

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Office of
Local Government



Getting started

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name:

Forbes Shire 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.

Forbes Shire Council is 'Fit for the Future' and the following proposal outlines the measures in place to ensure Council continues to improve its position as sustainable for the future across the Fit for the Future benchmarks. As part of enhancing its scale and capacity Council proposes to standalone and be an active member of the Centroc Joint Organisation. Council is actively participating in the current Centroc Pilot Joint Organisation.

Council's decision to standalone and be a part of the Central West Joint Organisation is broadly consistent with the options presented by the Independent Local Government Review Panel (ILGRP) in its Final Report. The ILGRP put forward '*Council in Central West JO; merge with Weddin*' as the options to deliver scale and capacity for future sustainability, neither being noted as preferred by the ILGRP.

Forbes Shire Council has evidenced its scale and capacity within this submission by addressing each of the strategic capacity elements as identified by the ILGRP. Council was found by TCorp to be 'Moderately' financially sustainable with a 'Neutral' outlook and received an assessment of 'Moderate' through the NSW Local Government Infrastructure Audit.

At 30 June 2014 Council met five of the seven Fit for the Future benchmarks and Council's Improvement Plan will ensure it meets six of seven by 2019/20. Council does not currently meet the Operating Performance Ratio, however the improvement plan will see Council meet this benchmark by 2019/20.

The Building and Infrastructure Asset Renewal Ratio is also not currently being met. Council's Improvement Plan does not see this benchmark being met going forward. It is noted however that given the early stage of the Improvement Plan implementation and the conservative approach taken by Council in developing assumptions to inform forecasts, the performance in this area may be understated. As is rationalised later in this submission, this ratio is currently not met due to a good and well maintained asset base requiring lower levels of renewal expenditure.

Forbes faces challenges similar to most rural councils including attracting business and industry to grow the population and jobs base in the face of potentially static population and rate bases; capacity to absorb increasing costs, notwithstanding rate pegging, and the significant loss of revenue caused by Federal government freezing of Financial Assistance Grants; and ever-growing community expectations as regards service levels. Council is well placed to rise to these challenges as is evidenced in the Scale and Capacity document included at Appendix 2.

Council's Improvement Plan is a living document and as Council progresses through the actions it is expected the Improvement Plan will expand as further avenues for improvement are identified and strategies to address these are built into the Plan.

Forbes Shire Council is committed to ongoing improvements across the Fit for the Future benchmarks beyond simply meeting them. The continuous effort to improve as an organisation as a whole is being embedded within Council's strategic planning and is a natural progression of the maturing Integrated Planning and Reporting framework. Council is embracing this holistic approach and the benefits strengthened strategic planning will bring to local government generally.

Council will report on progress against the Improvement Plan as part of its current quarterly and annual reporting procedures, with the Audit Committee given oversight of monitoring progress in achieving the objectives of the Improvement Plan. Council is open to future reviews of progress against objectives and reporting to the Office of Local Government.

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.

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).

The Final Report of the NSW Independent Local Government Review Panel released in October 2013 classified Forbes Shire Council (FSC) as a Group F council and identified two options, neither being a bolded preferred option, which could improve sustainability and build strategic capacity. The options were to become a part of the Central West Joint Organisation (JO); merge with Weddin Shire Council (WSC).

FSC, as a member of Centroc, is participating in the JO Pilot process and has developed an Improvement Plan, as outlined in this document. FSC considers this path is broadly consistent with the ILGRP options for scale and capacity.

In the interests of ensuring the best outcome for the Forbes community, Council explored the merger option with WSC. Representatives of FSC and WSC met to critically assess any potential benefits to both communities of a merger of the LGAs. It was agreed a merger would not benefit either community; rather it would be detrimental to both communities as a result of a loss of identity and the potential for long-term job losses and increased rates. Copies of correspondence, meeting agenda and minutes are included at Appendix 1.

Council also made enquiries regarding a separate potential boundary adjustment with Cabonne Shire Council, which is discussed under Section 3.5 Other Actions Considered.

To further demonstrate FSC's scale and capacity Appendix 2 addresses each of the strategic capacity criteria as set out in the ILGRP Final Report being:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

Council's statements for the strategic capacity criterion demonstrate the organisation's scale and capacity which is strengthened through the advocacy and access to regional initiatives, including planning and procurement, which membership of the Central West Joint Organisation will bring.

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.

