

## Template 2

Fit for the **Future**

# 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:**

**OBERON COUNCIL**

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**Date of Council resolution endorsing  
this submission:**

**25 JUNE 2015**

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## **1.1 Executive Summary**

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

Oberon Council considers that local representation is important to communities and believes that “bigger is not necessarily better”. Council is proud to be recognised as a small and efficient rural Council.

This improvement proposal demonstrates that we are Fit for the Future as we will achieve most of the benchmarks by 2019/2020. We will achieve these by increasing our own source revenue, decreasing our infrastructure backlog and improving efficiency.

We are proud that Oberon is one of the best served small communities in NSW and we have strong community support that our governance structure remains local and efficient.

Our community supported a Special Rate Variation to assist us in funding improvements to our road network and other community assets. In the determination IPART recognised that Council had not previously applied for an increase above the Rate Peg and that the proposed rate increases were affordable to the community.

We applied successfully for two Round Three Local Infrastructure Renewal Schemes totalling \$5m to go toward our infrastructure backlog. The 10 year low interest loans with a 3% NSW Government subsidy represents good financial management.

We undertake resource sharing activities with our neighbours where the benefits of economies of scale exist. We are a strong supporter of the Joint Organisation concept, and have been a long time active member of the Centroc Regional Organisation of Council's. As a smaller Council we believe we receive great benefit as a member, through networking opportunities and the economies of scale that exist with the larger member Councils. We have participated in regional procurement projects where we receive a financial benefit associated with group buying power. We also participate in networking groups including Information Technology, Human Resources, Workplace Health and Safety and Risk Management, Supply Team, Water Utilities Alliance and Corporate Services.

By becoming Fit for the Future we will also access the cheaper financing arrangements available and fund projects which would take a decade or more to complete.

Our improvement strategy includes work on best practice for procurement, regional collaboration and continuing to be competitive for Roads Maintenance Council Contracts. We will undertake economic development initiatives to market and promote development opportunities within the Oberon LGA.

We will address our Infrastructure Backlogs and Asset Management activity with the Elected Council prioritising Works Programs and we will seek additional funding for the Tablelands Way tourist and transport freight route which we consider to be eligible for future Black Spot funding.

There is a commitment to continue the process of improving our work practices and providing efficient services to our community. We will continue reviewing our service standards across all areas of Council operations.

It is planned that the number of Elected Councillors be reduced from nine to seven and that through our Community Engagement Strategy we will ensure effective representation is available to all persons in our community.

**ATTACHMENT 1 – Joint Media Release and Council Media Articles**

## 1.2 Scale and Capacity

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

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

### **Yes / No – OUR ANSWER IS 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 determination by the Independent Local Government Review Panel for Oberon Council's Scale and Capacity was listed as one of two options, either a Council in the Central West Joint Organisation or merge with Bathurst Regional Council.

Our community is clearly of the view that they cannot be better served than by an independent, efficient local Council.

Our Council believes that an improvement proposal as a standalone Council is the most constructive strategy for our community.

## 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 Oberon Local Government Area is located adjacent to the Blue Mountains of NSW on the Great Dividing Range, 196km west (two-hour drive) of Sydney. Much of the area is considered to be sub-alpine with the town of Oberon 1,113 metres above sea level.

Our LGA Council neighbours are Bathurst Regional, Blue Mountains City, Upper Lachlan Shire, Lithgow City and Wollondilly Shire. Within our LGA are the town of Oberon and the villages of Black Springs, Burruga, Edith, Mount David and O'Connell. Jenolan Caves is also located in our LGA.

The population of the LGA in 2011 was 5,207 with a projection of 5,400 at 2031. Oberon Council does not agree with the current Department of Planning population projections which are based on data collected during the time when the Rural Lands SEPP 2008 stifled the potential for rural growth (i.e. hobby farms). The Oberon LGA currently has a high percentage (28%) of absentee landowners who are not included in our population statistics. Also the transient population of seasonal workers in forestry, agriculture and manufacturing associated with the timber industry is not recognised.

The Oberon Local Environmental Plan 2013 was made on 20 December 2013, replacing the 1998 LEP. Oberon township and villages now have the ability to expand the urban residential areas by virtue of the new LEP and this provides real opportunity for growth and an increase in population in our LGA. This has been demonstrated with the significant growth in subdivision applications since the new LEP came into being with one major development application in Oberon proposing 250 residential lots as well as significant growth in rural lifestyle properties and increased demand for industrial land. This growth in development opportunity as well as new jobs created through various sectors including Aged Care, further expansion of the Timber Manufacturing sector and Mining in the Burruga area will see our population increase at a much faster rate than current projections.

The community is well serviced by education assets and medical professionals. In May 2015 a 66 bed Aged Care facility opened in Oberon, providing much needed aged care for the local community. This was a project initiated by Oberon Council over 10 years ago. Oberon Council acquired the land, prepared a development application with approval for a facility and sought an Aged Service Provider to “build and manage” the facility (independent of Council). This has been a very positive outcome for our community.

Our road network has competing needs to service residents, visitors, and local industry. The transport of timber is dependent upon the areas being harvested, where all roads lead to the Oberon Timber Complex. When the timber is processed through multiple manufacturing processes it is then freighted from the Complex in all directions. This heavy haulage causes damage that presents a challenge to effectively maintain our local road network. Our cool climate, with periods of snow also presents some challenges particularly with road maintenance and construction, combined with high rainfall and mountainous terrain.

