



Wagga Wagga
City Council

Council

IMPROVEMENT PROPOSAL

Fit For the Future



Introduction

FROM OUR MAYOR

& GENERAL MANAGER

Welcome to Wagga Wagga City Council's 'Fit For the Future' Council Improvement Proposal. In preparing this proposal, Council has made decisions in adjusting its operations and ensuring it is progressing towards meeting the benchmarks required under the State Government's 'Fit For the Future' reform package.

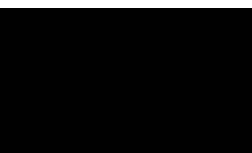
Some of the key strategies identified in this improvement proposal include:

- conducting operational efficiency reviews;
- continuing to focus on operating a lean organisation; and
- reviewing and maintaining assets at the appropriate levels deemed necessary by the community.

Wagga Wagga has also committed to further collaborating with neighbouring Councils through the Joint Organisation Pilot process. The Pilot will initially focus on regional priority issues such as:

- water and wastewater;
- transport planning; and
- land use planning.

The Pilot will also aim to enhance intergovernmental collaboration with various State Government Agencies. The outcomes of the Pilot process will assist in informing future legislative changes to the Local Government Act to include reference to Joint Organisation Councils.



Rod Kendall
Mayor



Phil Pinyon
General Manager



WHAT IS FIT FOR THE FUTURE?

A PROCESS OF CHANGE FOR LOCAL GOVERNMENT

Over the past 4 years the NSW Government has been working through a process of change in Local Government. The process began in late 2011 when Councils from throughout NSW came together for Destination 2036 to consider how communities, economies and technologies might change over the next 25 years and how Local Government might change to meet these challenges.

INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL

The Independent Local Government Review Panel (ILGRP) was appointed in 2012. The Panel, led by Professor Graham Sansom looked at options for Local Government structures, governance models and boundary changes. Over the review period Panel members travelled throughout NSW consulting with Councils and communities to develop a range of options. The Panel also commissioned independent research to help inform its report. The Panel's final report and recommendations were released in early 2014.

LOCAL GOVERNMENT ACT TASKFORCE

Following Destination 2036, the Minister for Local Government appointed a 4 person Taskforce to review the NSW Local Government Act 1993. The taskforce looked at opportunities to modernise the legislation and ensure that it would meet the future needs of Councils and their communities. Taskforce members conducted workshops throughout NSW to discuss and refine the ideas presented in the paper and worked with the ILGRP to ensure that the two review processes were suitably aligned. The Taskforce completed its work in late 2013 and its final report and recommendations were exhibited for public exhibition in early 2014. The new Act is scheduled to be in place by September 2016.

FIT FOR THE FUTURE PACKAGE

On 10 September 2014, the Minister for Local Government announced the 'Fit For the Future' Local Government reform package. The package posed the challenge to all NSW Councils, requesting they assess their current situation, consider whether or not they have the appropriate scale and capacity to meet the future needs of their communities and to develop a plan ensuring they are financially sustainable in the future. Councils are required to submit a proposal on how they intend to become 'Fit for the Future' by 30 June 2015.

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1 COUNCIL DETAILS

1.1 EXECUTIVE SUMMARY

Wagga Wagga City Council (WWCC) has the scale and capacity necessary to continue as a stand-alone Council to deliver the services and infrastructure required by the community. Through this improvement proposal WWCC has addressed the ILGRPs 'key elements of strategic capacity' and has developed a comprehensive improvement action plan outlining how Council will work towards addressing the 'Fit For the Future' benchmarks by 2019/20.

WWCC is well placed to be a strong partner for the State Government and to continue to deliver the services and facilities that the community needs. WWCC will also build on its existing capacity through continued cooperation with neighbouring Councils and by planning for and facilitating the anticipated population growth for the Riverina region.

Wagga Wagga is the largest inland city in regional NSW and is known for its quality industrial, commercial, education and defence facilities together with a rich arts community and sporting culture. Major features include the Murrumbidgee River, Charles Sturt University, TAFE NSW Riverina Institute, Kapooka Army Recruit Training Base, RAAF Base Wagga (Forest Hill), Wagga Wagga central business district (CBD), Wagga Wagga Art Gallery and home to the National Art Glass Collection, Museum of the Riverina, Civic Theatre and Performance Spaces, Wagga Wagga Botanic Gardens, Oasis Aquatic Centre, Lake Albert, Livingstone National Park, Willans Hill Reserve and a wide range of boutique wineries.

Underpinning WWCC's commitment to the aspirations of the community is Wagga Wagga's Community Strategic Plan '*Ruby and Oliver*'. All of Council's operations and projects are aligned to '*Ruby and Oliver*' through Council's Integrated Planning and Reporting suite of documents such as the Combined Operational Plan and Delivery Program which is developed and reviewed each year. WWCC has an endorsed Spatial Plan that provides clear strategic indicators for the development of Wagga Wagga over the next 30 years and beyond. It is the key strategic planning document for directing and managing urban growth and change.

WWCC acknowledges the threats and weaknesses that currently exist in the Local Government Area (LGA). WWCC maintains a road network of approximately 2,300km which has a big impact on Council's depreciation expense and impacts on a number of the 'Fit For the Future' benchmarks. WWCC believes that this problem will be exacerbated if it was to merge with another rural Council such as Lockhart. WWCC has already been through mergers with the adjoining Shires of Kyeamba and Mitchell in the past which have contributed to the large road network it is now maintaining.

