



Wellington Council
Fit for the Future Improvement Proposal

Adopted by Council 24 June 2015

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1. FIT FOR THE FUTURE

Three years ago, local councils from throughout NSW gathered for a summit, Destination 2036, to plan how local government could meet the challenges of the future. As a result, councils agreed that change was needed and that they wanted to be strong and sustainable and to make a positive difference in their respective communities. However, there were various views as to how this could be achieved and in April 2012 the State Government appointed an independent expert panel to carry out a review of the sector. That Independent Local Government Review Panel (ILGRP) consulted widely in developing its final recommendations which were presented to the Government in late 2013.

The panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would have to play a part. The State indicated its preparedness to change the way it works with councils and to support them through meaningful reform. Local councils must also be prepared to consider new ways of working and new structural arrangements. The Fit for the Future program brings these changes together to lay the foundations for a stronger system of local government and stronger local communities.

The Fit for the Future program requires councils to actively assess their scale and capacity in achieving long term sustainability and for councils to submit proposals to the Government indicating how they will achieve these objectives.

IPART's proposed assessment methodology, released for consultation in April 2015, requires councils to demonstrate that they first consider making a proposal on the basis of the ILGRP's preferred option. They also must demonstrate their performance against a set of criteria for their sustainability, infrastructure and service management, and efficiency, and what improvements they will make to reach the benchmarks by 2019/20.

Councils are required to submit a proposal as to how they will be Fit for the Future to IPART by 30 June 2015.

2. EXECUTIVE SUMMARY

The NSW Government, and IPART more recently in its proposed assessment methodology for Fit for the Future proposals, has specified that the starting point for assessing scale and capacity is the ILGRP recommendation for each council.

The ILGRP recommendation for Wellington Council is as follows:

“Council in Orana JO or merge with Dubbo”

Given that the ILGRP did not specify a preference between these options, Welling Council meets the test for scale and capacity under either option.

Wellington Council has assessed its performance against the Fit for the Future criteria and would not meet all of the seven benchmarks by 2019/20 as required by the proposed IPART assessment methodology.

Councillors and staff underwent a process to identify and cost a range of improvement opportunities that would ensure that they are able to fund the required asset renewal and

maintenance into the future, balance their budget, and demonstrate improved efficiency over time.

These improvement opportunities were taken to the Wellington community for comment. The community's preference is for Wellington to stand alone as per the ILGRP recommendation. After listening to the community, Council has modelled a range of improvement opportunities to demonstrate the impact on the Fit for the Future criteria, and these form the basis for Wellington's Fit for the Future position. Council's performance against the Fit for the Future criteria under its current position and Improvement Proposal are as follows:

Fit for the Future Criteria	Meets Now	Meets in 2019/20	Meets in 2019/20 with Improvement Proposal
Scale and Capacity as per the ILGRP Recommendation	Yes	Yes	Yes
Operating Performance Ratio	No	No	Yes
Own Source Revenue Ratio (Federal Assistance Grants included)	Yes	Yes	Yes
Buildings and Infrastructure Asset Renewals Ratio	Yes	No	Yes
Infrastructure Backlog Ratio	No	No	Yes
Asset Maintenance Ratio	No	No	Yes
Debt Service Ratio	Yes	Yes	Yes
Real Operating Expenditure Over Time	N/A	Yes	Yes

As part of the process of assessing its Fit for the Future options, Council also considered whether a merger would be in the best interests of the Wellington community. A merged council of Wellington, Dubbo and Narromine would not perform better against the Fit for the Future benchmarks than Wellington's Improvement Proposal. In addition, the significant loss in representation and the risk of Wellington's local priorities and identity being lost in a merger with a large city-focused organisation, mean that Wellington is not better off under a merged council.

Wellington Council submits this Improvement Proposal for public exhibition and comment and believes it to be in the best interests of the Wellington community into the future.

Comments will be accepted on the proposal until 12 June 2015.

3. SCALE AND CAPACITY

The NSW Government, and IPART more recently in its proposed assessment methodology for Fit for the Future proposals, has specified that the starting point for assessing scale and capacity is the ILGRP recommendation for each council.

The ILGRP recommendation for Wellington Council is as follows:

“Council in Orana JO or merge with Dubbo”

The Local Government Review Panel did not specify a preference between these options. Therefore, Wellington Council has scale and capacity under either option.

Council engaged its community in March and April 2015 as to their views on the future of local government in Wellington and the improvement opportunities that were identified by staff and councillors to improve Council’s performance against the benchmarks. Given the community’s preference for remaining as a standalone council, the elected members of Wellington Council have resolved to submit an Improvement Proposal.

Wellington Council is an active participant in the Orana Regional Organisation of Councils so is already working within a structural arrangement reflective of the ILGRP recommendation.

Strategic Capacity

Council has demonstrated a strong commitment to performance, best practice and efficiency improvements over time, as evidenced by the following;

1. Council has implemented all the recommendations from the 2006 Office of Local Government Promoting Better Practice Review and Statewide Mutual Best Practice Guidelines demonstrating that it is operating at best practice across all of its operations.
2. Council is a participant in the Wellington Blayney Cabonne Strategic Alliance, the Lower Macquarie Water Utilities Alliance and the OROC group of councils. Council also has strong relationships with Central NSW Tourism, Orana RDA and Netwaste demonstrating council’s commitment to local and regional collaboration, resource sharing and informed management decisions to improve its performance

Council has:

1. A healthy level of reserve funding set aside for future projects
2. Detailed long terms financial plans for General, Waste, water and Sewer Funds
3. Completed a rationalisation of its plant and equipment, disposing of those surplus to its requirements
4. Continued to review its organisation structure to look for further efficiencies and savings
5. Completed a review of its Building assets that resulted in the sale of the majority of Council’s commercial and residential property portfolio.
6. Implemented a Business Sustainability Action Plan in 2013 that saw the reduction in operating expenditure across the organisation

Council further submits the following as evidence of its demonstrated performance against the elements of strategic capacity as defined by the ILGRP:

<p>Robust Revenue Base</p>	<p>Council has diversified its income base by undertaking private works</p> <p>Council has significant RMS State Road Contracts</p> <p>Council reviewed its rating structure to ensure that the rate burden was spread proportionally across all of its categories</p> <p>Provides services in relation to WHS, training, and risk management to other council's and agencies and a modest return</p>
<p>Major Projects</p>	<p>Future new capital projects totalling \$4.2M</p> <p>Council is already delivering best practice water, sewer and waste services at an affordable price</p> <p>Council continues to provide a diverse range of services to the community which include aged and disabled services, youth services (0-12yrs) and indigenous liaison</p>
<p>Ability to employ wider range of skilled staff</p>	<p>Resource sharing through OROC and WBC</p> <p>Council has demonstrated commitment to local employment and building local skills through its apprenticeship and traineeships, CSU scholarship programme and participation in the Wellington Learning Community</p> <p>Flexibility has been built through multi skilling staff across operational areas</p>
<p>Knowledge, Creativity and Innovation</p>	<p>Waste projects are being delivering quality services without increase price for end users</p> <p>Council has demonstrated significant innovation in its management of development within the area by having in place Community Enhancement Programs, Voluntary Planning Agreements</p>
<p>Effective Regional Collaboration</p>	<p>Is an Active member of OROC and WBC</p> <p>Working with OROC to establish an Orana JO</p> <p>Savings and efficiencies achieved through regional collaborations and resource sharing</p>

	Is a member of the Macquarie Regional Library along with the councils of Dubbo, Narromine and Warrumbungles
Skills in strategic planning and policy development	<p>Council's IP&R documents meet legislative requirements</p> <p>The LTFP is informative and easy to read</p> <p>Council's governance framework facilitates effective policy and development and continuous review</p> <p>Council's strategic approach in its management of development within the area by having in place Community Enhancement Programs, Voluntary Planning Agreements</p>
Capable partner for state and federal agencies	<p>Partnered effectively with state and federal agencies demonstrated through securing significant grant funding for infrastructure projects</p> <p>Geurie sewerage treatment plant</p> <p>Road and bridge construction and reconstruction</p> <p>CBD beautification program funding</p>
High quality political and managerial leadership	<p>Continued professional development of councillors and staff</p> <p>Demonstrated sound financial and infrastructure management</p> <p>Demonstrated long track record of regional collaboration and leadership, CENTROC, WBC, OROC</p> <p>Sound Management of investment portfolio throughout Global Financial Crisis</p>

4. COUNCIL'S CURRENT POSITION

4.1 About the Wellington Local Government Area

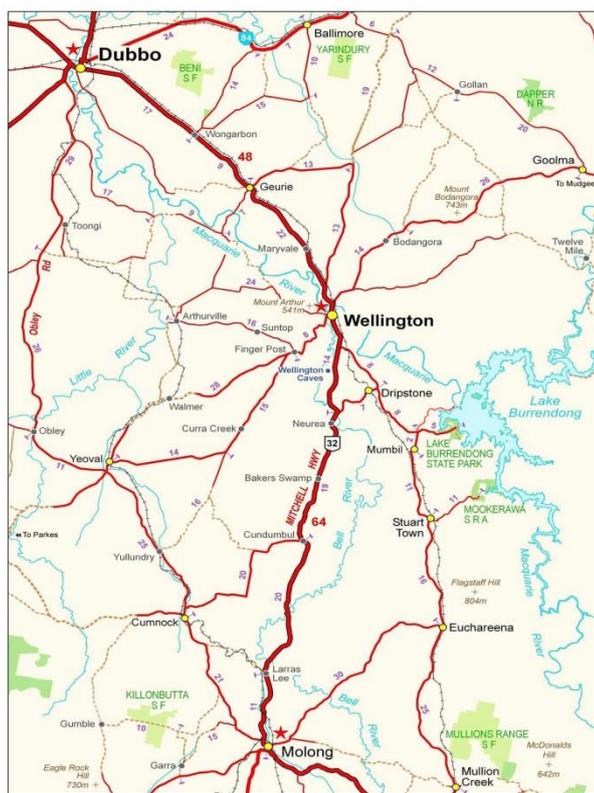
4.1.1 Key characteristics

The Wellington Local Government Area is located within the Central West Slopes and Plains of New South Wales, with its suburban centre of Wellington located 362 km north of Sydney. The Council area is bounded by Warrumbungle Shire in the north, the Mid-Western Regional Council

area in the east, the Cabonne Council area in the south and Dubbo City in the west. The Council area covers a total land area of approximately 4,100 km².

The town of Wellington is surrounded by villages, including Elong Elong, Euchareena, Geurie, Mumbil and Stuart Town. Rural land is used primarily for agricultural, particularly sheep and cattle grazing, with some viticulture and tourism.

This compares with the neighbouring Dubbo City Council area, which includes the City of Dubbo, the undisputed regional centre for the Orana area.



(Source: <http://www.wellington.nsw.gov.au/services-a-facilities/maps/regional-map>)

4.1.2 Demographics of the area

Census data and the NSW Department of Planning's Population Forecasts show that the population in Wellington Council area will slightly decrease from 8,850 in 2011 to 8,100 in 2031.

Annual average population growth rates will also trend down slightly for the same period:

LGA	2011-16	2016-21	2021-26	2026-31	2011-31
Wellington	-0.2%	-0.4%	-0.5%	-0.7%	-0.4%

Part of this population decrease can be attributed to a decline in prisoner population in the Wellington Correctional Centre.

This compares with Dubbo City Council area's population, which will increase by 0.7% for the period from 2011 to 2031.

The Wellington Council area has a low young-adult retention rate coupled with a high ratio of children to adults of parenting age. However, this ratio is not quite as high as in Dubbo due to the presence of a high proportion of elderly people, including a slightly higher retention rate for very old people¹.

The majority of residents in the area were born in Australia, reflecting the high level of English spoken at home.

The dominant dwelling type in the Wellington Council area is single dwellings. Residents live in housing that is either owned, mortgaged or rented. The population density is largely stable.