Forbes is situated in the heart of the Lachlan Valley, approximately 390km west of Sydney (approximately a 5 hour drive). The Forbes Local Government Area (LGA) covers 4,718km² and has a population of approximately 9,759 *people* (source: 2014 population estimates, ABS website) with approximately 1,600 people living outside the Forbes town boundary. The LGA includes the village areas of Bedgerabong, Wurrinya, Corinella, Garema, Warroo and Ootha – all village centres are located within approximately a 50km radius of Forbes, with the exception of Ootha, which is located 70km to the west.

Forbes offers a unique blend of modern lifestyle in a historic setting with high quality communication infrastructure and road networks, which make Forbes an attractive business location. Forbes is a major urban centre positioned on the Newell Highway halfway between Brisbane and Melbourne. This strategic location makes Forbes accessible to a catchment population of 65,000 people within a 100km radius. Forbes offers excellent facilities and services for families and competitively priced residential and industrial land, with Council taking a proactive role in attracting business and industry to the Shire.

The Forbes economy represents approximately 4% of the Central West Regional economy with a Gross Regional Product of \$398.3M. The largest sectors in the Forbes economy are agriculture (\$97.1M GRP value), construction (\$32.6M GRP value), education and training (\$32M GRP value), retail (\$27.4M GRP value), health care (\$27.3M GRP value). The main industries for employment in Forbes are agriculture, health care, retail, education and training, light industrial and accommodation (source: Invest NSW Central West website).

Forbes supports over 1,168 local businesses and has successfully attracted national retailers Bunnings and Spotlight to the town with manufacturing and bulky goods seen as emerging sectors in the Shire. FSC also owns and operates the Central West Livestock Exchange (CWLE), a state of the art saleyard facility, which is a proven choice for buying and selling premium quality cattle, sheep, lambs and pigs. The CWLE saleyard is Australia's newest and most advanced auction facility.

Forbes Shire Council has an annual budget of \$30M, total assets of \$362M at 30 June 2014 including 111 community assets valued in excess of \$3M, and employs 127 FTE staff. The governing body includes the Mayor (elected by Council) plus eight councillors (no wards). Forbes is a member Council of Central NSW Councils (Centroc), which is a section 355 Committee of Forbes Shire Council and a Pilot Joint Organisation.

Council has identified community goals through the comprehensive consultation process undertaken to develop the current Community Strategic Plan 2013-2023 (Appendix 3). Community objectives identified through the process are:

- A happy, safe, vibrant and well catered for **Community** – health, cultural diversity, education, community pride, and safety.
- Successful and sustainable **Enterprises** and support of the Forbes Shire community – robust economy including strong visitor and tourist economy.
- **Infrastructure** that supports the community's quality of lifestyle, enterprises and future needs in a sustainable manner – secure and quality water supply; quality sewerage management services; best practice stormwater management services; well managed road assets; provision of efficient waste management systems promoting minimisation and recycling; a public transport network that meets the needs of the community; and access to contemporary information and communication technology.
- **Leadership** that is sustained throughout the community and into the future – open, transparent decisions based on sound integrated planning; compliant, efficient, effective and timely operations; financially sustainable organisation; employer of choice supported by a committed, well trained and adaptable workforce; sound safety and risk management practices; a consultative Council.

- Manage the **Natural Environment** in a sustained and responsible manner – protect the environment within Council’s sphere of influence; enhance natural water courses and Lake Forbes; recognised as an environmentally conscious community.
- Well maintained **Places** to meet community needs – well maintained facilities; a clean, attractive and accessible town; supported facilities in village areas; attract new entertainment and recreational facilities.

Council undertook a Community Survey in 2014 (Appendix 4) to measure satisfaction with service levels and performance against the Community Strategic Plan 2013-2023 (CSP). Plans are in place to undertake a further survey in 2016 to gauge success on the implementation of the CSP at the end of the current term (2013-2017) as well as set a starting benchmark for the following term. The Community Survey was very encouraging with 92% of residents at least ‘somewhat satisfied’ with the performance of Council. It was noted this was significantly higher than all of the LGA benchmarks of the survey provider, Micromex Research. Residents indicated the most valued aspect about living in the Forbes Shire area is the community, pertaining to the friendly and nice people who reside there. Whilst the results were very positive Council has also identified areas where it can improve and these have been incorporated within Council’s strategic and operational plans.

Forbes faces challenges similar to most rural councils including attracting business and industry to grow the population and jobs base in the face of potentially static populations and rate base; capacity to absorb increasing costs notwithstanding rate pegging and the significant loss of revenue caused by Federal government freezing of Financial Assistance Grants; and ever-growing community expectations as regards service levels. Council fees it is adequately placed to rise to these challenges as is evidenced in the Scale and Capacity document included at Appendix 2.