After completing the self-assessment tool provided as part of the 'Fit For the Future' reforms, WWCC met 4 of the 7 benchmarks set by the NSW Office of Local Government (OLG):

	BENCHMARK	2013/14	MEETS BENCHMARK
SUSTAINABILITY	Operating Performance Ratio (greater than or equal to break-even average over 3 years)	- 0.053	NO
	Own Source Revenue (greater than 60% average over 3 years)	62.63%	YES
	Building and Infrastructure Asset Renewal (greater than 100% average over 3 years)	123.84%	YES
INFRASTRUCTURE AND SERVICE MANAGEMENT	Infrastructure Backlog Ratio (less than 2%)	9.65%	NO
	Asset Maintenance Ratio (greater than 100% average over 3 years)	115.48%	YES
	Debt Service Ratio (greater than 0% and less than 20% average over 3 years)	2.04%	YES
EFFICIENCY	Real Operating Expenditure (decrease in Real Operating Expenditure per capita over time)	Increasing	NO

Through this proposal WWCC has committed to a number of key improvement strategies that will see Council meeting 5 of the benchmarks and trending towards the remaining 2 by 2019/20. Some of the key improvement strategies include conducting detailed operational and efficiency (service) reviews across the organisation; capping employee salary costs; and maintaining assets at the appropriate levels deemed satisfactory by the community. The below table is a summary of Council's forecast position by 2019/20:

	BENCHMARK	2019/20	MEETS BENCHMARK
SUSTAINABILITY	Operating Performance Ratio (greater than or equal to break-even average over 3 years)	0.012	YES
	Own Source Revenue (greater than 60% average over 3 years)	77.44%	YES
	Building and Infrastructure Asset Renewal (greater than 100% average over 3 years)	106.65%	YES
INFRASTRUCTURE AND SERVICE MANAGEMENT	Infrastructure Backlog Ratio (less than 2%)	6.38%	NO
	Asset Maintenance Ratio (greater than 100% average over 3 years)	83.90%	NO
	Debt Service Ratio (greater than 0% and less than 20% average over 3 years)	5.92%	YES
EFFICIENCY	Real Operating Expenditure (decrease in Real Operating Expenditure per capita over time)	Decreasing	YES

1.2 SCALE AND CAPACITY

1.2.1 DOES OUR COUNCIL HAVE THE SCALE AND CAPACITY BROADLY CONSISTENT WITH THE RECOMMENDATIONS OF THE INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL?

Yes.

WWCC has the scale and capacity necessary to continue as a stand-alone Council to deliver the services and infrastructure identified in Wagga Wagga's Community Strategic Plan ("Ruby and Oliver").

The ILGRP listed WWCC under '*Group D: potential merger partners for Groups B and C councils*'. The specific recommendation for WWCC was '*Council in a Riverina JO or merge with Lockhart*'. This was not a strong recommendation and was reliant upon the specific recommendation for Lockhart which was '*Rural Council in Riverina JO or merge with Wagga Wagga*'. As a result of the recommendations WWCC held various discussions with Lockhart regarding a potential merger, but both parties mutually agreed that this would not result in more efficient service delivery for both communities. A letter from Lockhart Shire Council is included with the attachments.

In the 2013 'Financial Sustainability of the NSW Local Government Sector' report developed by NSW Treasury Corporation (TCorp), WWCC's financial sustainability was assessed as being moderate, with a negative outlook. WWCC currently meet 4 of the 7 benchmarks set by the OLG and has developed a comprehensive improvement plan on how it is progressing towards addressing all of the benchmarks over the next 5 years. WWCC has a robust revenue base with a consistently high percentage of own source revenue, demonstrating a lesser reliance on grants and contributions than other Councils in this region.

WWCC is a diverse and flexible organisation which operates businesses and facilities such as the Wagga Wagga Airport, Livestock Marketing Centre, Gregadoo Waste Management Centre and the Oasis Aquatic Centre. Wagga Wagga is a major regional centre providing the organisation with the ability to attract and retain skilled and dynamic staff with the knowledge and expertise required to deliver services and major projects to the community. Examples of major projects that the organisation has managed include Sewer 2010, Gasworks Remediation, Robertson Oval Upgrade, Main Street Upgrade and Closed Circuit Television (CCTV).

WWCC is an employer of choice offering a diverse range of initiatives and programs that support and encourage flexibility, development, and health and well-being in the workplace. Council's flexible work arrangements strive to improve organisational performance and increase flexibility for all staff to ensure that there is an appropriate balance between work and personal commitments.

WWCC is committed to continuous improvement and has embedded this within the organisation by developing its own model called "Look, Listen Do It Better". The organisation has also developed a framework for conducting internal operational and efficiency (service) reviews to reduce costs and streamline processes.

Underpinning WWCC's commitment to the aspirations of the community is Wagga Wagga's Community Strategic Plan "Ruby and Oliver". All of Council's operations and projects are aligned to "Ruby and Oliver" through Council's Integrated Planning and Reporting suite of documents such as the Combined Operational Plan and Delivery Program which is developed and reviewed each year. WWCC has an endorsed Spatial Plan that provides clear strategic indicators for the development of Wagga Wagga over the next 30 years and beyond. It is the key strategic planning document for directing and managing urban growth and change.

As the largest City in inland NSW WWCC is a key stakeholder on a variety of forums including Riverina Eastern Regional Organisation of Councils (REROC), Riverina Regional Cities, Riverina Regional Library, Riverina Regional Tourism and Evocities. WWCC also plays an important advocacy and leadership role for the entire region through various groups such as Regional Development Australia and Regional Capitals Australia and by meeting regularly with both Federal and State Members of Parliament. WWCC is a capable partner for the State Government to work with and has a proven track record for delivering programs and projects the community require due to its diverse and skilled workforce.

1.3 FINANCIAL SUSTAINABILITY

1.3.1 TCORP REPORT ON THE FINANCIAL SUSTAINABILITY OF WAGGA WAGGA

In April 2013, TCorp released its Financial Assessment, Sustainability and Benchmarking Reports on NSW Councils. The analysis was based on a review of the historical performance, current financial position and long term financial forecasts of each Council. TCorp assessed Wagga Wagga City Council's position as being moderate, with a negative outlook.