4.1.3 Community's social and economic needs

The Wellington Council area generates a Gross Regional Product of \$313.26M per annum. This equates to \$35,525 per person and \$179,725 per business. Agriculture and related activities are Wellington's major industries. Cropping, wool, beef and prime lamb are the major activities worth more than \$43 million per annum.

The majority of fulltime roles in the Wellington Council area are employed in (i) Agriculture, Forestry & Fishing, (ii) Public Administration & Safety (due to the Wellington Correctional Centre) and (iii) Education & Training. The majority of residents work in, and are sourced in, either the Wellington or Dubbo Council areas.

Key attractions in the growing tourism industry include the Wellington Caves Complex, Lake Burrendong, Burrendong Botanic Garden and Arboretum, Mt Arthur Reserve, wineries and boutique galleries.

Average incomes of residents are low to middle income, with per capita disposable income around \$35,000, although some clusters are significantly above this, e.g. professionals. Sixty percent of wages and 15% from small business, property and benefits contribute to disposable income.

Residents of the area have below than average high school completion and tertiary qualifications, than the State average. The area has an above State average Indigenous population of 21%, being descendants of the original inhabitants and custodians of the land, the Wiradjuri Nation. The population demonstrates higher levels of socio-economic disadvantage than the State Average when measured against the Socio-Economic Indexes for Areas *Index of Relative Socio-economic Disadvantage*, in fact the 7th most disadvantaged local government area.

4.1.4 Community's sense of local identity

The *Wellington 2025 Community Strategic Plan – Building Our Future Together* defines 'community' to include all those who live in the area, own property in the area, do business in the area and visit the Wellington area.

The vision for what the community wants the Wellington Council area to be in 2025, is:

- People love living in Wellington's towns, villages and rural areas
- Our natural beauty and history are appreciated by all who live and visit here

¹ NIEIR New South Wales Local Government Areas: Similarities and Differences March 2013

- We are the cultural centre of Wiradjuri Country and the hub to a prosperous, innovative, agricultural region of Central Western NSW
- Our heritage and future are tied to the land

This compares with Dubbo City's vision as a 'vibrant city of lifestyle and opportunity'².

Nestled at the foothills of the Mt Arthur Reserve on the banks of the Macquarie and Bell Rivers, Wellington is the second-oldest town west of the Blue Mountains. Wellington's town and villages include heritage buildings and streetscapes set in picturesque rural settings. They are surrounded by natural features of rivers, caves and mountains, and man-made dams and lakes, which provide recreational opportunities and scenic value.



(Source: <http://www.wellington.nsw.gov.au/15-wellington-council/general/60-wellington-council>)

Wellington Council has a number of community assets that have a replacement value of \$363 million³. The largest asset classes are transport, buildings, sewerage and water supply. Most notable assets of value to the community include: the Wellington and Geurie Swimming Pools; Wellington Library; Wellington Civic Hall; Wellington Airport; Wellington Caves Complex; sporting grounds; parks and gardens; the Visitor Information Centre; Sewerage Treatment Plants and Water Treatment Plants.

Wellington's values help guide its future choices and the way it works together as a community. Its value statement says:

- In all we do, we will
- Not just talk about it, but do it
- Think outside the square
- Respect each other, other peoples culture, community, heritage and environment
- Unite and work together
- Be open and honest.

This compares with the community values of Dubbo City area of progressiveness, pride, safety and leadership⁴.

The Wellington Council area community goals and priorities include:

² Dubbo 2036 Plan

³ Wellington Council Asset Management Strategy Plan 2014-2018

⁴ Dubbo 2036 Plan

- Growing, prosperity and employment
- Building and improving community infrastructure
- Showing leadership in governance and community engagement
- Promoting community participation in the arts and culture
- Growing agriculture, energy and the environment.

Wellington Council intimately understands its community and is best placed to address a number of challenges, including:

- Raising its identity, and what it offers
- Meeting the demands of the constantly changing agricultural industry
- Stimulating economic growth and employment, as well as recreational and education opportunities, for young people
- Using technology to better connect within and outside the Wellington Council area
- Improving the urban design, landscaping and street cleaning of its town and villages
- Changing perceptions about the town and increasing pride in “place” and “community”.

There are no existing State Government regional strategies for the Central West and Orana region, which includes Wellington. The Department of Planning & Environment intends to prepare a Discussion Paper to inform its future Regional Growth Plan for this area. As Wellington is not projected to experience growth, the plan will identify strategies to ensure population sustainability and manage population decline.

Wellington Council is a member of the Orana Regional Organisation of Councils, which leads and advocates on its behalf, including regional action plans, infrastructure and land use planning, economic, social and environmental issues.

Council supports ‘opt in – opt out’ joint strategic procurement, projects and services. The OROC is currently undertaking a shared services study to examine the capacity, skills and practicality of member councils receiving or delivering shared services. Wellington Council also agreed to endorse OROC’s submission to be a pilot Joint Organisation under the State’s regime to improve the effectiveness of local government across New South Wales.

4.1.5 Fit for the Future Community Engagement

Council prepared a Community and Staff Engagement Plan to outline Council’s intended approach for consulting the Wellington Community and staff about its Fit for the Future submission. Council sought to understand:

- Whether its current situation meets the Fit for the Future benchmarks
- The available options for Council to meet the benchmarks
- The implications of the options
- The views of the community and staff on its options

In broad terms, Council consulted on options to:

1. Stand alone as a council in the Orana Joint Organisation, as per the ILGRP recommendation and seek improvement opportunities to be Fit for the Future including increasing revenue; reducing services or service levels; reducing service delivery costs; and a combination of these

2. Merge with Dubbo Council (and possibly Narromine Council) as proposed as an alternate option by the ILGRP. Council's consultation promoted the benefits and costs of each of these options.

The consultation targeted residents of Wellington, five surrounding villages, and dispersed farming properties. It also engaged businesses, the farming and Indigenous communities, and other targeted and special interest groups.

