 years old. The PLC will need updating.	Funded (asset renewal)	Reliability of supply.
Upgrade of Captains Flat STP. (This is now the oldest STP in Council’s portfolio (1984). Aspects such as SCA, employee amenity, nutrient handling, sludge handling and tertiary effluent treatment could all be improved. A full design has been prepared and is ready to be implemented – subject to available funds)	To be funded from a combination of asset renewal and loans.	Improved effluent quality.
Solar installations at various water and sewerage sites.	2015/16 (approved)	Reduced reliance on fossil fuels.

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

## 3.1 Sustainability

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

Council believes that the three financial benchmarks (sustainability, infrastructure & service management and efficiency) are inextricably linked and that most of the improvement plan strategies cover more than one area. The overall plan is therefore presented below. Individual strategies will be highlighted in the tables for each section but may be duplicated where Council has identified overlap.

The primary objectives of the improvement strategy are to continue improvement in:

- Strategic capacity
- Financial viability and
- Organisational effectiveness

Council has already commenced a number of specific, and complementary, improvement programs, namely:

1. The Australian Business Excellence Framework is being used to guide a program of service and process reviews – these drive effectiveness.
2. Participation in the local government benchmarking survey (supplemented by the OLG comparative data) – this drives efficiency.
3. The new Audit & Risk Committee – this drives efficiency and effectiveness.
4. An organisational structure review to build capacity in areas identified through conversations with staff and the community, as well as those imposed on local government through cost shifting by the state government.
5. Active participation in regional resource sharing, achieved through the Canberra Regional Joint Organisation and specific arrangements such the recent agreement with Yass and Snowy River regarding the sharing of internal audit resources, and the regional conduct review panel and legal services panel established through CBRJO.
6. Review of ICT strategy to more closely align ICT investment with business objectives.

These programs will continue, and over the course of the coming 12 months, Council will:

1. Review and improve its performance management system to provide a clearer line of sight from its Community Strategic Plan right through to individual work plans;
2. Finalise and implement the new organisational structure;
3. Review Council's Asset Management Plan (covers all asset classes) and update as necessary;
4. Review Council's historical methodology for calculating depreciation and backlog to bring it more in line with current industry thinking;
5. Complete implementation of Council's strategic asset management system for all asset classes – currently active use limited to roads;
6. Seek community acceptance of an SRV, currently worse-case scenario modelled at 7% above rate cap for five years;
7. Update its committee structure, including the introduction of Strategy and Policy Committee to provide a greater opportunity for Councillors to focus on the strategic aspects of their role;
8. Seek to capitalise on resource sharing opportunities, such as insurances and human resources, through the strengthening of CBRJO;
9. Consider outsourcing some "back-office" services through a competitive EoI or Tender process.

From the above programs, Council is anticipating:

1. Greater strategic planning, including in corporate planning;
2. Greater responsiveness to community expectations;
3. A saving of \$654k per annum from year 4 (18/19) onwards, despite the anticipated creation of new positions within the corporate/governance functions of Council and the addition of services such as economic and tourism development.
4. Achieving the FFTF financial benchmarks as well as further enhancing Council's scale and capacity.

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 of Council's financial model are provided in Annexure : Long Term Financial Plan but include the following:

- Organisational restructure commenced, together with the ongoing re-engineering of major processes.
- SRV 7% above rate cap for five years, commencing FY17 (ie. apply FY16), to be retained permanently in the rate base.
- The FFTF financial model also provides for an estimated 1% growth in rates per annum in the forecast period. Based on potential development following a similar level to what has occurred over the last decade.
- Council's financial modelling includes an estimation of efficiency savings of 1% of all operating expenditure excluding depreciation and loans for a period of three years commencing 2016/17.
- Following independent review by Morrison Low which indicated that depreciation levels were above industry benchmarks and also over the expected level based on condition rating of assets, the FFTF financial model allows for a reduction in depreciation of 15% and this will be subject to a detailed external review of infrastructure assets including accounting and reporting process.
- Morrison Low review also identified surplus maintenance expenditure on infrastructure assets over required maintenance and previously expense funded items included in maintenance have been transferred to capital expenditure to address the Bring To Satisfactory cost estimate to within benchmark over the required period of 5 years.
- On average, Council has increased its discretionary revenue items by 3.5% and has allowed for interest return on investments of 3%.
- Wages are estimated to increase by 2.8%, materials and contracts by 2.5% and other expenses by 2.6%.
- Population is forecast to increase by 1.7% over the levels reported in the comparative data returns per annum



## 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. Continue to improve Council's financial viability	1. Asset management review	December 2015, then subject to regular review	Council's infrastructure reporting better attuned to modern best practice and guidelines	Positive impact on infrastructure and service management ratios
	2. Continue implementation of ABEF	Ongoing process and service reviews	Improved quality of service, through greater value and lower cost.	Will positively impact most ratios, but primary objective is improving community satisfaction.
	3. Special Rate Variation	IPART approval May 2017	<ol style="list-style-type: none"> <li>Expansion of services identified through community consultation</li> <li>Improvement in most financial ratios</li> </ol>	<ol style="list-style-type: none"> <li>Positively impact infrastructure and service management ratios</li> <li>Negatively impact "Real operating expenditure per capita" ratio;</li> </ol>