TCorp made the following key observations in relation to Wagga Wagga City Council:

Overall, the review found that the Council has been well managed over the review period based on the following observations:

- *While the Council has incurred operating deficits (excluding grants and contributions for capital purposes), Council's underlying results (measured using EBITDA) have improved from \$6.6m in 2009 to \$20.8m in 2011*
- *The increase in rates income was supported by an approved SRV from 2007 to 2012. In 2011, the SRV generated an additional \$3.7m of revenue which was used to improve service standards on infrastructure and community facilities*

The key observations from our review of Council's 10 year forecasts are:

- *The Council sees initial deterioration in operating deficits once the current SRV expires at the end of 2012 and the Operating Ratio remains below benchmark in all the forecast years*
- *The Council's level of fiscal flexibility is moderate with Own Sourced Revenue Ratio above benchmark in most of the forecast years. However, this Ratio is partly skewed by understated capital grants in the long term forecast*
- *In respect of liquidity, Council's forecast Cash Expense Ratio remains below the benchmark for all 10 years. The Unrestricted Current Ratio which is currently above the 1.5x benchmark, falls below this level from 2015 onwards*

In respect of the Benchmarking analysis, TCorp has compared the Council's key ratios, on a consolidated basis, with other councils in DLG group 4. The key observations are:

- Council's financial flexibility, as indicated by the Operating Ratio and Own Source Operating Revenue Ratio, is generally comparable to the group's average
- Council's liquidity position is adequate and generally similar to the group's average
- Council's level of gearing is comparable to that of its peers. Its DSCR and Interest Cover Ratio were above benchmark over the review period
- Council had an overall lower level of Infrastructure Backlog than its peers; however it did not achieve the benchmark throughout the review period. While Council's asset maintenance underperformed the group's average, its capital expenditure and asset renewal generally outperformed the group's average

1.4 COMMUNITY STRATEGIC PLAN

As a community it's important for us to have a document that defines how we want to grow into the future. We also need to outline what we want and need as a community now. This document is called a Community Strategic Plan. The purpose of this plan is to identify the community's main priorities and aspirations for the future and to plan for achieving these goals. The name of our Community Strategic Plan is "Ruby & Oliver".

The objectives are balanced across Social, Economic, Environment and Civic Leadership and need to be addressed beyond the boundaries of our Council – the help of other partners, stakeholders and community members contribute to the implementation of this plan.

The Community Strategic Plan reflects the Wagga Wagga community's long term priorities and aspirations and forms the foundation for all Council operations and subsequent plans.

The plan sets out the specific directions, strategies, targets and measures necessary for achieving the following outcomes:

THEME	GOALS
WE ARE AN ENGAGED AND INVOLVED COMMUNITY	WE ARE A COMMUNITY THAT IS INFORMED AND INVOLVED IN DECISIONS IMPACTING US
	WE HAVE OPPORTUNITIES AND PLACES FOR CONNECTION
WE ARE A SAFE AND HEALTHY COMMUNITY	WE LIVE IN A SAFE COMMUNITY
	WE HAVE AN ACTIVE AND HEALTHY COMMUNITY
WE HAVE A GROWING ECONOMY	WE ARE HAPPY WITH OUR STANDARD OF LIVING
	OUR COMMUNITY GROWS
WE HAVE A SUSTAINABLE NATURAL AND BUILT ENVIRONMENT	WE LOOK AFTER AND ENHANCE OUR NATURAL ENVIRONMENT
	WE PLAN FOR RESILIENT AND SUSTAINABLE BUILT ENVIRONMENTS

All Council plans, projects, activities and funding needs are directly linked to the Community Strategic Plan through Council's 4 year Delivery Program. In preparing our Delivery Program, Council considers the available resources (as detailed in our 3 Resourcing Plans) and our resulting capacity to deliver services and projects to the community.

The Operational Plan is a sub-plan of the Delivery Program and sets out the projects, programs and activities to be undertaken in a 12 month period. The Operational Plan includes specific projects and budget allocations.

2 CURRENT POSITION

2.1 ABOUT OUR LOCAL GOVERNMENT AREA

Wagga Wagga is the largest inland city in regional NSW and is known for its quality industrial, commercial, education and defence facilities together with a rich arts community and sporting culture. Major features include the Murrumbidgee River, Charles Sturt University, TAFE NSW Riverina Institute, Kapooka Army Recruit Training Base, RAAF Base Wagga (Forest Hill), Wagga Wagga central business district (CBD), Wagga Wagga Art Gallery and home to the National Art Glass Collection, Museum of the Riverina, Civic Theatre and Performance Spaces, Wagga Wagga Botanic Gardens, Oasis Aquatic Centre, Lake Albert, Livingstone National Park, Willans Hill Reserve and a wide range of boutique wineries.

Wagga Wagga is ideally located between Sydney (518km by rail) and Melbourne (432km by rail) and has a geographic area of 4,826km². On 1 January 1981 the existing City of Wagga Wagga merged with the adjoining Shires of Kyeamba and Mitchell. These mergers contributed to the large geographic area and road network that currently exists. Our LGA includes the rural villages of Collingullie, Currawarna, Galore, Humula, Ladysmith, Mangoplah, Oura, Tarcutta, and Uranquinty. The villages and surrounding farmland offer a rural community lifestyle in close proximity to the city of Wagga Wagga.

Over the next 20 years it is anticipated that Wagga Wagga's population will grow from 63,851 in 2015 to almost 80,000.

2.1.1 ECONOMY

Wagga Wagga has a strong and diverse economy without a reliance on 1 sector. Wagga Wagga's Gross Regional Product is estimated at \$3.15 billion, which represents 0.7% of the state's Gross State Product.

Wagga Wagga has a total labour force in excess of 32,000 people and an unemployment rate of 4.9% compared to New South Wales (5.9%) and Australia (6.4%).