Council informed and consulted its community using a number of consultative platforms:

- Media releases
- Council column in the local circulating newspaper
- Advertising in the Wellington Times and Central Western Daily
- Binjang radio interviews
- Rates newsletter
- Staff newsletter and memorandum
- Ballot boxes at key locations within Wellington and surrounding villages
- Hardcopy survey at Customer Service council, open shop fronts and on request
- Council stand at the Rotary Markets
- Fliers at community events
- Invitation for written submissions
- An official email address: haveyoursay@wellington.nsw.gov.au
- Dedicated Fit for the Future page on the Council website
- Online survey on the Council website
- Community focus groups via Expression of Interest
- Meetings with councillors and staff via an open shop front
- Community meetings facilitated by councillors and staff
- Staff Admin and Depot team meetings

Council chose methods that reflected the issues that needed to be consulted upon. The nature and extend of the consultation is commensurate with the significance of the changes involved in the proposal and the possible impacts on the community.

Council conducted its community consultation from 17 March to 24 April 2014. It received 31 written submissions and 628 completed surveys.

It reviewed the community feedback at a workshop to inform this proposal.

4.1.6 Community Consultation Results

Survey feedback indicated that 37% of respondents would support a combination of a rate increase and a reduction in service levels to balance Council's budget. Twenty-seven percent of respondents were unsure, however a further 19% supported a decrease in service levels and the remaining 17% supported an increase in rates.

Respondents chose 'local roads and bridges', 'economic development' and 'waste services' as the most important, when considering a possible reduction in services.

Sixty-five percent of respondents expressed concern that a merger with Dubbo and Narromine Councils would impact on local identity and services to residents. Twenty-eight percent replied in the negative, while the remaining 7% of respondents were unsure.

All respondents were residents of the Wellington Council area. Eighty-nine percent of respondents were self-employed, employed or retired. Eighty-two percent of respondents were aged 35 years or over and 13% of respondents identified as Aboriginal or Torres Strait Islander.

Councillors agreed on a range of potential improvement opportunities resulting in cost savings, to remove the operating shortfall and ensure sufficient money is spent on maintaining and renewing assets, including:

- Expenditure caps across Council internal functional areas
- Removing vacant positions from the organisational structure
- Reducing donations to community groups
- Reducing funding of major events
- Reducing weekend ranger services to 'on-call'
- Alternative delivery of community transport, aged and disability, and Aboriginal liaison services
- Reducing library opening hours
- Alternative delivery of aquatic facilities, Caves complex and Visitor Information Centre
- Reducing horticultural service levels
- Ceasing economic and tourism development function
- Terminating the 'Wellington Blayney Cabonne' Alliance.

Focus Group attendees supported changes to Council's functional areas and its organisational structure. They considered the changes to ranger services, the aquatic facilities and the Alliance as quick wins. They also supported more accountability in the funding of events, and better performance by the Aboriginal liaison role and Caves complex management.

Attendees did not support reductions to tourism or economic development. They also did not support reductions in community transport or aged & disability services.

The issue that received the most written submissions was the potential closing of aquatic facilities, which would have a negative impact on the local community, particularly young people. Council's proposed improvement opportunities did not include closure of either of the swimming pools in the Wellington LGA.

Most submissions recognised the need to cut costs and/or services to some degree. Submitters expressed concern about removal of economic and tourism development initiatives and loss of local jobs. There was some support for changes to the Visitor Information Centre and a desire for Council to obtain and provide more grant funding for a range of functions.

Many submitters requested further consultation and investigation of some improvement opportunities, e.g. merger versus stand-alone, the level of rate increases required to maintain existing services, reduced management and maintenance of sporting grounds, and reduced library opening hours.

4.2 Key Challenges and Opportunities

Council has undertaken a Strengths, Weaknesses, Opportunities and Threats analysis to help it identify improvement actions and priorities based on a strong understanding of its current position. It has identified the following positive and negative drivers within Council and in the external environment:

<p>Strengths</p> <ul style="list-style-type: none"> • Low level of borrowings • Capacity to service current borrowings • Sound liquidity • Moderate financial flexibility • Membership to Orana Regional Organisation of Councils improves advocacy, lobbying, resource sharing and networking • Higher proportion of ATSI representation within councillors than State average, reflecting resident population • Identified locations for future land uses within each key settlement, including Wellington and surrounding villages under the Wellington Settlement Strategy • Local clauses in the Wellington Local Environmental Plan 2012 covering essential services, flood planning areas, stormwater, Karst subsidence risk and natural resources • Promotion of increased housing choice, job opportunities, coordinated centres development, ecologically sustainable development, recognition of heritage items, protection of prime agricultural land and definition of rural-residential transition within the Wellington Development Control Plan • Economic development initiatives, e.g. Amenity Assistance, Promoting Community Leadership and Litter Reduction Programs 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Reliance on discretionary income outside its control • Net operating deficit in the period from 2010 to 2012 • Rate of increase of expenses over time 2010 to 2012 • Infrastructure backlog • Underspend on infrastructure maintenance • Significant technical services staff turnover • Level of uncertainty about backlog and maintenance outlined in its Asset Management Plan • Future borrowing not viable due to continuing forecast operating deficits and declining liquidity • Only partial progress on gaps in governance, levels of service, skills and processes, and evaluation • 100% of Council's Waste Services is household waste (excludes recycling and garden organics) • Much higher representation by male councillors 30+ years than resident population
<p>Opportunities</p> <ul style="list-style-type: none"> • Options to increase overall operating position through increased revenue (eg. SRV) or reduction in expenses • Provider, facilitator and advocate to support Wellington's strategic vision and plan • Revitalisation of Wellington's Central Business District and villages under the NSW Cobbora Transition Fund • Role in consultation, information sharing and projects about crime prevention • Improved community engagement strategies and methods to increase knowledge, strengthen relationships and inform decision making 	<p>Threats</p> <ul style="list-style-type: none"> • Having needs heard by state and federal governments • Increased burden to deal with a broader range of issues and funding to undertake these activities • Imposed policies and systems not tailored to local needs • Continual impacts on Council finances due to cost shifting from state and federal governments

4.3 Performance against the Fit for the Future Benchmarks

Based on Wellington Council's 2013/14 Financial Statements and draft 2015/16 Long Term Financial Plan, Wellington Council's current and forecast position against the Fit for the Future benchmarks is as follows:

Fit for the Future Criteria	Meets Now	Meets in 2019/20
Operating Performance Ratio	No	No
Own Source Revenue Ratio (Federal Assistance Grants included)	Yes	Yes
Buildings and Infrastructure Asset Renewals Ratio	Yes	No
Infrastructure Backlog Ratio	No	No
Asset Maintenance Ratio	No	No
Debt Service Ratio	Yes	Yes
Real Operating Expenditure Over Time	N/A	Yes

From its 2013/14 starting position, Council has undertaken an extensive review of its budget, including its asset management approach and the forecast performance against the Fit for the Future benchmarks are detailed below.