There is a strong community in the town of Oberon, with the timber industry, pine forest plantations, rural farming, lifestyle and retirement options. Oberon has low unemployment, above average annual incomes for similar Group 10 Council's, strong growth and a thriving economy underpinned by the State Significant timber industry.

## 2.2 Key challenges and opportunities

**For this exercise we have correlated the SWOT analysis against the criteria**

**S = sustainability    I = infrastructure & service management    E = efficiency**

STRENGTHS		WEAKNESSES	
<ul style="list-style-type: none"> <li>• Low unemployment</li> <li>• Strong existing industry</li> <li>• Location – proximity to regional and city centres</li> <li>• 2.5 hours drive to Sydney</li> <li>• Active member of Central West Joint Organisation</li> <li>• New LEP – providing residential growth</li> <li>• Good water supply from Oberon Dam (State Water)</li> <li>• Recreational water activity on Lake Oberon</li> <li>• Excellent community infrastructure – recreational, sporting and cultural</li> <li>• High level of community volunteers</li> <li>• Affordable land and housing</li> <li>• Cool climate in “sub-alpine” region</li> <li>• Quality of life, rural country lifestyle</li> <li>• Safe community and excellent emergency services</li> <li>• High quality aged care, health &amp; medical services</li> <li>• Council’s low debt and ability to borrow</li> <li>• Strong Council identity</li> </ul>	<ul style="list-style-type: none"> <li>S</li> <li>S</li> <li>I</li> <li>I</li> <li>E</li> <li>S</li> <li>S</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>S</li> <li>S &amp; I</li> </ul>	<ul style="list-style-type: none"> <li>• Large areas of non-rateable land</li> <li>• Migration of young adults to larger centres</li> <li>• Infrastructure backlog</li> <li>• Road maintenance issues – climate &amp; environmental</li> <li>• Lack of rail transport links</li> <li>• Communication &amp; technology blackspots</li> <li>• Shortage of rental properties</li> <li>• Population growth</li> <li>• Absentee ratepayers not included in population data</li> </ul>	<ul style="list-style-type: none"> <li>E</li> <li>S</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>I</li> <li>S</li> <li>S</li> </ul>



**For this exercise we have correlated the SWOT analysis against the criteria**

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OPPORTUNITIES		THREATS	
<ul style="list-style-type: none"> <li>• Tourism potential               <ul style="list-style-type: none"> <li>○ Mayfield Garden</li> <li>○ Jenolan Caves</li> <li>○ Kanangra Boyd National Park</li> <li>○ Highland Steam and Vintage Fair</li> <li>○ The Tablelands Way Tourist Route</li> <li>○ Daffodil Festival</li> </ul> </li> <li>• Diversify economic base, opportunity for growth of alternate industries including:               <ul style="list-style-type: none"> <li>○ Mining potential</li> <li>○ Alternate energy – Windfarms</li> </ul> </li> <li>• Expansion/demand for Aged Care</li> <li>• Farming innovation (boutique producers)</li> <li>• Sufficient water allocation for increased demand</li> <li>• Heritage and brand 'OBERON'</li> <li>• New LEP and mix of residential and rural/residential</li> <li>• Availability of cheaper residential land</li> <li>• Availability of cheaper industrial land</li> <li>• Communications – NBN</li> <li>• Oberon Youth Council</li> <li>• Increased resource sharing opportunities with neighbouring Councils and regional collaboration</li> <li>• Access to Innovation Fund</li> </ul>	<p>S</p> <p>S</p> <p>I</p> <p>S</p> <p>S</p> <p>S</p> <p>S &amp; I</p> <p>I</p> <p>I</p> <p>I</p> <p>E</p> <p>E</p>	<ul style="list-style-type: none"> <li>• State and Federal funding</li> <li>• Competing local priorities – insufficient funding</li> <li>• Deteriorating roads, local and state</li> <li>• Inaccurate population data and forecasts</li> <li>• Changes in Government policies (and funding)</li> <li>• Cost shifting from other levels of Government onto Local Government</li> <li>• Decline in the rural economy</li> <li>• Reliance on timber industries</li> <li>• Council amalgamations – loss of local identity</li> </ul>	<p>S</p> <p>S &amp; I</p> <p>I</p> <p>S</p> <p>S</p> <p>E</p> <p>S</p> <p>S</p> <p>S &amp; I</p>

## 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)	0.025 with 3 year average of 0.039	Yes	(0.048) with 3 year average of (0.048) to 2017/18	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	67.7 with 3 year average of 58.9	No	55.1 with 3 year average of 56.6 to 2017/18	No Yes from 2020/2021
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	125.3 with 3 year average of 128.9	Yes	167.8 with 3 year average of 157.6 to 2017/18	Yes

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

*For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.*

OPERATING PERFORMANCE RATIO = Not Achieved, but very small numbers.

OWN SOURCE REVENUE = Not Achieved, see comment below (our Improvement Strategy sees this being achieved in 2020/21)

The high level of 67.7% achieved in 2013/2014 was due to a one-off Private Works Project which provided additional income of around \$850k. Our Improvement Strategy predicts this ratio to be achieved through a Special Rate Variation, which was approved by IPART in May 2015 for the 5 year period ending 2020/2021. In 2019/20 the ratio is 58.0% up from 53.5% in 2015/16. This improvement is achieved, mainly through the SVR. In 2017/2018 the ratio is 60.3% and in 2020/21 the ratio is 60.2%.