The current redevelopment of the Wagga Wagga Base Hospital is the largest single investment in health in regional NSW. The city is also the largest retail, commercial, administrative and population centre in the Riverina region. As a result of a wide reaching catchment area of over 160,000 residents Wagga has a strong retail sector, with significant investment and expansion in a number of these shopping centres indicating confidence in the sectors' future growth.

While Retail Trade is an important industry in terms of the amount of people employed it does not create the value over and above the costs of production compared to industries such as Public Administration and Safety and Health Care and Social Assistance.

2.1.2 LABOUR FORCE PARTICIPATION AND AGE PROFILE

The 2011 Census of Population and Housing reported that the Wagga Wagga had an overall labour force participation rate of 65.2 per cent, above all of the benchmarks for Australia (61.4%), New South Wales (59.7%) and Regional New South Wales (56.4%). Part of the reason for this high participation rate is that workers in defence are extremely young (particularly due to the training focus of the local bases) – most are aged under 35 and more than a quarter under 25 years.

Defence, along with the Tertiary Education, are 2 main attractors of young adults to the area. Wagga Wagga is unusual among regional centres in that it attracts a lot of young people and it therefore has a relatively young age profile compared to that of New South Wales.

2.1.3 EMPLOYMENT

The City of Wagga Wagga has maintained a relatively low unemployment rate compared to that of New South Wales and Australia from September 2012 to December 2013. The population has also been rapidly up skilling with the proportion of persons aged 15 years and over attaining a higher education qualification increasing from 39 per cent in 2006 to 44 per cent in 2011.

2.1.4 AGEING POPULATION

In regional Australia, major centres such as Wagga Wagga are faced with the same or similar challenges to metropolitan areas however different push and pull factors exist. Wagga Wagga has traditionally reversed some of the ageing population factors through a solid base of facilities, for example the city is home to 3 universities and 2 defence bases. As a result of this, Wagga's age structure has a larger percentage of persons aged 20 to 24 when compared nationally (8.7% compared to 6.8%). At the other end of the scale, the city has a smaller percentage of persons aged 60 to 64 (5% compared to 5.6%).

2.1.5 DEPENDENCY RATIO

The national age dependency ratio, defined as a percentage of the working age population was last recorded by the World Bank in 2012 at 49.11. Age dependency is the ratio of dependent people younger than 15 or older than 64 to the working age population, aged 15-64. Wagga Wagga's dependency ratio suggests that approximately 52 people are dependent to every 100 in the labour force and making a financial contribution to the economy through taxes. Wagga Wagga has a total labour force in excess of 32,000 people comprising a strong and diverse economy without a reliance on 1 or 2 sectors. A relatively low unemployment rate across the city reflects this fact, 4.9% in the September Q 2014.

2.1.6 HOUSEHOLD INCOMES

Median household incomes within Wagga Wagga (\$1149) are broadly consistent with those for the nation and state, \$1242 and \$1237 respectively. Contrastingly, the surrounding towns and villages average weekly income in 2011 was \$996, somewhat below the national average.

2.1.7 DEMOGRAPHICS

The cities youthful population is evidenced by the average age being lower than the state average - the 2011 census revealed an average age of 34 in Wagga Wagga compared to the state average of 38 years. The city absorbs a large influx of population from the surrounding communities seeking goods and services only available in the major regional centre. Wagga Wagga's population is approximately 63,000, yet the city's medical patient catchment area reaches almost 300,000 people throughout the region, evidencing the fact that regional capitals act as service agents for populations far greater than the more obvious measures suggest. Additionally the city continues to be a major centre for net in-migration from the surrounding region and major centres including Sydney, as well as from overseas.

2.1.8 SOCIO-ECONOMIC INDEXES FOR AREAS (SEIFA)

Relatively high overall levels of social disadvantage are evident in the city demonstrated by a ranking of 373 on the Socio-economic Indexes for Areas (SEIFA), out of a total 564 local government areas nationally. Welfare dependency for Wagga Wagga rated 410 from 564. The challenge facing regional Australia is closing this gap and appropriating resources and funding sources in the most efficient and effective way.

2.2 KEY CHALLENGES AND OPPORTUNITIES

STRENGTHS	<ul style="list-style-type: none"> • Major regional centre (largest inland City in NSW) • Highly skilled workforce with scale and capacity to deliver services • High level of own source revenue • Low debt service ratio with the ability to increase borrowings • Employer of choice (flexible work hours, professional development and work-life balance) • High quality recreational and cultural facilities • Ability to hold major regional events • Strong results in the 2012 Community Survey (next survey due 2015) • Strong regional collaboration with a proven record • Consistent and manageable growth (with the capacity to increase) • Strong and diverse economic base • Educational capacity and options within the City • Adopted spatial plan to 2030 (endorsed by Department of Planning) • Lower age demographic population • Relative housing and industrial land affordability 	WEAKNESSES	<ul style="list-style-type: none"> • Large local road network • Infrastructure back log • Community's perception of compliance requirements • Ability to attract qualified and experienced staff in some professions • Geographical size of Local Government Area • Maintenance of high-level assets / facilities • Complexities around the supply of potable water by another entity
OPPORTUNITIES	<ul style="list-style-type: none"> • Strong local industry – uni, defence, agriculture, medical • Location of the City, between Sydney and Melbourne • Increased revenue through alternative income streams • Special Rate Variation to fund infrastructure backlog • Review of developer contributions plans • Utilise the state borrowing facility • Increased collaboration / sharing of resources with neighbouring Councils • Joint Organisations – coordinated regional approach • Transport hub (Riverina Intermodal Freight and Logistics Hub) • Increased use of information technology to create efficiencies and streamline processes • Improved performance through operational and efficiency (service) reviews • Review of asset depreciation methodology and condition satisfaction • Development of new Multi-Purpose Stadium venues • Utilising the Evocities program to increase growth • Creation of Local Government controlled enterprises 	THREATS	<ul style="list-style-type: none"> • Provision of facilities required to enable growth • Impact from natural disasters e.g. vulnerability to flooding • Cost shifting from State and Federal Governments • Funding cuts, vulnerability of funding sources • Ageing infrastructure • Joint Organisations becoming the 4th tier of government • Politics