	<p>4. Continue to cooperate regionally to maximise resource sharing.</p>	<p>Ongoing; but adoption of new constitution for CBRJO first-half of FY16 important.</p>	<p>Opportunity for Councils to develop and share significant capacity.</p>	<p>Will significantly impact Council's Scale and Capacity, with the expectation of positive impact across all ratios.</p>
	<p>5. Boost grant revenue by developing a number of strategic projects to "spade ready"</p>	<p>Ongoing, post</p>	<p>Increase in grant funding for project work, primarily for asset renewal and upgrade.</p>	

## 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.

Council has been undergoing a program of continuous improvement stemming from its creation in 2004. This will continue, and has recently been formalised by the adoption of the Australian Business Excellence Framework to provide a formal structure for service and process reviews. This was commenced in 2014 and will continue over for the foreseeable future.

Council has developed and refined long-term asset strategies, starting with the waste strategy in 2005, currently undergoing its second long-term review. Other planning documents –such as s.94 developer contribution plans – will be updated to better reflect the SI PLEP 2014.

Council will continue to update its asset management plan and asset financial reporting. This has been a work-in-progress, with 2600 minor road culverts captured this year adding significantly to the value Council's drainage asset class.

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

In addition to the key assumptions outlined in 3.1 above, the outcomes are based on the following assumptions:

- The ABEF will assist Council in improving service effectiveness, with results similar to other Councils surveyed;
- The review of Council's asset management plan and asset reporting will match the outcomes anticipated in the Morrison Low report and by comparison with industry benchmarks.

## 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. Accurate infrastructure reporting	1. Complete implementation of strategic asset management system	1. Replacement of staff who have retired 2. Data cleansing	Accurate financial and physical data	May impact the operating performance ratio
	2. Review AMPs (all funds)	December 2016	AMPs updated to reflect current guidelines and improved data	
	3. Align operational plans with strategic plans	February 2017 (post CSP review, post 2016 election)	Improved community satisfaction	

2. Service & process reviews	1. Complete ABEF implementation	Ongoing	Improved effectiveness across organisation	Could potentially impact all ratios
	2. Complete waste strategy review	<ul style="list-style-type: none"> <li>• Commenced May 2014</li> <li>• Complete August 2015</li> </ul>	Greater alignment of service, including charges, with community expectations.	
3. Ensure development funds necessary infrastructure	1. Review s.94 plans	November 2015	New infrastructure to service growing population properly funded.	
4. Establishment of recreation and sporting complex	1. Finalising sport & recreation plan	<ul style="list-style-type: none"> <li>• Community survey and forums – June 2015</li> <li>• Needs analysis and plan to Council – October 2015</li> </ul>	Facilities to match current demand with capacity to grow as necessary	A new asset so impacts a number of ratios
5. Improve energy efficiency	1. Continue solar installation program	<ul style="list-style-type: none"> <li>• 2 installations already completed</li> <li>• Tender for 9 more July 2015</li> </ul>	Reduction of energy costs	Improve operating performance and real operating expenditure per capita ratios
	2. Undertake further energy efficiency audits	FY17		

### 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.

The key strategies to improve efficiency are already in place, namely the Australian Business Excellence Framework, participation in the LG Professionals & PwC benchmark program and the work of the Audit and Risk Committee.

These will be enhanced by an ongoing evolution of the Community Strategic Plan, integrated with a comprehensive performance management and reporting system that includes not only the organisation as a whole, but business units and individuals.

Any necessary changes identified through these strategic processes will be reflected in the new organisation structure. The organisational review commenced in May 2015 and draft structures are due for staff consultation in August 2015.

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

Key assumptions include:

- Council is able to attract and retain the necessary staff with appropriate qualifications.
- We will focus on increasing flexibility in the workforce, through professional development and training, to meet rapidly changing expectations of our diverse communities;
- Improvements from implementation of ABF are consistent with the positive results obtained by other councils and private organisations across Australia;
- Review of infrastructure management and reporting returns results similar to the average benchmarks recorded by consultants such as Morrison Low.
- We will engage our communities more effectively through multiple methods and platforms of communication so that all age groups can have meaningful input into Council's decision-making.