BUILDING AND INFRASTRUCTURE ASSET RENEWAL = Achieved

## 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%)	Estimate 12.15% (estimate based on 2014/15 data)	No	8.49% With a 3 year average of 9.1% to 2017/18	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	100.3 with 3 year average of 83.4	No	129.4% with a 3 year average of 120.7% to 2017/18	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.0 with 3 year average of 0.0	No	5.97% with a 3 year average of 4.43% to 2017/18	Yes

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

INFRASTRUCTURE BACKLOG RATIO = not achieved, however will be achieved in 2022/2023. Council will be using the SRV and LIRS, as well as other appropriate grant funding, to significantly reduce the infrastructure backlog.

ASSET MAINTENANCE RATIO = Achieved

DEBT SERVICE RATIO = Achieved

## 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> A decrease in Real Operating Expenditure per capita over time	1.82	Yes	1.98	Yes

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

REAL OPERATING EXPENDITURE PER CAPITA = Achieved

## 2.4 Water utility performance

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

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

**Yes / No – OUR ANSWER IS YES**

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

Our Strategic Business Plan (SBP) for Water Supply and Sewerage Services was completed in 2013 and noted compliance with the Best Practice Guidelines.

It was highlighted, however, that the Developer Servicing Plans for both Water and Sewer are currently under review. Through the Centroc Water Utilities Alliance this is currently being completed by HydroScience Strategic Water Solutions and is expected to be completed by end of August 2015.

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

The accumulated infrastructure backlog for Water Assets is \$3.82m (pg. 9 SBP)

The accumulated infrastructure backlog for Sewer Assets is \$6.11m (pg. 13 SBP)

## 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
<b>Water Capital Works Program</b> <ul style="list-style-type: none"> <li>Water Mains Reticulation</li> <li>Water Reservoirs</li> <li>Water Treatment Carbon Filters</li> <li>Domestic Meter Replacement</li> <li>Water Testing Equipment</li> <li>Drought Emergency Bore</li> <li>Fluoridation System</li> </ul>	2016-17 2016-17 2016-17 2016-17 & 2017-18 2017-18 2017-18 2018-19	\$162,000 \$ 81,000 \$216,000 \$162,000 \$162,000 \$108,000 \$269,000	100% of capital costs by NSW Government
<b>Sewer Capital Works Program</b> <ul style="list-style-type: none"> <li>Trickling Filter</li> <li>Sewer Manholes</li> <li>Submersible Pump</li> <li>Preliminary Treatment</li> </ul>	2016-17 2016-17 to 2019-20 2016-17 2017-18	\$539,000 \$216,000 \$345,000 \$108,000	

## 2.4 Water utility performance

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

**Yes / No - OUR ANSWER IS NO**

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

In the 2013-14 NSW Water Supply and Sewerage Performance Monitoring Report, Oberon Council was ranked 83 out the 105 Local Water Utilities (LWU's) and the four Metropolitan Utilities.

In 2011, Oberon Council was successful in obtaining a water allocation increase from 750MI to 1064MI to facilitate further growth in residential and industry through the State Water operated Fish River Water Supply Scheme which supplies water from Oberon Dam. We currently use around 60% of our allocation; however we pay for the unused allocation. At the same time we implemented Water Restrictions during a prolonged period of drought, which had a negative impact on our income. Local industries also became more water efficient, utilising new technologies to achieve water re-use.

In our 2013 Strategic Business Plan for Water Supply and Sewerage Services it was noted that Oberon Council had adopted a two part Water Supply Tariff Structure comprising an access charge and a usage charge for all types of customers. Since 2012 we have adopted rate increases of 10% annually for Water Supply and 15% for Sewer in order to achieve a sustainable level of service for our Water and Sewer utilities.

We forecast to break even by 2018/19. Local control and efficiencies have driven this improvement. Capital upgrades are continual and scheduled as part of our improvement strategy as well as increasing revenues.

**ATTACHMENT 2 – copy of Strategic Business Plan for Water Supply & Sewerage Services**



## 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. Implement objectives and actions within the Strategic Business Plan <ul style="list-style-type: none"> <li>• Levels of service</li> <li>• Sewer load management</li> <li>• Demand management</li> <li>• Drought management</li> <li>• Service pricing</li> <li>• Customer relations</li> <li>• Community involvement</li> <li>• Environmental protection and sustainable development</li> <li>• Asset management – operations, maintenance</li> </ul>	See Strategic Business Plan	See Strategic Business Plan
2. Review of Developer Servicing Plan	August 2015	Implementation of new cost strategy
3. Increase revenue streams by raising water access charge by 10% and water usage charge to \$2.65 in line with Best Practice Guidelines for Water and Sewer benchmarks	2015/16 Operational Plan	Overall revenue increased by 15%

4. Increase Sewer Access Charges in line with Best Practice Guidelines for Water and Sewer benchmarks	2015/16 Operational Plan	Overall revenue increased by 15%
5. Review of Liquid Trade Waste – Commercial and Industrial focus	October 2015	Increased revenue for break even sewer operations

## 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.

In the March 2013 NSW Treasury (TCORP) Financial Assessment, Sustainability and Benchmarking Report for Oberon Council it was noted that Council has been well managed over the review period based on the following observations:

- Council had reported marginal operating deficits, excluding capital grants and contributions, in three of the past four years
- Council's underlying operating performance had increased from \$2.1m in 2009 to \$3.3m in 2012
- the majority of Council's performance indicators were above benchmark over the review period and improved in 2012
- Council's Own Source Revenue Ratio has been slightly below benchmark each year of the review period indicating Council is reliant on external sources of revenue.