Climatically, the Forbes LGA will always face the challenge of droughts and floods; damage from floods can be fixed, the damage from droughts can be more complex as it affects people’s livelihoods and the community’s sense of wellbeing.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Demonstrated capacity to deliver on Community Strategic Plan – delivering community needs • Positive Community Satisfaction Survey • Historically stable economy with conservative sustainable growth – not explosive • Water resources – Lachlan River and Lake Forbes (supply and recreation), artesian wells (bores) • Diverse rural economy - not single industry reliant • Financially sustainable – financially resilient through 10 years of drought and the Global Financial Crisis and the resultant subdued economy post GFC • Sound revenue base • Situated on Newell Highway – centrally located both in NSW and nationally • Located centrally to three major mining operations in the region (Orange, Parkes and Bland) • Major hospital upgrade • Rural/country lifestyle • Excellent aged care facilities • Good schools – primary and secondary • Attractive CBD and township • Small business friendly Council 	<ul style="list-style-type: none"> • Asset Management Plan maturity – whilst all Plans have been developed further maturity will enhance strategic value and better inform financial forecasts which is addressed in Council's Improvement Plan. • Operational deficits – Council will achieve operational surplus by 2018/19 and average three year surplus to meet the Fit for the Future benchmark by 2019/20. • Lack of Federal funding for infrastructure

- | | |
|---|--|
| <ul style="list-style-type: none">• Successfully delivered the Homemaker Centre – attracted two national retailers and plans to capitalise on the potential for further growth• Industrial and retail land stock – potential for significant growth• Financially responsible – balanced budgets, focus on building reserves, planning to reduce backlog without impacting operational capacity or service levels• Building on historically strong visitor economy – car rally's, cultural program, diversified tourism, events program• Skilled workforce• Voluntary regional cooperation – Centroc, Mid-Lachlan Alliance, Netwaste, Arts OutWest• Strong sense of community and town pride• Growing community engagement through communication and consultation strategies – building on the Integrating Planning and Reporting consultation• Good contingent of doctors and visiting medical specialists• Diverse sporting and recreational opportunities and facilities | |
|---|--|

Opportunities	Threats
<ul style="list-style-type: none"> • Refinement of Asset Management Plans – strengthen strategic financial goals, improve infrastructure assets • Population growth • Agriculture value added industries • Homemaker Centre – grow the bulky goods precinct • Morton Street residential development – support Council’s proactive approach to attracting business and industry to Forbes • Grow the visitor economy • Good child care and schooling to support economic growth • Improved access to tertiary education – build on the access to tertiary health education supported through JREC • Medical precinct – continued development and cooperation with TAFE, universities and health • Cooperation with NSW Government • Lifestyle: skiing, lake, walking track, greenspace, water system • Quality affordable housing • 63% between 55 and 0 – young professionals coming back/returning • Voluntary regional collaboration 	<ul style="list-style-type: none"> • After school care • Climate change - prolonged drought • City centric policy and decision-making focus • Perception from Department of Planning and Environment regarding population growth contrary to Australian Bureau of Statistics • Environment Water Flows – water sharing plan and water security • Consolidation of services eg. health, agriculture and losing services as a result without local knowledge • Financial implications of amalgamations • Forced amalgamations • Rate pegging – acknowledge being reviewed • Rating exemptions/concessions – not financed • Limited public transport • Tertiary education and trade skills (decrease in programs offered by TAFE Western at Forbes campus) • Loss of youth to larger regional centres and cities • Lack of Federal funding for infrastructure • Cost of standing charges and usage charges of electricity – impact on irrigators

- | | |
|--|--|
| <ul style="list-style-type: none">• Solar – further diversification in local industry• Investment in renewable energy projects• Potential to grow unregulated revenue eg. fees and charges review, caravan park, Union Street, JREC• IPART rate peg review• Efficiencies in service review– eg. reduced compliance costs with change from vacation care to holiday program• Decreasing costs and improving green reputation – going greener by incorporating solar at Council sites, investigating carbon credits• Information Communication Technology Strategic Plan and communications infrastructure upgrade – do business smarter• New preschool – increasing available spaces from 2016 | |
|--|--|

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)	-0.110	No	-0.0434	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83.14%	Yes	85.72%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	41.92%	No	55%	No

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

Council is currently not achieving the Fit for the Future benchmarks for Operating Performance Ratio and Building and Infrastructure Asset Renewal Ratio. The reasons for this are stated below.