2.3 PERFORMANCE AGAINST THE BENCHMARKS

2.3.1 SUSTAINABILITY

	BENCHMARK	2013/14 PERFORMANCE	MEETS BENCHMARK	2016/17 FORECAST	MEETS BENCHMARK
SUSTAINABILITY	Operating Performance Ratio (greater than or equal to break-even average over 3 years)	- 0.053	NO	-0.042	NO
	Own Source Revenue (greater than 60% average over 3 years)	62.63%	YES	72.89%	YES
	Building and Infrastructure Asset Renewal (greater than 100% average over 3 years)	123.84%	YES	77.25%	NO

While WWCC is unable to meet the Operating Performance Ratio by 2016/17 it is forecast to improve over a number of years due to a range of improvement projects and cost reductions strategies such as conducting operational and efficiency (service) reviews across the organisation and applying an employee salary cost cap of 2.5% over 3 years. WWCC may be unable to achieve the benchmark by 2019/20 due to its large road network and associated depreciation value. WWCC maintains a road network of approximately 2,300km and has a depreciation value of approximately \$22M per year. Council is in the final stages of completing a revaluation of all road related assets for inclusion in the 2014/15 Financial Statements. Early indication of the current revaluation process is that this depreciation amount may significantly increase which will make it very difficult for WWCC to meet all of the sustainability benchmarks.

2.3.2 INFRASTRUCTURE AND SERVICE MANAGEMENT

	BENCHMARK	2013/14 PERFORMANCE	MEETS BENCHMARK	2016/17 FORECAST	MEETS BENCHMARK
INFRASTRUCTURE AND SERVICE MANAGEMENT	Infrastructure Backlog Ratio (less than 2%)	9.65%	NO	4.75%	NO
	Asset Maintenance Ratio (greater than 100% average over 3 years)	115.48%	YES	83.20%	NO
	Debt Service Ratio (greater than 0% and less than 20% average over 3 years)	2.04%	YES	5.09%	YES

Some of the contributing factors to why Wagga Wagga is unable to meet some of the Infrastructure benchmarks are due to the geographical area of the LGA and the road network it maintains. Wagga Wagga also experienced major flood events in 2010 and 2012 which has further impacted the ageing infrastructure within the LGA.

WWCC has refined the basis upon which the infrastructure backlog is assessed resulting in an improved forecast for 2016/17. This will be further refined once the Council has undertaken its community survey and gained further feedback on whether the community is willing to accept the condition of infrastructure assets in their present form whilst being mindful that Council may need to increase rates to improve the condition ratings of its infrastructure.

The Asset Maintenance Ratio for 2013/14 is positively impacted by higher than usual expenditure related to the restoration of roads from the 2012 flood event.

2.3.3 EFFICIENCY

	BENCHMARK	2013/14 PERFORMANCE	MEETS BENCHMARK	2016/17 FORECAST	MEETS BENCHMARK
EFFICIENCY	Real Operating Expenditure (decrease in Real Operating Expenditure per capita over time)	Increasing	NO	Decreasing	YES

Council experienced higher than usual operating expenditure in 2013/14 related to the flood recovery works following the 2012 flood event. If not for this expenditure, Council would have met the benchmark in 2013/14.

2.4 WATER UTILITY PERFORMANCE

DOES COUNCIL CURRENTLY ACHIEVE THE REQUIREMENTS OF THE NSW GOVERNMENT BEST PRACTICE MANAGEMENT OF WATER SUPPLY AND SEWERAGE FRAMEWORK?	DOES COUNCIL CURRENTLY MANAGE WATER AND SEWERAGE OPERATIONS ON AT LEAST A BREAK-EVEN BASIS?	COUNCIL'S CURRENT (2013/14) WATER AND SEWERAGE INFRASTRUCTURE BACKLOG
Yes	No. Council made deficit of \$1.2M in 2013/14 after depreciation.	\$ 2.174M

2.4.1 CAPITAL WORKS

The following items identify the significant capital works (>\$1M) proposed for Council's sewer operations during the 2016/17 to 2019/20 period and any known grants or external funding to support these works.

PROPOSED WORKS	TIMEFRAME	COST	GRANT / EXTERNAL FUNDING?
Sewer Reticulation Scheme - Oura	2016/17	\$3,848,948	No
Sewer - Pump Station - SPS15 Hammond Avenue – Renewals	2019/20	\$1,054,907	No
Sewer - Pump Station - SPS22 Elizabeth Street - New Assets	2017/18	\$1,032,585	No
Sewer - Pump Station - SPS23 Ashmont - New Assets	2018/19	\$1,337,543	No
Implement Sewer Mains Rehabilitation Recurring Program	2016/17 to 2019/20	\$1,200,000 annually	No

2.4.2 IMPROVEMENT STRATEGIES

The following are some of Council's strategies to improve its performance of sewer operations during the 2016/17 to 2019/20 period.

STRATEGY	TIMEFRAME	ANTICIPATED OUTCOME
Progressively increase annual charges and usage charges in line with the Sewer Business Plan with the aim of achieving a surplus position	2016/17 to 2019/20	Ability to pay a dividend
Complete a 30 year Integrated Water Cycle Management (IWCM) strategy, financial plan and report in accordance with the July 2014 IWCM checklist	2016	100% implementation is required for eligibility to pay a dividend

3 BECOMING FIT FOR THE FUTURE

3.1 SUSTAINABILITY

Council's overall strategy for improving its sustainability is to contain its costs through the identification of operational efficiencies and to increase revenues from fees and charges, dividends from business activities and a Special Variation to fund Council's one third share of the cost of the levee bank upgrade. Council will direct the majority of funds from its improved operating performance towards the renewal of infrastructure which will also assist in reducing the infrastructure backlog.