In addition TCORP noted that Oberon Council reported \$16.1m of Infrastructure Backlog in 2012 which represents 13.3% of our Infrastructure Assets valued at \$120.9m. Other observations included:

- Council's Infrastructure Backlog value increased from \$9.7m in 2009 to \$16.1m in 2012
- the majority of the Backlog (87%) relates to public roads, which increased from \$5.2m in 2009 to \$14.0m in 2012, following the Asset Revaluations process
- based on benchmark ratios Council appears to be underspending the required amount to maintain assets at a satisfactory level

TCORP did note that Oberon Council has the capacity to undertake additional borrowings of up to \$11.9m.

In the April 2013 TCORP publication "Financial Sustainability of the NSW Local Government Sector – Findings, Recommendation and Analysis", Oberon Council was noted as SOUND for its Financial Sustainability Rating better than 77.6% of all NSW Local Councils.

In considering the June 2013 Local Government Infrastructure Audit Report (issued by the then Division of Local Government), Oberon Council has initiated three of the key recommendations:

- using debt to help address backlog issues
- making an application for Local Infrastructure Renewal Scheme funding for backlog projects
- making an application for a Special Rate Variation for addressing backlog issues

Oberon Council accepted a Round Three LIRS Project of \$1.6m in 2014/15, with a loan over 10 years. A second LIRS Project of \$3.4m will commence in 2015/16, again with a loan over 10 years. Both loans attract a 3% subsidy and will be used to fund backlog works. This injection of \$5m on our local road network will significantly reduce our infrastructure backlog within the next three years with works to be completed by 2017/18.

Oberon Council was successful in an application for a SRV commencing 2015/16 for 5 years. This will generate additional revenue of \$2.27m above the assumed rate peg limit during this period. This additional income generated from the SRV above the assumed rate peg increases over the next 10 years will inject a further \$6.5m for infrastructure maintenance and renewal.

These above initiatives will have a positive impact on the future Sustainability of Oberon Council, and will improve the performance against the three sustainability benchmarks.

In addition, as a designated Fit for the Future Council, we will have the ability to access cheaper financing from NSW Treasury for identified projects to assist in building and maintaining community facilities.

With a new LEP now in place we consider we are well placed to achieve an increase in population in excess of current predictions. There has been significant growth in subdivision applications with one proposal for 250 residential lots as well as significant growth in rural lifestyle properties and increased demand for industrial land. This growth in development opportunity as well as new jobs created through various sectors including Aged Care, further expansion of the Timber Manufacturing sector and Mining in the Burruga area will see our population increase at a much faster rate than current projections.

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 Special Rate Variation approved by IPART from 2015/16 provides a cumulative increase of 39.4% which is 24.15% more than the assumed rate peg increase over the period up to 2019/20. The increase after 2019/20 will remain in our Rate Base. The purpose of the SRV is to improve asset management, upgrade major road freight routes, reduce infrastructure backlogs, fund interest payments of the Local Infrastructure Renewal (LIRS) loan and improve our financial sustainability.

We estimate that the SRV will increase general rate income from \$3.33m to \$4.65m by 2019/20. This will generate additional revenue of \$2.27m above the assumed rate peg increases during this five year period.

In summary, we will use the additional income generated from the SRV on the following major works/projects, during the next 10 years:

Road Maintenance \$1.13m    Grading on Unsealed Roads \$460k    Road Renewals/Backlogs \$2.46m    Freight Routes \$2.45m

Oberon Council was successful in an application for a Round Three LIRS Funding, which provided a 3% subsidy on a 10 year loan. The \$1.6m Project commenced in January 2015 and will be completed in July 2015. Interest for the 10 year loan was secured at 4.41%.

In early June 2015 a further offer was received for another LIRS Project of \$3.4m, also with a 3% subsidy on a 10 year loan. Indicative interest is at 4.4%. This Project will address the infrastructure backlog on the rural road network.

We have assumed the current level of State and Federal funding will continue; this includes FAGS, Roads to Recovery and Fixing Country Roads Program. We also assume that the current Roads Maintenance Council Contracts (RMCC) will remain in place, with possible extensions to the existing agreement.

We have included our capital program for water and sewerage based upon the Strategic Business Plan for Water Supply and Sewerage Services which has been developed in conjunction with NSW Public Works, NSW Dept. Health, NSW Office of Water and Oberon Council.

As a member of the Centroc Water Utilities Alliance we have also undertaken a Developer Servicing Plan review with the engagement of an external consultant. We benefit from membership through successful grant applications, such as the Community Energy Efficiency Program where we received \$100,000 grant on a dollar for dollar basis to carry out a sewer relining project to reduce water inflows into the system.