### 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. Improve organisation effectiveness.	1. CSP Due Diligence report	August 2016	Review of effectiveness of current CSP and subsidiary documents	N/a
	2. Update CSP	March 2017	Council's strategic direction better aligned with its communities' expectations.	Unknown
	3. Update IP&R subsidiary documents	December 2017	The delivery and operation plans and budget reflect revised community expectations.	Unknown
	4. Implement comprehensive performance monitoring system	June 2016	Council and executive management will be able to properly assess organisation, business unit and individual performance.	Improve both efficiency and sustainability ratios
	5. Implement internal audit program	Inaugural meeting of Audit & Risk Committee 16 July 2015	Focus on process efficiency and	



	6. Continue participation in PwC benchmarking program	On going	Identifying areas where Council is not in the top quartile for performance of peers	
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## 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. Consult community in SRV	Application lodged within IPART's guidelines
2. Organisation review complete and approved by Council	August 2015
3. Asset management reporting review	December 2015
4. Continue Process & Service reviews	Ongoing (i.e. standard part of management system)
5. Complete implementation of strategic asset management system	December 2015
6. Commence review of Asset Management Plans	February 2016

7. Complete waste strategy review	August 2015
8. Review & renew s.94 developer contribution Plans	November 2015
9. Commence tender process additional solar installations	July 2015
10. Commence IP&R due diligence report	May 2016
11. Implement performance management system linking IP&R documents through to individual work plans.	June 2016
12. Implement internal audit program	Inaugural meeting of A & R Committee 16 July
<b>* Please attach detailed action plan and supporting financial modelling</b>	

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

The principal driver of the action plan is Palerang community's support for continuing as an independent local government area. This is complemented by Council's overarching objective of service improvement through constant re-evaluation of community expectations and the continuous improvement of services and processes.

In refining its action plan, Council considered existing programs plus the outcome of additional consultancy work, primarily that of contractors from LKSQuaero who developed both the merger and stand-alone business cases.

The plan was refined by staff, reviewed by Councillors and adopted by Council at its meeting 25 June 2015.

### 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.

The starting point for Council's response was the consideration of the recommended merger with Queanbeyan City Council (QCC). This process was facilitated by LKSQuaero, selected from the OLG technical panel, and involved separate and joint meetings of the Councils.

It was clear from the analysis undertaken by LKSQ that the merger option did not provide any significant benefit to either Council, bearing in mind the associated costs and social disruption.

At the request of the Councils, LKSQ also modelled a shared services arrangement between the two councils. This option, however, was assessed by QCC as providing no benefit to QCC. Subsequent informal discussions with other neighbouring councils indicated that more councils might benefit if a shared services model was developed under a Joint Organisation structure.

Palerang has consistently been an advocate of shared services, and the attachments demonstrate the level of cooperation achieved at the regional level, with Palerang often the lead Council. This demonstrates a long-standing commitment to achieving strategic objectives by leveraging internal capacity with the broader regional resources.

Council also reviewed its asset management reporting (depreciation, special schedule 7, Note 9 etc) against current local government sector benchmarks, and requested the assistance of Morrison Low in undertaking this work (annexure 5).

## 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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-9.5%	-7.8%	-5.6%	-2.1%	-1.0%	1.3%	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	79.7%	77.5%	75.2%	76.5%	78.8%	80.7%	Yes
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)	97.27%	113.14%	131.31%	118.2%	109.84%	100%	Yes
<b>Infrastructure Backlog Ratio</b> (less than 2%)	4.15%	2.96%	2.34%	1.61%	1.61%	1.60%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	94.41%	106%	100%	100%	100%	100%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	2.18%	2.89%	3.71%	4.09%	4.08%	3.86%	Yes

**Real Operating Expenditure per capita**

A decrease in Real Operating Expenditure per capita over time

1.74	1.42	1.32	1.31	1.28	1.27	Yes
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## 4.1 Expected improvement in performance

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

Council is confident of its ability to meet its commitments.

The application of funds to additional maintenance expenditure from the proposed SRV has improved the time frame for the operating surplus to be break even or better. The model currently adjusts depreciation down by 15% following a comparison with industry benchmarks completed as part of the review by Morrison Low. Council will be looking at completing an independent external review of its infrastructure assets and associated accounting and reporting practices.

Another option would be allocate more of the SRV funds to renewal works instead of maintenance and operational expenditure. The review by Morrison Low on asset maintenance may see this improve as funds currently allocated as operational may be available for allocation to capital renewal. We are improving performance in this area in each year in the improvement proposal. We will be rechecking all areas in model again and accounts for the FAG funds as part of own source revenue as a classified large rural council.

Real operating expenditure shows a decreasing trend over the modelling period.



## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council, through its IP&R and other planning and policy documents, will have ultimate responsibility, and be accountable to the community, for the implementation of the plan. Council will be assisted in this role by the Audit & Risk Committee which will, *inter alia*, assist Council in identifying and mitigating any risks that may potentially hinder effective implementation.

The General Manager, actively assisted by the Executive Management Team, will be responsible for the day-to-day implementation of the plan. A key aspect will be the implementation of a new performance management system that Council and the organisation to better monitor its achievements against the objectives.

Council will expand its reporting to the community to ensure that the community is kept informed of progress against the plan.

Council acknowledges that it is probable that there will be a change in statutory reporting requirements to enable the community to better monitor implementation. Council has always been able to respond to such changes in reporting requirements.