3.1.1 IMPROVEMENT STRATEGIES

Below is a summary of Council's key strategies to improve performance against the Sustainability benchmarks in the 2016 to 2020 period, including the outcomes expected.

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Ensure the organisation is efficient in delivering the outcomes identified in Ruby and Oliver	Reduce operating expenditure through formal operational and efficiency (Service) reviews and other cost saving initiatives	<ul style="list-style-type: none">Review of all Council services completed by 30 June 2017Review day labour hire use across the organisation by 30 June 2016Review operational overtime use across the organisation by 30 June 2016	<ul style="list-style-type: none">\$800,000 annual savings by 2016/17 (This may also include salary savings and other efficiencies on top of the existing salary cap. Savings to be directed to infrastructure renewals)	This will also impact on the Infrastructure Backlog and Asset Maintenance ratios as the savings will be directed to these priority areas
	Cap employee salary costs to reduce operating expenditure	<ul style="list-style-type: none">Cap employee salary costs at 2.5% for 2015/16, 2016/17 and 2017/18	<ul style="list-style-type: none">Annual savings of approx. \$2.8M by 2017/18 (already included in the existing LTFP)	This has impacted positively on the Real Operating Expenditure Per Capita ratio

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Increase revenue through fees and charges	Review and develop discretionary fees and charges strategies with a focus on cost recovery where applicable	<ul style="list-style-type: none"> Develop a fees and charges cost recovery strategy by 30 June 2016 Develop a strategy to identify existing facilities and how we can increase existing usage by 31 December 2016 Increase revenue from discretionary fees and charges by 5% Review and update Leasing and Licensing Policy - POL 038 by 31 December 2016 	<ul style="list-style-type: none"> Appropriate targets and measures put in place to incrementally increase certain charge types Increased usage of existing facilities and potential increase of revenue through usage fees Additional annual income of approx. \$300,000 by 2016/17 A more up to date policy reflecting current pricing 	This will also impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	Apply for a Special Rate Variation for the Main City and North Wagga levees	<ul style="list-style-type: none"> Community consultation completed by 31 December 2015 S508(2) SRV application to IPART completed by 16 February 2016 	<ul style="list-style-type: none"> Increased income of \$7.7M over the 5 year term of the SRV (2016/17 to 2020/21) (this is already included in Council's LTFP as the preferred scenario) 	
	Investigate opportunities for paid car parking within the CBD	<ul style="list-style-type: none"> Complete the CBD car parking strategy by 30 June 2016. Strategy is to include analysis and impact of paid parking within certain areas of the CBD 	<ul style="list-style-type: none"> Potential additional income from paid parking 	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Increase income through business operations and third party providers	Conduct a review of the Livestock Marketing Centre (LMC) business operations	<ul style="list-style-type: none"> Complete development of the LMC MasterPlan by November 2015 Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016 	<ul style="list-style-type: none"> Identify future commercial opportunities for the LMC Potential increase in annual dividend (dependant on review) 	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	Analyse potential future revenue streams at the Airport commercial precinct and increase the dividend payable	<ul style="list-style-type: none"> Review the potential to Increase dividend from the Airport by 30 June 2016 Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016 	<ul style="list-style-type: none"> Potential increase in annual dividend (dependant on review) 	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	Analyse the potential to pay a dividend from the Sewer business once a surplus position has been achieved	<ul style="list-style-type: none"> Update the Sewer Business Plan in 2015/16 	<ul style="list-style-type: none"> Potential increase in income through dividends (dependant on review) 	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas
	Request Riverina Water County Council pay a dividend to its constituent Councils	<ul style="list-style-type: none"> Review the potential to receive a dividend from Riverina Water once they have achieved best practice pricing which will result in meeting all eligibility criteria for paying dividends 	<ul style="list-style-type: none"> Potential annual dividend of approximately \$250,000 by 2018/19 	This may impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
	Riverina Intermodal Freight and Logistics (RiFL) Hub future revenue streams	<ul style="list-style-type: none"> Continue to investigate the viability of the RiFL Hub 	<ul style="list-style-type: none"> This project aims to increase economic growth within the city and may provide Council with another source of income 	
Ensure that development contributions reflect the required community infrastructure the development requires.	Review existing developer contribution plans and the associated methodology utilised	<ul style="list-style-type: none"> Conduct full review of Contribution Plans by 31 December 2016 	<ul style="list-style-type: none"> Potential realignment of the funding mix between developer contributions and general purpose revenue for new capital works 	
Strengthen partnership opportunities with state and federal agencies and community groups	Increase successful grant funding outcomes and negotiate partnership in kind agreements	<ul style="list-style-type: none"> Successful grant applications submitted Finalised partnership in kind agreements negotiated 	<ul style="list-style-type: none"> \$100,000 targeted annual increase in grant funding and partnership in kind contributions to go toward improving Council assets and the delivery of services and programs to the community. 	
	Increase sponsorship opportunities	<ul style="list-style-type: none"> Review and identify additional sponsorship opportunities by 30 June 2016 	<ul style="list-style-type: none"> Increase annual sponsorship by \$10,000 by 2016/17 with an incremental increase of \$5,000 per year until 2019/20 (Additional income to be directed to the facilities ongoing maintenance and renewal) 	This will have a slight impact on the Infrastructure Backlog and Asset Maintenance ratios as the additional revenue will be directed to these priority areas

3.2 INFRASTRUCTURE AND SERVICE MANAGEMENT

The improvement strategies detailed below seek to gain a clearer picture on the extent of the infrastructure backlog. Council will gain community feedback over the next 12 month period on whether the community is satisfied with the current condition of infrastructure facilities/assets and if not whether they are willing to pay more for improving the condition. The potential for a further SRV is flagged in 2021/22.

As indicated above under the Sustainability Improvements, Council will also be directing any improvements in its operating performance towards the renewal and maintenance of assets.