## 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. Improvement in Own Source Revenue	Increase Own Source Revenue with a Special Rate Variation	Special Rate Variation in place from 1 July 2015  Annual Reporting as required by IPART	SRV be applied to road infrastructure in accordance with CSP  Included in Annual Report plus Schedule 9 of the Financial Statements	Positive impact on Infrastructure Backlog Ratio AND Asset Management Ratio
2. Increase Own Source Revenue other than through an SRV	Lobby for review of Rating Structure to address large areas of non-rateable land  Collaborate with similar Councils with impacts from timber industry	Meeting with key Ministers arranged through Local MP  Seek assistance from others including National Timber Council and Central West JO to lobby	Recognition and/or funding for local roads due to use by Govt. Agencies e.g. Forests NSW, NPWS  Rate review to provide additional revenue	Positive impact on Infrastructure Backlog Ratio AND Asset Management Ratio

<p>3. Increase Debt through Loan Borrowings</p>	<p>Use of debt for capital projects</p> <p>LIRS – Drainage and Gravel Resheeting Local Rural Roads</p>	<p>Council decision to seek loans for specific purposes</p> <p>Commencement of project during 2015/16 through to 2017/18</p>	<p>Access cheaper financing through Treasury once deemed FFTF</p> <p>Accelerated improvement to local Rural Road network</p>	<p>Will impact on Debt Service Ratio</p> <p>Positive impact on Infrastructure Backlog Ratio</p>
<p>4. Achieve cost savings through improved procurement practices</p>	<p>Implementation of best practice in procurement</p> <p>More effective regional collaboration for procurement</p>	<p>Development of Arc Blue Procurement Roadmap during 2014/15</p> <p>Implementation of Procurement Action Plan strategies and policies (2015/16)</p> <p>Monitoring and review at regular intervals - quarterly</p> <p>Commitment for partnering with neighbouring councils for procurement projects – before December 2015</p>	<p>Demonstrated cost savings</p> <p>Documented policies and procedures</p> <p>Documentation updated as required</p> <p>Demonstrated cost savings in procurement</p>	<p>Positive impact in Real Operating Expenditure per capita</p> <p>Positive impact in Real Operating Expenditure per capita</p>



		Participating in Central West JO initiatives – review with CEO in December 2015	Active involvement in cost saving initiatives	Positive impact in Real Operating Expenditure per capita
5. Continuation of the Roads Maintenance Council Contract (RMCC) for State Roads	Maintain current Contract and seek extension beyond Millionth Acre for Jenolan Caves Road	<p>Annual Program is included in our Operational Plan</p> <p>Meetings held with RMS to seek extensions during 2015/16</p>	<p>Works planned and carried out according to RMCC</p> <p>Agreement reached on extension of RMCC for 2016/17 and beyond</p>	
6. Pursue grant funding	Attain grant funding for specific projects	<p>Each month identify specific projects where grant funding is available</p> <p>Council makes decision to apply</p>	<p>Council accepts and includes project in Operational Plan</p> <p>Project commenced using grant funds</p>	Positive impact on Asset Management Ratio for identified projects
7. Pursue Economic Development opportunities	Market potential development opportunities	Promote development opportunities through forums such as Country and Regional Living Expo	<p>Increase in Development Applications lodged</p> <p>Increased population with new residents</p>	Positive impact on Real Operating Expenditure per capita

## 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.

This section follows on from the key strategies identified for 3.1 Sustainability, which included details on debt/borrowings, the Local Infrastructure Renewal Scheme, and Council's successful application for a Special Rate Variation.

Oberon is located 196km from Sydney and is 1,113m above sea level. Oberon has a sub-alpine climate for the months of June through September. Low day time temperatures during winter limit the ability to undertake capital improvements and road rehabilitation projects, as the climate does not suit these activities. Most maintenance activities are therefore undertaken during this period, and projects are held over until more suitable and favourable conditions exist.

The Special Rate Variation approved by IPART from 2015/16 provides a cumulative increase of 39.4% which is 24.15% more than the assumed rate peg increase over the period up to 2019/20. The increase after 2019/20 will remain in our Rate Base. The purpose of the SRV is to improve asset management, upgrade major road freight routes, reduce infrastructure backlogs, fund interest payments of the Local Infrastructure Renewal (LIRS) loan and improve our financial sustainability.

In particular, the injection of \$5m will have a significant impact on the road network infrastructure backlog from LIRS. The impact of the SRV will inject a further \$6.5m over a 10 year period directly allocated to local road infrastructure. This will continue to have a significant positive impact on improving road infrastructure. We will achieve the benchmark measure in 2022/2023.

The Tablelands Way tourist and transport route near our boundary with Upper Lachlan Shire Council crosses the Abercrombie River and the Abercrombie Hill has been identified as a high priority for funding. Through traffic accident data, particularly involving heavy haulage vehicles experiencing difficulty travelling in both directions due to the gradient of the road. We consider this is a Black Spot and will require substantial reconstruction and we intend to lobby for appropriate grant funding to undertake this work.

Upper Lachlan Shire Council has been successful in a NSW Government Grant under the Fixing Country Roads Program to replace the Bridge over the Abercrombie River and we will be engaged to complete work on the northern approach within the Oberon Council area.