Operating Performance Ratio

FSC does not currently meet the Operating Performance Ratio and this is attributed to a combination of factors. Firstly, the decrease in investment revenues in recent years (approximately \$800K per annum) has impacted significantly on total operating revenues.

The decrease is due to both a decrease in the investment balance as a result to the contribution of \$6M in internal funds to the recent construction of the \$16M Homemaker Centre, and the low investment returns in the current market. This is being addressed going forward through FSC's ongoing commitment to building reserves for future economic development and capital projects/investment.

Accounting for the prepayments of the Financial Assistance Grants over the previous four financial periods have also impacted on the ratio for 2013/14 with one less payment being recorded for the 2013/14 financial year, resulting in reduced operating revenues reported for the period.

Finally, and most significantly, the increase in depreciation expense due to the fair valuation of assets since 2007/08 has accounted for an annual increase in depreciation expense in excess of \$2.9M. This has substantially impacted FSC's Operating Performance Ratio, however further refinement of remaining useful lives, asset values and condition assessments as Council's current asset management plans mature will see deprecation more accurately reflected and anticipated decreases in depreciation expense realised. Council will, at minimum, bring depreciation into line with State averages and this alone will achieve operating surpluses.

Building and Infrastructure Asset Renewal

Council does not currently meet the Building and Infrastructure Asset Renewal Ratio, and forecasting shows this ratio remaining relatively static into the future. Council has reviewed classification methodologies to ensure renewal data is captured and notes there is further work to be done in this area. Remaining useful life and condition assessment data refinement across asset classes may also improve this ratio more significantly than anticipated. FSC's current inability to meet this benchmark is a reflection of the satisfactory condition of most general fund assets and the considerable maintenance regime which has resulted in Council's lower renewal spend. The expenditure on renewals required to meet this benchmark is not required to meet the satisfactory condition necessary to meet community service levels. This is not due to low condition requirements rather a good, well maintained asset base. Again, it is acknowledged that further work on the classification of what is defined as renewals and maintenance may see this change.

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%)	1.89%	Yes	0.73%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	107.78%	Yes	137.91%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	11%	Yes	11%	Yes

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

All Infrastructure and service management Fit for the Future benchmarks are being met and forecasted to be met in the periods 2013/14 and 2016/17.

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	Decreasing	Yes	Decreasing	Yes

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

The Efficiency Fit for the Future benchmark is being met and forecasted to be met in the periods 2013/14 and 2016/17.

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 – copies of Council's Strategic Business Plan for Water Supply and Sewerage Services and Triple Bottom Line Water Supply Performance and Sewerage Performance are provided at Appendix 5.

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

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

FSC's current water and sewerage infrastructure backlog is \$7.9M. This is anticipated to reduce to \$6.6M in 2014/2015 after review of methodology. The bulk of this backlog is sewerage relating to pipe relining/renewal maintenance and man hole maintenance which is scheduled to be undertaken gradually from 2014 onwards, as outlined in the attached 30-year Capital Works Program – Sewerage (Appendix 6).

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
Development of bore no. 3 and pipe line (375mm) from the bore	2015-2016	\$2.1M	\$2M
Water Treatment Plant components and electrical controls upgrade/replacement including telemetry	2014-2019	\$1M	Internal funding
Mains replacement/renewal as per the Water Asset Management Plan	2014-2024	\$933K (2017-2020 total project cost \$9.1M)	Internal funding
Sewer relining/replacement and manhole refurbishment	2014 onwards	\$3M (2017-2020 total project \$9.9M)	Internal funding
Development of bore no. 3 and pipe line (375mm) from the bore	2015-2016	\$2.1M	\$2M

2.4 Water utility performance

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

Yes – Sewerage Operations.

No – Water Operations.

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

Council's sewerage operations are currently managed on a break-even basis. Council's water operations currently operate at a loss however this has not been the case historically as evidenced by reserve balances. The current operating loss is partially attributable to significant changes in consumption and has been addressed through the revised and adopted pricing strategy. The Strategic Business Plan for Water and Sewer (see Appendix 5) was adopted by Council in June 2014. Council subsequently adopted a five year pricing policy to bring the water operations into an operating surplus, to continue to build future financial capacity to maintain infrastructure, and in doing so ensure ongoing sustainability of the operations.