3.2.1 IMPROVEMENT STRATEGIES

Below is a summary of Council's key strategies to improve performance against the Infrastructure and Service Management benchmarks in the 2016 to 2020 period, including the outcomes expected.

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Reassess infrastructure backlog and confirm the methodology utilised	Review and update asset management plans	<ul style="list-style-type: none">Review and update asset management plans by 30 June 2017	<ul style="list-style-type: none">More realistic assessment of required levels of asset maintenance and renewal, including a risk based approach rather than just a technical assessment	
	Review and benchmark depreciation methodology	<ul style="list-style-type: none">Review and benchmark depreciation methodology by 30 December 2015	<ul style="list-style-type: none">Depreciation expense to more closely reflect how assets deteriorate over their useful life	This will also impact on the Operating Performance, Building and Infrastructure Asset Renewal, and Operating and Real Operating Expenditure ratios

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
	Establish realistic community satisfaction levels on infrastructure (fit for purpose)	<ul style="list-style-type: none"> Community engagement completed by 30 June 2016 	<ul style="list-style-type: none"> More realistic assessment of the infrastructure backlog aligned with Council's available resources and community expectations 	
	Review existing asset revaluation process, methodology and timelines	<ul style="list-style-type: none"> Investigate if it is feasible to conduct annual revaluations on all assets by 31 December 2015 Benchmark unit rate costs with similar sized Councils by 30 June 2016 	<ul style="list-style-type: none"> More accurate and up to date valuation / depreciation information 	This will impact on the Operating Performance ratio
Manage assets to meet the required level of service for present and future generations	Consider applying for a Special Rate Variation in 2021/22 to fund infrastructure maintenance and renewal	<ul style="list-style-type: none"> Seek Council endorsement to commence community engagement following the 2016 election 	<ul style="list-style-type: none"> Potential increase in rates revenue to address infrastructure backlog and asset maintenance and renewal 	This may impact on the Building and Infrastructure Asset Renewal and Operating Performance ratios
Investigate opportunities to dispose of surplus Council owned assets	Conduct strategic property review	<ul style="list-style-type: none"> Strategic property review completed by 31 December 2015 	<ul style="list-style-type: none"> Complete sale of properties identified in the strategic property review and the LTFP (within the periods already identified) 	
	Review and develop policies for strategic property acquisitions and sales	<ul style="list-style-type: none"> Develop a strategic property acquisitions and sales Policy by 30 June 2016 	<ul style="list-style-type: none"> Provide a clear framework to dispose of properties that don't align with current objectives and to acquire those that will assist in meeting the objectives of the CSP 	

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Utilise state borrowing fund for major capital projects	Transfer loans to new state borrowing facility if Council is deemed "fit"	<ul style="list-style-type: none"> Transfer existing loans once the funding source is available 	<ul style="list-style-type: none"> Lower repayments included in preferred scenario 	This will impact on the Operating Performance ratio

3.3 EFFICIENCY

Council has already achieved a significant number of operating efficiencies which has translated into an improved financial result and forecasts in future financial years. Council has forecast that it will meet the Efficiency benchmark but there is still further work to be done in demonstrating that WWCC is an efficient organisation and operating at 'best' or 'better' practice across all major service areas.

3.3.1 IMPROVEMENT STRATEGIES

Below is a summary of Council's key strategy to improve performance against the Efficiency benchmarks in the 2016 to 2020 period, including the outcomes expected.

OBJECTIVE	STRATEGIES	KEY MILESTONES	OUTCOME	IMPACT ON OTHER MEASURES
Achieve a decrease in real operating costs per capita	Conduct operational and efficiency (Service) reviews across all Council services and operations (as identified in the response to Operating Performance ratio)	<ul style="list-style-type: none">Operational and efficiency (Service) reviews embedded into Council's continuous improvement process	<ul style="list-style-type: none">Decrease in real operating expenditure per capita	This will impact on the Operating Performance, Building and Infrastructure Asset Renewal and Infrastructure Backlog measures

3.4 IMPROVEMENT ACTION PLAN

Below is a summary the key improvement actions that will be achieved in the 2015/16 financial year:

ACTIONS	MILESTONES
Reduce operating expenditure through formal operational and efficiency (Service) reviews and other cost saving initiatives	<ul style="list-style-type: none"> Review of 12 Council services completed by 30 June 2016 Review day labour hire use across the organisation by 30 June 2016 Review operational overtime use across the organisation by 30 June 2016
Cap employee salary costs to reduce operating expenditure	<ul style="list-style-type: none"> Cap employee salary costs at 2.5% for 2015/16
Review and develop discretionary fees and charges strategies with a focus on cost recovery where applicable	<ul style="list-style-type: none"> Develop a fees and charges cost recovery strategy by 30 June 2016 Increase revenue from discretionary fees and charges by 5%
Apply for a Special Rate Variation for the Main City and North Wagga levees	<ul style="list-style-type: none"> Community consultation completed by 31 December 2015 S508(2) SRV application to IPART completed by 16 February 2016
Investigate opportunities for paid car parking within the CBD	<ul style="list-style-type: none"> Complete the CBD car parking strategy by 30 June 2016. Strategy is to include analysis and impact of paid parking within certain areas of the CBD
Conduct a review of the Livestock Marketing Centre (LMC) business operations	<ul style="list-style-type: none"> Complete development of the LMC MasterPlan by November 2015 Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016
Analyse potential future revenue streams at the Airport commercial precinct and increase the dividend payable	<ul style="list-style-type: none"> Review the potential to Increase dividend from the Airport by 30 June 2016 Develop a Return On Investment (ROI) approach and establish a target for the purpose of calculating annual dividends by 30 June 2016
Increase sponsorship opportunities	<ul style="list-style-type: none"> Review and identify additional sponsorship opportunities by 30 June 2016
Review and benchmark depreciation methodology	<ul style="list-style-type: none"> Review and benchmark depreciation methodology by 30 December 2015
Establish realistic community satisfaction levels on infrastructure (fit for purpose)	<ul style="list-style-type: none"> Community engagement completed by 30 June 2016
Review existing asset revaluation process, methodology and timelines	<ul style="list-style-type: none"> Investigate if it is feasible to conduct annual revaluations on all assets by 31 December 2015 Benchmark unit rate costs with similar sized Councils by 30 June 2016