As an active member of the Central West JO, Oberon Council has engaged in an effective relationship with the Centroc Water Utilities Alliance to implement best practice with our water and sewerage operations. This has achieved grant funding for specific projects, e.g. \$100,000 pipe relining to reduce inflows of water to our sewerage system in 2014/15.

We have maintained effective relationships with local Management from Forests NSW about their forward planning for harvesting activities which impacts on our local road network during high traffic volume periods. This gives us the ability to coordinate our own Works Program around harvest times.

Improvements created through the development of our IT Strategy facilitated through the Central West JO will deliver streamlined processes for internal management. Council has improved our online communications to complement the existing traditional community contact methods and will provide the facility for our community to make a range of transactions e.g. rating, applications and enquiries.

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

The Special Rate Variation approved for 2015/16 to 2019/20 provides a cumulative increase in the general rate income of 39.4%, which is 24.15% above the assumed rate peg. We will use the majority of the additional income of \$2.27m above the assumed rate peg, on improving asset management, upgrading major road freight routes and reducing our infrastructure backlog.

We also assume that when we are designated a Fit for the Future Council we will be able to access cheaper financing through the NSW Treasury to apply to as yet undetermined projects. This would be a task of the new Council after the September 2016 Elections.

With a low Debt Service Ratio we assume we will be able to fund capital road works projects from loan borrowing much earlier than if we were to allocate funding from other sources, and therefore continue to make improvements to our road network.

The applications for two successful LIRS projects will require loan repayments from 2014/15 to 2024/25, however with the existing 3% interest subsidies in place, additional loan borrowings to fund other projects is within our ability to service further debt.

The continued lobbying for additional funding to improve the Tablelands Way tourist and transport route, if successful will have an adverse effect on our Own Source Revenue ratio. This has been identified as a priority for funding.

With respect to Water Supply and Sewerage Services our relationship with the Centroc Water Utilities Alliance will continue to provide high level advocacy and technical assistance through the current networking arrangements.

## 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. Infrastructure Maintenance and Renewal	a) LIRS project - Mayfield Road upgrade  b) LIRS project - restoration and improved drainage on unsealed rural roads	Project expected completion July 2015  Commencement of work during 2015/16  Program submitted to Works Committee for inclusion in Operational Plan 2015/16, 2016/17 and 2017/18.	Complete bitumen seal of 4km missing section of Mayfield Rd  Work completed by 2017/18	
2. Asset Management	Review Asset Management Plan for accuracy and completeness	Acceptance of a revised Asset Management Plan and recommended implementation schedule	Works schedule is updated & reviewed on a quarterly basis in accordance with AMP recommendations	

3. Funding of roads infrastructure, maintenance and renewal through SRV	Included in Delivery Program and Operation Plan schedule of works to be completed	Operational Plan 2015/16 reflects Works Committee priority for roads  Annual Reporting to IPART	Reduced road infrastructure backlog  Improved Asset Management of road network	
4. Borrowings	Cheaper financing through NSW Treasury once Council is deemed to be FFTF	Council to consider areas where debt can be used to improve benchmark measures	Reduce cost of borrowings  Potential to bring forward new Capital Works projects	
5. Internal Audit	Continue internal audit of operations and management through current alliance with Lithgow City Council	Identify areas and scope for Internal Audit	Consideration and implementation of recommendations from Internal Auditor Grant Thornton	
6. Major improvement work on The Tablelands Way tourism and transport freight route	Lobby for significant funding to improve Abercrombie Hill adjacent to boundary with Upper Lachlan Shire Council	Collaboration with Upper Lachlan Shire Council  Meetings held with relevant agencies	Agreement with ULSC and JO to coordinate lobbying activity  Funding committed to project by State and Federal agencies	Possible impact on Own Source Revenue due to successful grant

### 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.

Our Council will continue to be an active member of the Central West Joint Organisation. We have achieved grant funding, cost savings and efficiencies by our involvement. We recognise the benefits and opportunities available through regional collaboration and will continue to be an active member of the joint organisation.

We have implemented resource sharing initiatives with neighbouring Councils to achieve cost savings and efficiencies. Recent examples of collaboration include Food Premises Inspection training and shared Internal Audit Committee. We will continue to seek opportunities to partner in resource sharing to achieve cost savings.

Oberon Council will apply to access the Innovation Fund which is available to smaller Council's with populations under 10,000. These funds will be used to partner with a larger Council to develop new ways of working and to improve performance and service delivery to benefit our community.

We have participated in the NSW Local Government Operational and Management Effectiveness Survey conducted by PwC and coordinated by Local Government Professionals NSW. This survey provides benchmark results amongst participating Councils for "insights" into measures about Workforce, Finance, Operations, Risk Management, and Corporate Leadership. A review of these benchmarks will assist us to continually improve our service management.

Improved work practices and service delivery will be achieved through a review across all Council operations. The outcomes of this review will determine improvement strategies including training opportunities, technological advances and service delivery.

The elected Councillors through Councillor Workshops have identified that they can achieve efficiencies by reducing the number of Councillors from nine to seven. This will be implemented at the September 2016 Local Government Elections.