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. Investigate and implement services for remaining un-serviced areas	December 2016	Additional capital expenditure to be factored into future capital works program.
2. Implement infiltration and leakage program	Current - 2020	Reduction in inflow and operational costs; reduction in peak storm inflows. Reduced blockages.

3. Fully implement Trade Waste Policy	Ongoing	Increased income; greater monitoring of trade waste generating businesses.
4. Implement Demand Management Plan	Ongoing	Minimisation of wastage of water.
5. Comply with Best Practice Management Guidelines and review tariff structure every four years	Review Strategic Business Plan in 2018	Ensure sustainability of Water and Sewer business units.

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's key strategies in the 2016/2020 period are designed to improve Council's operating performance, continue to decrease reliance on external funding, and to ensure assets renewal levels are in line with asset use. Council will review current asset management practices including reviewing and updating current asset management plans to reflect the review of Councils asset management methodology and condition assessments. Council expects substantial reductions in depreciation expense and this is supported by the preliminary figures from the Roads, Bridges, Footpaths, Stormwater Drainage and related infrastructure valuation which has included condition assessment updates affecting remaining useful lives and defining satisfactory condition. This reduction will improve Council's operating performance ratio and contribute substantially to meeting the benchmark in 2019/20.

Council's review of business plans, financing arrangements and the progression of the procurement project will improve both operating performance and own source revenue by improving business unit operating results, ensuring lowest cost financing arrangements are in place, and best value procurement is achieved. The review of fees and charges and organisational processes may realise increased revenue and cost savings however, at this stage, Council is anticipating operational efficiencies and service improvements.

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.

Council is currently finalising the Roads, Bridges, Footpaths and Stormwater Drainage and related infrastructure valuation and updating models to reflect condition assessments and their impact on remaining useful lives assessments, and revised methodology for satisfactory condition. This review will be finalised for the 2015 external financial audit however current forecasting is based on preliminary findings of this review which indicate a 10% reduction in depreciation expense in 2015/16. Council has continued to apply a conservative approach to forecasts and has therefore made no future adjustments to depreciation expense in any other asset class. Council does however anticipate reasonable decreases across all asset classes. This assumption is further supported by the fact this level of adjustment would bring Council in line with currently reported State averages for depreciation expense.

Council has made no adjustment for the review of fees and charges, financing arrangements or process reviews, including procurement, given the outcome at this stage is not known with any degree of certainty, in particular the level of savings versus operational efficiency gains which will result.

Council has included FAGs in the calculation of Sustainability benchmarks however it is noted Council also meet the benchmarks when FAGs are excluded.

Adjustments have been made in relation to the increased revenue resulting from the review of business plans and the review of budget development practices. To date, Council has identified additional income when budgets are set in line with actual returns received to date: income from investments \$180K per annum and additional income from caravan park operations of \$20K per annum. Council's income from the CWLE is also based on 5% annual price increases in line with the current pricing path – this assumption is included in the base LTFP version.

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. Improve Council's operating performance; continue to decrease reliance on external funding; and ensure backlogs are funded to decrease over time	a) Full review of asset management practices and continue to integrate within LTFP	i) Review Asset Management Strategy ii) Review Asset Management Plans and Valuations in line with OLG valuation schedule	More accurate calculation of depreciation expense – anticipate substantial reductions in currently reported backlogs, depreciation expense and extended remaining useful lives due to condition assessment based approach	Operating Performance Ratio Building and Infrastructure Asset Renewal Ratio Infrastructure Backlog Ratio Efficiency Ratio

	<p>b) Improve operating results of commercial enterprises</p>	<p>i) Develop organisational policy for commercial enterprises to maximise returns</p> <p>ii) Review business plans including marketing strategies for all Council business units.</p>	<p>Maximise returns from commercial enterprise.</p> <p>Identify opportunities for additional entrepreneurial activities or other revenue streams within existing business activities.</p>	<p>Operating Performance Ratio</p> <p>Own Source Revenue Ratio</p> <p>Efficiency Ratio</p>
	<p>c) Comprehensive review of Fees and Charges</p>	<p>i) Review methodology behind existing Fees and Charges to determine level of cost recovery</p> <p>ii) Identify opportunities to raise revenues for services currently</p>	<p>Maximise revenues</p> <p>Ensure any level of subsidisation is a conscious, transparent and equitable decision of Council</p>	<p>Operating Performance Ratio</p> <p>Own Source Revenue Ratio</p> <p>Efficiency Ratio</p>

		provided at no charge.		
	d) Continue Procurement Roadmap project	i) Develop new Procurement model and procedures ii) Training and Contract Management development iii). Planning and new contract development	Improved probity Streamline processes Dollar savings on items procured	Operating Performance Ratio Building and Infrastructure Asset Renewal Ratio Efficiency Ratio
	e) Review current financing arrangements	i) Review current financing arrangements and identify opportunities for long term financing savings through re-	Identify savings Ensure best value for Council and that internal borrowings are representative of opportunity costs	Operating Performance Ratio Debt Service Ratio Efficiency Ratio