ACTIONS	MILESTONES
Review and develop policies for strategic property acquisitions and sales	<ul style="list-style-type: none"> Develop a strategic property acquisitions and sales Policy by 30 June 2016
Analyse the potential to pay a dividend from the Sewer business once a surplus position has been achieved	<ul style="list-style-type: none"> Update the Sewer Business Plan in 2015/16

3.4.1 PROCESS THAT UNDERPINNED THE DEVELOPMENT OF OUR ACTION PLAN

The process involved in developing WWCC's Improvement Action Plan was a collaborative effort involving staff and Council's elected representatives. An internal project team consisting of staff members from across the organisation was set-up and meetings were held every fortnight to drive the development of this plan. A project steering committee was established consisting of members of Council's Executive Team (General Manager and Directors). The steering committee were provided with regular updates and participated in a number of internal workshops to identify actions to be included in this plan.

Wagga Wagga City Councillors were involved through 3 Budget workshops and a further 3 specific Fit For the Future workshops. These workshops provided Councillors with the ability to have input into the plan and influence decisions made in Council's long term financial plan. Councillors were also provided with regular updates through Council's Councillor Bulletin publication and emails.

The community were informed about the Fit For the Future process after Council resolved in January 2015 to complete 'Template 2 – Council Improvement Proposal' and to not pursue any merger with Lockhart Shire Council. Further information was provided to the community during the public exhibition of the 2015/16 Combined Delivery Program and Operational Plan. A specific section was included in the plan and comments were sought from the community through Council's community engagement platform 'yoursaywagga'.

3.5 OTHER ACTIONS CONSIDERED

3.5.1 MERGERS

WWCC opposes any proposal to merge with any neighbouring rural councils due to the issues already experienced after merging with the adjoining shires of Kyeamba and Mitchell in 1981. WWCC already maintains a geographical area of approximately 4,826km² which includes a road network of approximately 2,300km. WWCC is committed to supporting its neighbouring Councils through the Riverina Joint Organisation process and already has a number of resource sharing arrangements in place with adjoining Councils.

3.5.2 SPECIAL RATE VARIATION TO FUND INFRASTRUCTURE BACKLOG

WWCC currently has a Special Rate Variation (SRV) included in its long term financial plan as the preferred scenario to fund its portion of the upgrade to the Main City and North Wagga levee banks. This makes it difficult to seek an additional SRV to fund infrastructure backlog during the same period of time. WWCC has also included a scenario which includes an option for an SRV commencing from 2021/22 to fund additional infrastructure renewal and maintenance priorities. The timing of this SRV coincides with the completion of the SRV for the levee banks.

4 EXPECTED IMPROVEMENT IN PERFORMANCE

4.1 FORECAST POSITION

	BENCHMARK	2016/17	2017/18	2018/19	2019/20	MEETS BENCHMARK
SUSTAINABILITY	Operating Performance Ratio (greater than or equal to break-even average over 3 years)	- 0.031	- 0.010	0.007	0.012	YES
	Own Source Revenue (greater than 60% average over 3 years)	72.25%	74.00%	76.26%	77.44%	YES
	Building and Infrastructure Asset Renewal (greater than 100% average over 3 years)	86.40%	93.78%	108.00%	106.65%	YES
INFRASTRUCTURE AND SERVICE MANAGEMENT	Infrastructure Backlog Ratio (less than 2%)	6.70%	6.97%	6.93%	6.38%	NO
	Asset Maintenance Ratio (greater than 100% average over 3 years)	83.20%	83.07%	83.41%	83.90%	NO
	Debt Service Ratio (greater than 0% and less than 20% average over 3 years)	4.85%	5.55%	5.97%	5.92%	YES
EFFICIENCY	Real Operating Expenditure (decrease in Real Operating Expenditure per capita over time)	Decreasing	Decreasing	Decreasing	Decreasing	YES

WHY WE DON'T MEET ALL OF THE BENCHMARKS

WWCC is not forecast to meet the benchmarks for the Infrastructure Backlog and the Asset Maintenance ratios, but it will be trending closer towards achieving the benchmarks by 2019/20.

The key reasons why WWCC is not forecast to meet these benchmarks are as follows:

- A very extensive and relatively large road network of approximately 2,300km results in a higher depreciation expense and higher maintenance and renewal costs relative to most Councils in the State.
- The current methodology for determining the infrastructure backlog needs further review as highlighted in the improvement plan. The current methodology counts assets rated as either condition 4 or 5 to be in an unsatisfactory condition even though a portion of these assets remain 'fit for purpose' and are not the subject of a large number of complaints from residents/ratepayers. WWCC plans to reassess the current methodology for measuring the backlog and transition to a risk based approach to measuring the infrastructure backlog.
- WWCC acknowledges that it is not allocating sufficient funds to infrastructure maintenance and renewal. The improvement proposal details a strategy which gives priority to directing budget savings or additional revenue into the infrastructure maintenance and renewal budgets.
- WWCC receives very limited amounts of funding from other levels of Government to assist in funding the maintenance and renewal of infrastructure assets.

4.2 PUTTING OUR PLAN INTO ACTION

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

The General Manager's Performance Management Plan is aligned with Council's DPOP and these activities are passed down to all staff through the Individual Performance Development Plans.

The General Manager will be responsible for the ongoing implementation and monitoring of the improvement action plan and assessing progress towards addressing the necessary benchmarks within the timeframes specified.