ATTACHMENT 3A – Local Government Operational and Management Effectiveness Survey Report – FY13 for Oberon Council  
ATTACHMENT 3B – Local Government Operational and Management Effectiveness Survey Report – FY14 for Oberon Council

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

We assume that the pilot Central West Joint Organisation will continue to provide an advocacy role for regional strategic planning to assist with aligning local, regional and state priorities for infrastructure funding. The collaboration and networking opportunities available through the JO process means that smaller Council's like Oberon can benefit from the experiences and economies of scale that exist with the larger member Council's.

We will submit an application for a grant through the Innovation Fund to develop new solutions, ideas and ways of working. Initial discussions regarding partnering opportunities with other larger Council's is positive, especially where we have undertaken recent resource sharing activities and collaborated on projects.

Our review of the results of the benchmark measures in the NSW Local Government Operational and Management Effectiveness Surveys enables us to look at improving work practices and service delivery across all our operations. The outcomes of this review will determine further improvement strategies including training opportunities, technological advances and standard of services.

The proposal to reduce the number of Councillors from nine to seven is intended to be implemented at the September 2016 Local Government Elections. We assume that this proposal will be included in the recommendations to the NSW Government to make the necessary arrangements.



### 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. Active participation in Central West Joint Organisation	Access benefits of being a member	Mayor and GM participate in Central West JO Board Meetings	Strategic collaboration with regional Councils	Assists with achieving Infrastructure and Service Management benchmarks
	Participation by Councillors and staff in Regional Procurement and other programs	Active Councillor and Staff involvement in appropriate programs	Achieve cost savings through participating in programs	
	Participation in Centroc Water Utilities Alliance	Improved performance in water utility management and direct participation in CWA initiatives	Achieve cost savings through participating in programs	

2. Resource sharing initiatives	<p>Partner with neighbouring Councils in efficiency projects</p> <p>Continued networking with local industry for innovation</p>	<p>Specific projects identified and implemented</p> <p>Attend meetings with appropriate industry representatives to identify sharing opportunities</p>	<p>More efficient and effective use of resources to achieve cost savings</p> <p>Innovation programs identified and implemented</p>	Assists with achieving Infrastructure and Service Management benchmarks
3. Improved business services	Implement BPay View and Formsport online payment facilities	Implement during 2015/16 and review quarterly	Reduction in cost of rate distribution, debt recovery and improved service to the community	
4. Submit application for Innovation Grant	Identification of suitable project and identify partnering opportunities	Submission of a grant application during 2015/16	Funding received for identified project and implementation commenced	May affect our Own Source Revenue ratio
5. Organisational Improvement	Participate in PwC benchmark survey for comparison with other Group 10 Councils	Review survey results to identify efficiencies	Implement identified efficiencies and monitor results	

6. Work practices and service delivery	Review practices and service standards across all Council operations	Decision to implement identified improvements	Improved work practices and service delivery	
7. Governance efficiencies	<p>Review elected Councillor numbers</p> <p>Encourage participation in internal and external organisations and community committees</p>	<p>Implement identified changes from September 2016</p> <p>Increase in Councillor and delegate representation with community groups</p>	<p>Reduction in elected Councillors from nine to seven</p> <p>Active Councillor representation on internal and external community groups and committees</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.SUSTAINABILITY

Special Rate Variation implemented 2015/16  
Use SRV for the intended purpose – applied to identified road infrastructure backlog

Included in Operational Plan 2016/17 and in Annual Report for 2016/17

Lobbying for Rating Structure Review - apply rating to non-rateable Government users

Meet relevant stakeholders

Debt – consider priority projects for accessing cheaper finance through NSW Treasury

Council determines a project for future consideration

LIRS – second year of \$3.4m LIRS project

Include in Operational Plan 2016/17 & adopt Works Program

Best Practice in Procurement (Arc Blue Procurement Roadmap)

Implementing procurement action plan & strategies

Regional collaboration – partnering with neighbouring Councils for procurement projects

Projects identified, joint arrangements entered into

Roads Maintenance Council Contracts (RMCC) – continuation of existing contracts and seek extension to include area beyond Millionth Acre Rest Area along Jenolan Caves Rd.

Include in Operational Plan 2016/17 and meet with RMS about extension of contracts

Pursue Grant Funding – identify specific projects

Identify grant funds, include Projects in Operational Plan 2016/17

Economic Development Initiatives - market and promote local development opportunities targeting growth in population through more affordable residential and industrial land

Attendance at relevant forums and expo's

## 2. INFRASTRUCTURE AND SERVICE MANAGEMENT

LIRS – second year of \$3.4m LIRS project

Included in Operational Plan 2016/17 & Works Program adopted by Works Committee

Asset Management Plan updated and in place

Works Schedule included in Operational Plan 2016/17

SRV funds – applied to Roads Infrastructure, Maintenance and Renewal

Works Schedule included in Operational Plan 2016/17 & Annual Report 2016/17

Borrowings – consider priority projects for accessing cheaper finance through NSW Treasury

Council determines a project for future consideration

Internal Audit – engagement of Grant Thornton in partnership with Lithgow City Council

OC & LCC agree on scope and audits completed

The Tablelands Way – lobby for funding to improve Abercrombie Hill

Meet with relevant stakeholders and determine strategic action plan

### 3. EFFICIENCY

Central West JO – achieve resource sharing opportunities

Participate in JO initiatives, programs and projects

Resource Sharing Initiatives – with neighbouring Council's & local industry to achieve cost savings

Specific projects identified and implemented

Improved Work Practices and Service Delivery – continue review of service standards across all areas of Council operations