		<p>financing and/or internal borrowing opportunities</p> <p>ii) Develop policy and procedure for internal borrowings</p>		
	f) Review and refine budget development process	<p>Will incorporate two separate projects:</p> <p>i) Review basis for operational revenue and expenditure forecasts</p> <p>ii) Develop a policy and procedure for the review and assessment of capital works projects including the assessment of</p>	<p>Accurately reflect forecasted revenues and expenditures with any savings allocated to infrastructure, services and other community needs.</p> <p>Ensure loan funds and SRV's are included in the assessment process for funding of infrastructure projects including asset renewals.</p>	<p>Operating Performance Ratio</p> <p>Building and Infrastructure Asset Renewal Ratio</p> <p>Efficiency ratio</p>

funding sources to include debt and SRVs to ensure most appropriate funding is accessed.

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's key strategies in the 2016-2020 period are designed to ensure the infrastructure backlog and works required to restore assets to a satisfactory condition are stated accurately; that Council's assessment of projects incorporates a review of funding options to ensure projects are funded from the most optimal and appropriate source; that Council's infrastructure is fit for purpose; and service levels are both appropriate and in line with the community's expectations and needs.

The review of asset management plans will ensure plans are updated to reflect revised methodologies and condition assessments and ensure that capital works programs are accurate, integrated within the Long Term Financial Plan and funded appropriately.

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

Preliminary figures resulting from the work on Special Schedule 7 in preparation for the external financial audit for the year ending 30 June 2015 have identified a decrease in the infrastructure backlog of \$4.671M to \$2.169M. Council has used this figure in forecasting benchmark ratios, together with the preliminary findings for rates of reduction of renewals.

Council has identified current asset management plans have not all been integrated within the Long Term Financial Plan. Council has made a forecasting assumption that current capital spend on infrastructure will be maintained, allowing for CPI increases. The Long Term Financial Plan will be revised as information becomes available, to reflect the need for any additional spending, including debt or other funding required, as part of this process.

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. Ensure infrastructure is fit for purpose and service levels are appropriate and delivered.	a) Full review of asset management practices and continue to integrate within LTFP	i) Review Asset Management Strategy ii) Review Asset Management Plans and valuations in line with OLG valuation schedule	Ensure service levels are reflective of community needs More accurate calculation of depreciation expense – anticipate substantial reductions in currently reported backlogs, depreciation expense and extended remaining useful lives due to	Building and Infrastructure Asset Renewal Ratio Infrastructure Backlog Ratio Efficiency Ratio

condition
assessment based
approach

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.

As identified in the above Sustainability section a number of strategies have been put in place which will also impact on the Efficiency Ratio. In addition to these process reviews, including procurement, the review of the Community Strategic Plan is expected to realise operational efficiencies, in particular service improvements. Council anticipates identifying a better way of doing business across all processes as many have not changed to benefit from changing technology. For example, Council's procurement process remains highly manual despite having the technology in place to streamline and computerise the process.

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

Council's assumptions within the financial modelling for the Efficiency ratio are reflected through those adjustments outlined in the Sustainability and Infrastructure and Service Management sections. There have been no adjustments for savings as an outcome of the process reviews as these are too uncertain at this early stage. Preliminary enquiries with process review consultants have indicated a minimum of 5% of savings could be realised across operational expenditure items however Council takes a conservative approach to budgets and forecasts and will update these once savings levels are more certain. This decision is also in acknowledgement of the fact not all reviews will result in dollar savings and there will likely be efficiency gains resulting in service improvements and productivity. Council is currently looking to cease increasing operational expenditure by CPI (excluding external items such as electricity and insurance) and absorbing these to drive efficiency. This will be assessed as part of the review of the 2016/17 budget.