4.3.1 Sustainability

Operating Performance Ratio – Benchmark Greater Than Breakeven, Meet By 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Operating Performance Ratio	-14.9%	-2.9%	-0.2%	-0.8%	-1.4%
Meets Benchmark?	No	No	No	No	No

Own Source Revenue Ratio – Benchmark Greater Than 60%, Meet By 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Own Source Revenue Ratio	57.2%	56.7%	59.1%	64.2%	64.7%
Meets Benchmark?	No	No	No	Yes	Yes

Buildings and Infrastructure Asset Renewal Ratio – Benchmark 100%, Meet or Improve in By 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Buildings and Infrastructure Asset Renewal Ratio	134.7%	154.1%	85.2%	73.9%	78.7%
Meets Benchmark?	Yes	Yes	No	No	No

4.3.2 Infrastructure and Service Management

Infrastructure Backlog Ratio – Benchmark Less Than 2%, Meet or Improve in by 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Infrastructure Backlog Ratio	9%	3%	3%	4%	5%
Meets Benchmark?	No	No	No	No	No

Asset Maintenance Ratio – Benchmark 100%, Meet or Improve in by 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Asset Maintenance Ratio	69%	86%	85%	85%	85%
Meets Benchmark?	No	No	No	No	No

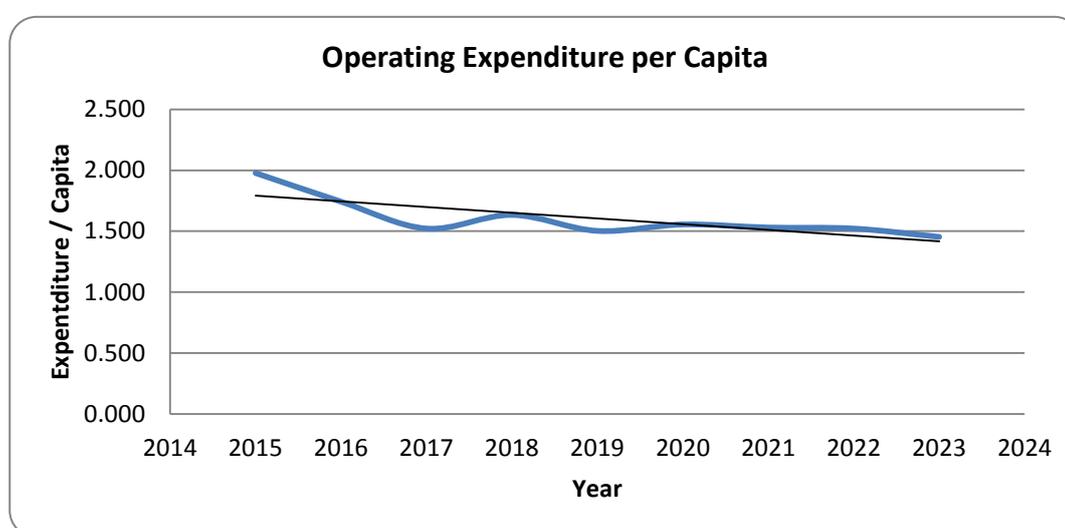
Debt Service – Benchmark Greater Than 0% and Less Than 20%, Meet by 2019/20

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Debt Service Ratio	2.9%	0.3%	0.3%	0.3%	0.2%
Meets Benchmark?	Yes	Yes	Yes	Yes	Yes

4.3.3 Efficiency

Real Operating Expenditure Per Capita

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Real Operating Expenditure Over Time	1.928	1.747	1.880	1.752	1.835
Meets Benchmark?		Yes	Yes	Yes	Yes



5. HOW WILL COUNCIL BECOME FIT FOR THE FUTURE?

The Fit for the Future template asks councils to develop an action plan to improve their performance against the benchmarks from 2016/17. Wellington Council intends to implement the improvement opportunities effective from the commencement of the 2015/16 budget in order to ensure that they are commencing immediately to become more sustainable.

5.1.1 SUSTAINABILITY

Wellington Shire Council will seek to implement the following strategies in order to build its sustainability, contributing to:

- Operating performance ratio which meets the benchmark
- Own source revenue ratio, further increasing Council's control over its operating performance and financial sustainability
- The following strategies have been taken to community consultation and built into the financial model for Council's Fit for the Future position.

5.1.2 Service Level Reductions

Reductions in service levels across a range of activities are proposed in order to reduce costs and improve operating performance. These include:

Parks and Gardens, Sportsgrounds and Horticultural Services

Reductions in expenses totalling \$153,508 across the broad range of horticultural activities currently undertaken, including maintenance and repairs to sporting grounds, parks and gardens, Wellington Showground and cemeteries. Response times to maintenance and vandalism issues will increase and fine detail maintenance will be reduced.

Ranger Services

By restricting call out responses to weekends only and restricting Monday to Friday activity to business hours only, an annual saving of \$25,000 will be achieved. The deletion of weekday after hours responses to companion animal and livestock matters, rubbish dumping and other regulatory activities will represent a reduction in service from the current practice.

Major Events support

Reducing the Council's contributions and financial support to major community events, by \$10,000, over a three year period will require those events to become self-sustaining within that period.

Community Donations

The Council's community donations scheme will be reduced by \$6,400 in the first year, followed by additional savings in each of the second and third years of \$5,000 per annum. A broad range of community organisations will need to achieve higher levels of self-sufficiency following reductions to Council's support.