Implement changes where savings can be achieved

Reduction in number of Councillors and review of Meeting Structures, including Inspections and Workshops

New Council elected in September 2016 to implement review of meeting structure

**\* Please attach detailed action plan and supporting financial modelling**

**ATTACHMENT 4 – Oberon Council Fit for the Future Improvement Action Plan**

**ATTACHMENT 5 – Resourcing Strategy, Long Term Financial Plan, Delivery Program and Operational Plan**

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

*For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.*

The development of the Action Plan resulted from regular Workshops and Informal Briefing Sessions between Councillors and Management Staff. The General Manager conducts a monthly Informal Briefing Session one week before each Council Meeting. This provides an opportunity to address topical issues, and allows Councillors and Management Staff to raise items of general business. Workshops are also held on specific issues and involve individual Departmental Directors presenting on these issues.

Oberon Council already has in place a Committee structure with four key Community Committees, a Works Committee, a Finance Committee and the Oberon Youth Council. All these have been consulted throughout the past year about our strategies and actions.

Councillors have been involved in Workshops for the preparation of Oberon Council's Community Strategic Plan, Delivery Program and Operational Plans plus attended and participated in Community Information Sessions where draft Plans have been presented.

These and other interactions between Councillors and Management Staff have assisted in ensuring that this Action Plan reflects the identified improvements.

Throughout this process, we have consulted with our community at various forums and have received overwhelming support for Oberon Council to remain as a standalone Council serving our local community. Council has relied on its Community Engagement Strategy to ensure effective community consultation has been carried out.

For the financial modelling of the FFTF benchmarks we used the services of our External Auditors, Crowe Horwath.

**ATTACHMENT 6 - copy of the Crowe Horwath Fit for the Future Evaluation for Oberon Council**

### 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.

*For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards.*

The determination by the Independent Local Government Review Panel for Oberon Council's Scale and Capacity was listed as one of two options, either a Council in the Central West Joint Organisation, or merge with Bathurst Regional Council.

Following the release of the Independent Local Government Review Panels Final Report, meetings were held with Bathurst Regional Council and Lithgow City Council, as well as Blayney Shire Council due to our joint membership of the Upper Macquarie County Council. Detailed discussions were held at these meetings about the option of merging and as well as boundary adjustments, with no advantage to be found. In February 2015 these Councils issued a joint Media Release concerning the outcome of these discussions.

Oberon Council and our community are of the view that service delivery and the provision of community facilities are best achieved locally. Our Council has demonstrated the ability to provide effective services and gain efficiencies through professional management. Individual Councillors and staff are very accessible to the community, who place a high value in having local representation. Our improvement strategy reinforces this view.

We maintain good working relationships with our neighbouring Councils at both a Councillor and Management level with a commitment to a regional Joint Organisation. We actively participate in resource sharing activities.

Council considered the Rural Council Model; however, we are of the opinion that we do not meet the Rural Council Characteristics (pages 11& 12 of Template 3 Guidance Material). For example, our population is above the suggested "under 4,000", with a population currently around 5,200 and predicted to increase.

**ATTACHMENT 7 – Community Feedback and Other Media**

**ATTACHMENT 8 - Community Engagement Strategy**



## 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)	(0.128)	(0.038)	(0.048)	(0.020)	(0.015)	(0.006)	No
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	57.5	53.5	55.1	60.3	59.0	58.0	No
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	149.8	175.3	167.8	137.7	136.4	135.0	Yes
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	10.95	9.72	8.49	7.27	6.05	4.84	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	94.6	128.3	129.4	130.5	131.5	132.5	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	0.52	5.60	5.97	5.24	5.29	5.34	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	2.06	2.17	1.98	2.11	2.00	1.90	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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)						Yes/No
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)						Yes/No

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

## 4.1 Expected improvement in performance

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

*For example, historical constraints, trade-offs between criteria, longer time required.*

By 2020/2021 Oberon Council will achieve most of the Fit for the Future benchmarks.

We will continue to monitor these benchmarks and seek advice from our external auditors when they complete the audit of our annual financial statements. We will consider recommendations to improve our performance against these benchmarks so we can continue to demonstrate our financial sustainability.

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

*For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.*

Oberon Council will include these Strategies and Actions in the 4 year Delivery Program from 2016/17.

The General Manager will have the responsibility to ensure these Actions are included and implemented.

These Strategies and Actions will be reflected in the Oberon Community Strategic Plan, which will be reported through the Integrated Planning and Reporting Framework. This includes details in the Annual Reports and the Annual Financial Statements. This is also a condition made by IPART in making the determination to approve our application for a Special Rate Variation.

With the Local Government Elections in September 2016 it is planned to conduct Information Sessions for intending Councillor Candidates on the Oberon Community Strategic Plan, Delivery Program and Operational Plan.

Following the Election, an Induction Session will be arranged with the new Elected Council. We are also committed to ensuring that Elected Councillors have access to appropriate training through attendance at forums and information sessions conducted by the Office of Local Government and LG NSW.

During the current financial year 2015/16, we will be reviewing the strategies and actions already embedded in the current Oberon Community Strategic Plan (and other plans, for example Strategic Business Plan for Water & Sewer) to ensure that we are in a position to access and benefit from the Fit for the Future reforms.