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.	a) Continue organisation wide service and process review	i) Continue to implement the Functional Review recommendations. ii) Undertake a staged process review across the organisation.	Identify savings Identify revenue opportunities Realise operational efficiencies Improved service delivery	Operating Performance Ratio Own Source Revenue Ratio
	b) Continue Procurement Roadmap project	i) Develop new Procurement model and	Improved probity Streamline	Operating Performance Ratio

		<p>procedures</p> <p>ii) Training and Contract Management Development</p> <p>iii). Planning and new contract development</p>	<p>processes</p> <p>Dollar savings on items procured</p>	<p>Building and Infrastructure Asset Renewal Ratio</p> <p>Efficiency Ratio</p>
	<p>c) Review of Community Strategic Plan</p>	<p>i) Undertake review of Community Strategic Plan</p> <p>ii) Undertake community survey to assess progress against objectives and set baseline for new Council term</p>	<p>Ensure Council objectives remain in line with community expectations</p> <p>Measure success of delivery of objectives to date and set baseline for next Council term</p>	

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. Complete Roads, Bridges, Footpaths, Stormwater Drainage and related infrastructure valuations.	Valuation incorporated within financial reporting.
2. Finalise review of Roads, Bridges, Footpaths, Stormwater Drainage and related infrastructure Asset Management Plan and integration within Long Term Financial Plan.	Reviewed Plan adopted by Council and integrated with LTFP.
3. Finalise review of Community Land and other assets Asset Management Plan and integration with Long Term Financial Plan.	Reviewed Plan adopted by Council and integrated with LTFP.
4. Finalise valuation of Community Land and other assets and land improvements.	Valuation incorporated within financial reporting.

5. Develop organisational policy for commercial enterprises.	Policy adopted by Council to inform business plans and proposal assessments.
6. Review CWLE Business Plan.	Business plan adopted by Council.
7. Commence development of business plan for caravan park.	Draft document developed.
8. Commence operational plans for community facilities beginning with Forbes Town Olympic Pool.	Draft document developed.
9. Each department undertake review of one section of departmental fees and charges – progress through two sections per year each year following.	4 reviewed sections in the 2016/17 fees and charges.
10. Commence organisation wide process review.	Schedule of process reviewed developed and first round commenced.
11. Develop new procurement model and procedures.	Model and procedures adopted by Council via Audit Committee.

12. Review model for operational revenue and expenditure forecasts.	Long term financial plan incorporates new model for forecasting.
13. Implement Contract and Project Management review recommendations.	Frameworks adopted by Council via Audit Committee.
14. Develop plan for the review of the Community Strategic Plan.	Plan developed.
* Refer Appendix 8 for detailed action plan and supporting financial modelling	

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

The foundation of Council's Action Plan is the Community Strategic Plan 2013-2023. The Community Strategic Plan was developed and adopted in 2012 after extensive community and internal consultation during 2011 and 2012. The development of and progress through the resultant Delivery Program has also informed the Action Plan with most actions already embedded within the Delivery Program as necessary to achieve community objectives. Council has also been mindful of addressing the outcomes of both the TCorp financial sustainability review and the NSW Department of Local Government Infrastructure review when developing the Action Plan as well as with the Operational Plans compiled since the release of the reports from the reviews.

Each year Councillors and Executive Staff work through budget and Operational Plan reviews including interactive workshops and formal reports to ensure the planned actions remain in line with achieving the objectives of the Community Strategic Plan and in improving the sustainability of Council. Councillors and Executive Staff this year participated in additional workshops to work through development of Council's Improvement Plan and the development of the Fit for the Future submission content specifically.

Council has held two public meetings incorporating formal presentations and the provision of factsheets as well as provided information on the website, issued media releases and included information and updates in regular communication channels such as weekly 'What's On' email, Facebook posts, shire radio updates and numerous radio and press interviews. These actions have served to consult with and inform the community regarding the development of this submission, including plans to improve Council's performance generally and specifically to achieve the Fit for the Future benchmarks.

Council's Improvement Plan will continue to evolve as strategic plans mature and progress is made through the strategies and actions. It is logically assumed that progress will identify further opportunities for improvement and these will be assessed and strategies developed to address them as they arise.

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.

As noted in section 1.2 Scale and Capacity, FSC and WSC together critically assessed the potential merger with agreement that a merger would not be of benefit to either community.

FSC has had numerous representations from the “Eugowra Steering Committee for Shire Boundary Change” (the Committee) regarding the Committee’s goal for Eugowra (currently within the Cabonne LGA) to become part of the Forbes LGA. The Committee has also made representations regarding this objective to the Minister for Local Government, The Hon. Paul Toole MP. The Committee has identified there is a community of interest between Forbes and Eugowra dating back to the gold rush era of the 19th Century, with many Eugowra residents utilising the medical, educational and retail facilities in Forbes, including the CWLE facility. Part of the wider Eugowra district is located within the Forbes LGA. Both areas lie within the Lachlan River valley creating a commonality of interest in primary production and approaches to flood mitigation and town planning issues. Forbes is only 36 kilometres from Eugowra, making Eugowra closer to Forbes than it is to any other town in the existing Cabonne LGA, with the exception of Canowindra (refer letter attached in Appendix 7).