Library Services

As part of the negotiation of a new contract with the Macquarie Regional Library, due for commencement in 2018/2019, a reduction in library expenses of \$50,000 will be attained as a result of reduced service levels.

Heritage Advisory Services

Council currently provides financial support for the provision of heritage advisory services to private property owners and developers within the Shire in relation to new development and the redevelopment of existing premises within the Shire where appropriate. Based on a low community priority placed on this service, the termination of this support service will net a saving of \$17,000 per annum.

5.1.3 Revenue Opportunities

Council's starting position was to meet the Fit for the Future benchmarks without the need to increase rates, which it has been able to achieve with the savings identified. However, given that community feedback suggested some willingness to consider a mix of service changes and a rate increase, Council may consider a modest rate increase to address future asset renewal needs beyond 2019/20.

In addition, community feedback suggested a desire for Council to consider re-establishing a private works service as a revenue opportunity. Council staff will prepare a business case for this and will build any estimated revenue opportunities into future revisions of the Long Term Financial Plan.

5.2 Infrastructure and service management

5.2.1 Asset Valuations

The results of the valuation of Councils infrastructure assets play a fundamental part of council's asset management plans, and strategies. The outcome of these plans and strategies result in works programmes that ensure the best value for money in the overall management of Councils infrastructure assets. It's not surprising that valuation outputs such as annual depreciation expense is a key component of the fit for the future benchmarks.

5.2.2 Asset Depreciation

Depreciation rate of assets is another element that influences the fit for the benchmarks considerably. The depreciation of assets has a direct result on the operating surplus ratio and the infrastructure renewals benchmark and affects a number of the fit for the future benchmarks. Our experience across a number of different councils has seen large variations in the way councils depreciate their assets.

As part of the valuation review aforementioned roads valuation, Morrison Low also reviewed a number of the depreciation rates / asset lives of Wellington assets. It would appear that there is an opportunity to review the useful life of some assets, to be more in line with council's historic data, industry practice and actual performance of assets at Wellington.

5.2.3 Backlog Methodology

As previous mentioned there are a number of methods used to calculate the backlog or cost to satisfaction number across NSW. This variance in the methodology across the state has seen a wide range of backlog numbers reported.

Morrison Low working alongside with Wellington Shire has reviewed and subsequently recommends a slight change in the current methodology being used. This method recommends using asset condition 3 as satisfactory and subsequent work with the community to ensure this is consistent with the community's expectations will be required.

Adoption of a consistent and repeatable methodology for the determination of Cost to Satisfactory will ensure that determination of this indicator provides a reliable indicator of overall asset condition within Wellington Shire.

5.2.4 Ensuring Sufficient Expenditure on Assets to Meet Fit for the Future Benchmarks

One of Council's first steps in preparing its Improvement Proposal, after it had reviewed its asset management position, was to ensure sufficient expenditure was applied to its Long Term Financial Plan in order to meet the Infrastructure Renewal Ratio, Asset Backlog Ratio and Asset Maintenance Ratio.

Council priority in asset expenditure is to fund asset renewals at greater than 100% to ensure the backlog ratio is reduced and remains below the benchmark of 2%. Once the backlog ratio is at or

below the benchmark Councils priority will be to maintain renewals funding at 100%. At this time Council will then direct additional funding as require to Asset Maintenance.

As part of the Councils improvement program the methodology for determining the required asset maintenance has been reviewed. The new methodology is to use a % of the Gross Replacement Cost of individual assets as a measure of required maintenance. The relevant percentages are benchmarked across other councils and by utilising current industry benchmarks. Council is confident that this approach provides a consistent, repeatable and realistic measure of the required maintenance of infrastructure assets.

Based on historical asset maintenance expenditure and budgeted proposed asset expenditure it is estimated that there is additional expenditure on asset maintenance than required. It is proposed that this additional maintenance expenditure will provide a better asset solution by being directed to asset renewals rather than asset maintenance. Whilst this will have a positive impact on the operating performance ratio, we are recommending that only these funds be directed to asset renewals and as such will have no impact on cash flow or retained cash position of the Council.

5.3 Efficiency

5.3.1 Cost Reduction – Corporate Structure

Wellington Council underwent a review of its works division in 2014 which resulted in a restructure of this part of the organisation. In addition, there are a number of vacant positions in the organisational structure that have not been filled for various reasons. The recent departure of one of the three directors has also provided an opportunity to again review the structure of the Council organisation.

The current review has identified that the potential exists for savings of up to \$360,000 over two years. Council has commenced a comprehensive organisational restructure in order to realise these savings and develop a corporate structure that is better aligned to its Fit for the Future position and has built the savings in over two years to represent an appropriate transition period.

Implement Alternate Delivery Models for Services

In addition to these general savings, there have been specific decisions made about the transfer of a range of economic development activities including the strategic function and operation and management of the Wellington Caves complex and its attendant caravan park and kiosk operations.

Specifically, these savings arise through:

- Transfer of Caves complex to private operator (cost savings and revenue from lease) of \$530,261
- General Manager to assume responsibility for the broader economic development function, resulting in savings in salaries, and general expenditure totaling \$327,106

5.3.2 Other Savings

A range of cost cutting measures have been adopted, specifically

Public toilets and ancillary services - savings of \$30,000 flow from altered work processes and the reduction of call outs for maintenance after hours.

Swimming pools – operational changes to pool management in the off season will generate savings of \$23,000 annually.

Councillors' expenses - will be reduced by \$22,000 per annum through the removal of the Mayoral vehicle from the fleet.

Staff training expenses - will be cut by \$47,000 per year, representing a reduction of \$367 per full time equivalent employee.

Regional affiliations - by withdrawing from the WBC Alliance (Wellington/Blayney/Cabonne) the annual membership subscription of \$36,033 will be saved. The Alliance will need to be disbanded as a result. Further, seeking annual savings of \$5,000 in the cost of Orana Regional Organisation of Councils (OROC) membership will be negotiated among the member Councils of that regional organisation.