Again, in the interests of investigating options to ensure the best outcome for the Forbes community, FSC has discussed the possibility of boundary change to include the Eugowra district within the Forbes LGA with Cabonne Shire Council (CSC), however neither party were able to agree on a mutually beneficial boundary adjustment. FSC is open to investigating this option should the circumstances allow in the future, acknowledging the communities of interest and growth in population may enhance FSC’s capacity to improve on its already ‘fit’ status. Copies of the relevant correspondence have been attached at Appendix 7.

Council has not pursued a Special Rate Variation nor does it plan to pursue further debt to fund any currently identified infrastructure works at this point in time. Council is however open to considering these funding options in the future and will include this within assessments of capital projects and works programs as progress is made through refining current asset management plans and improving integration with long term financial plans.

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)	-8.48%	-8.37%	-4.34%	-0.44%	-0.21%	0.79%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83.04%	83.98%	85.72%	84.81%	85.92%	86.21%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	48.15%	58.87%	55.04%	56.25%	46.58%	46.73	No
Infrastructure Backlog Ratio (Less than 2%)	1.59%	1.16%	0.73%	0.61%	0.51%	0.42%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	113.09%	126.88%	137.91%	134.05%	130.86%	129.64%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	8.64%	9.83%	11%	11%	11%	11%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	2.61	2.63	2.64	2.56	2.51	2.47	Yes

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

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

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

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	2.1%	3.0%	3.6%	4.4%	5.6%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	85%	86%	86%	86%	86%	Yes

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

Excluding FAGs:

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Own Source Revenue Ratio (Greater than 60% average over 3 years)	68.43%	68.88%	69.27%	69.50%	69.74%	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.

Implementation of FSC's Improvement Action Plan will see six of the seven Fit for the Future benchmarks met by 2019/20. As noted in section 2.3, Council does not currently meet the Building and Infrastructure Asset Renewal Ratio, and forecasting shows this ratio remaining relatively static into the future. Council has reviewed classification methodologies to ensure renewal data is captured and more accurately defined and notes there is further work to be done in this area. Remaining useful life and condition assessment data refinement across asset classes may also improve this ratio more significantly than anticipated.

Council is in the process of reviewing current asset management plans and updating them to reflect current methodologies and condition assessment reviews. FSC's current inability to meet this benchmark is a reflection of the satisfactory condition of most general fund assets and the considerable maintenance regime which has resulted in Council's lower renewal spend. The expenditure on renewals required to meet this benchmark is not required to meet the satisfactory condition necessary to meet community service levels. This is not due to low condition requirements rather a good, well maintained asset base. Again it is acknowledged that further work on the classification of what is defined as renewals and maintenance may see this change.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Responsibility for the implementation of Council's Improvement Action Plan will rest with Councillors and the General Manager. Council's Improvement Plan is largely embedded into the Operational Plan and the annual review process will see it fully incorporated within the Integrated Planning and Reporting suite of planning documents. As such, Council will report on progress of the Improvement Action Plan to the community through the standing quarterly reports in the Council business papers and ultimately through the Annual Report. In addition to this, the implementation of the Improvement Action Plan will also become a standing agenda item for the Audit Committee to ensure progress is maintained and outcomes achieved. The Audit Committee minutes are also reported to Council.

Council will develop a communication strategy to more effectively engage with the community to keep them informed of Council's sustainability and improvement progress. This may include a combination of information sessions, factsheets and summary report cards. Council has utilised report cards in the past to communicate annual achievements and progress to the community.

Council would be open to reporting progress to the Office of Local Government.

Appendices

Appendix 1	Weddin Shire Council – merger correspondence
Appendix 2	Scale and Capacity
Appendix 3	Community Strategic Plan 2013-2023
Appendix 4	Community Survey November 2014
Appendix 5	Strategic Business Plan Water and Sewerage and Triple Bottom Line Reports
Appendix 6	Water and Sewer 30-year Capital Works Programs
Appendix 7	Cabonne Shire Council – boundary change correspondence
Appendix 8	Detailed Action Plan including Long Term Financial Plan