Town planning – these areas have been difficult to recruit and retain over recent years, necessitating the use of contract and consultant resources in order to provide services to the Wellington community and to maintain compliance obligations. A higher salary will be offered to attract a permanent planner to this position with the attendant savings in the areas of contract and consultant usage and a projected net saving of \$53,633 per annum.

Improvement	Savings			
	2015/2016	2016/2017	2017/2018	2018/19
Sustainability / Service Level Reductions				
Parks and Gardens, Sportsgrounds	153,508			
Ranger Services	25,000			
Major Events Support	10,000			
Community Donations	6,400	5,000	5,000	
Library Services			50,000	
Heritage Advisory Service	17,000			
Efficiency / Cost Reduction				
Corporate Structure	180,000	180,000		
Transfer of Caves Complex		530,261		
Cessation of Economic Development function	327,106			
Public Toilets and ancillary services	30,000			
Swimming Pools	23,000			
Councillor Expenses	22,000			
Staff Training	47,000			
Regional Affiliations	41,033			
Town Planning	53,633			
Sub Total	723,772	715,261	0	
On cost adjustments	-42,214			
TOTAL	893,466	715,261	55,000	

5.4 Other Actions Considered

5.4.1 Merger

Wellington Council considered a merger with Dubbo, as per the ILGRP's alternate option. Dubbo City Council expressed clearly from the outset of the discussions that it would not be pursuing a merger with any other council, and formally resolved:

“That Council strengthen its position not to support an amalgamation or merger of Dubbo City Council with any council including Narromine Shire Council and Wellington Council.”

This left Wellington Council with no alternative but to pursue an Improvement Proposal to remain as a standalone council as part of the Orana JO (as per the ILGRP's recommendation). Councillors supported this course of action as in the best interests of the future of the Wellington community.

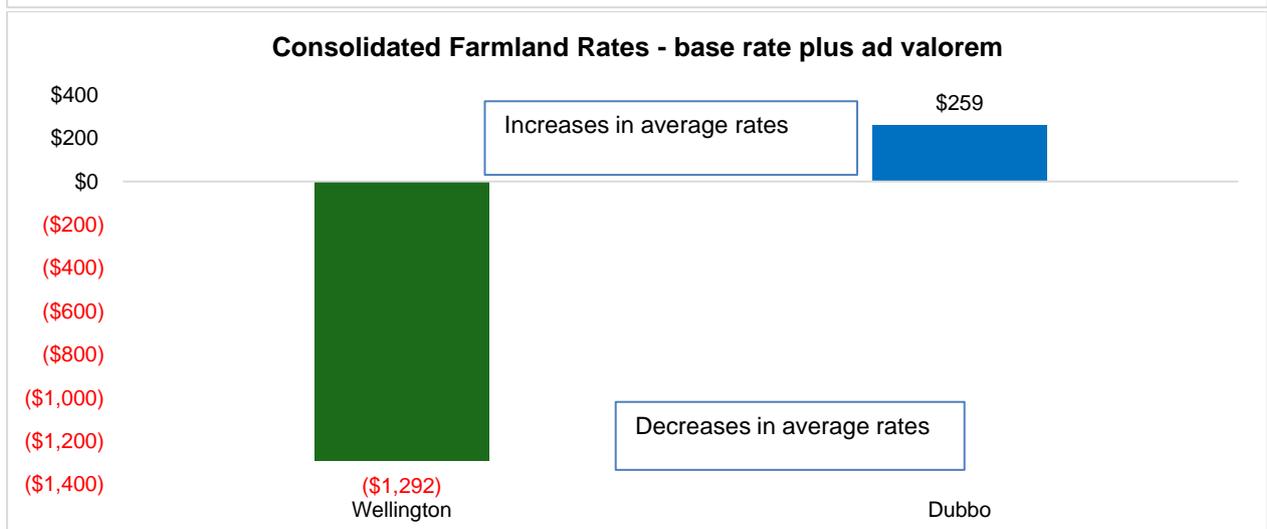
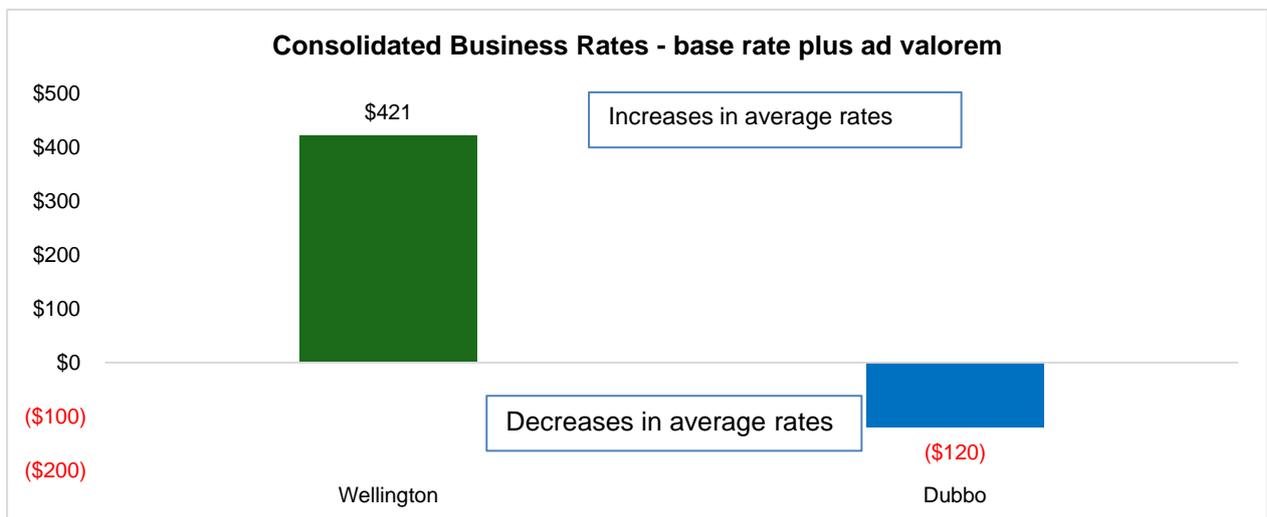
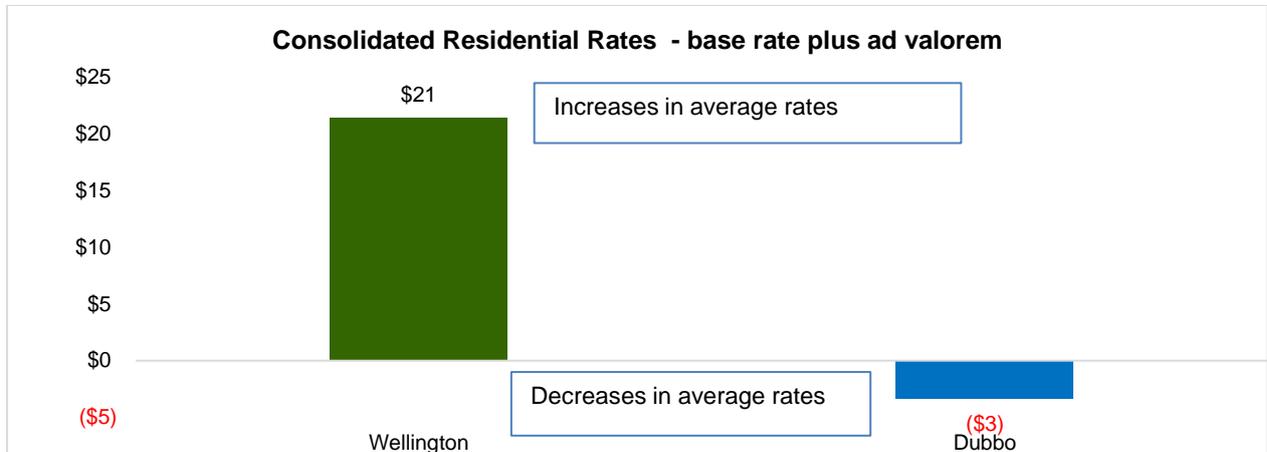
As part of its Improvement Proposal, Wellington Council undertook modelling of the proposed merger with Dubbo and Narromine based on publically available information. As a merged entity is a sum of its parts, the merged council was forecast to perform against the Fit for the Future benchmarks as follows, in comparison to Wellington's status quo or base position (2013/14) and adjusted or improved position as proposed in this submission:

Benchmark	Wellington 2013/14	Wellington Base 2019/20	Merged Entity 2019/20	Wellington Improved 2019/20
Scale and Capacity – ILGRP Recommendation	Yes	Yes	Yes	Yes
Operating Performance Ratio	No	No	Yes	Yes
Own Source Revenue Ratio	Yes	Yes	Yes	Yes
Infrastructure Renewal Ratio	Yes	No	No	Yes
Asset Backlog Ratio	No	No	No	Yes
Asset Maintenance Ratio	No	No	No	Yes
Debt Service Ratio	Yes	Yes	Yes	Yes
Operating Expenditure Over Time	N/A	Yes	Yes	Yes

Based on this modelling, Wellington residents are not better off under a merged council in terms of the Fit for the Future benchmarks, and in fact are worse off when the merger is considered against the Wellington Improvement Proposal.

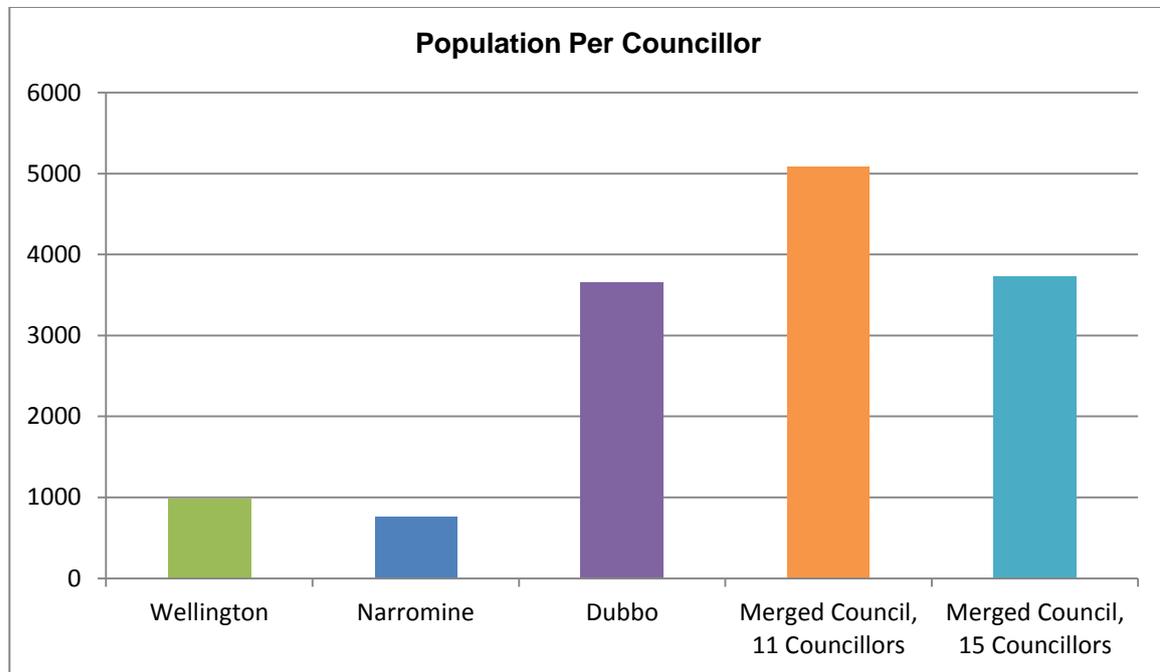
Analysis of rates was undertaken to give an indication of likely movement of rates under a merger. Whilst the impact of a merger on rates is difficult to model with any degree of accuracy due to the differences in rating structures, and any new council would apply its own rating policy, this gives an overall picture of where rating impact will be felt. Changes to average rates using

base rate + ad valorem was modelled. Only a merger with Dubbo was modelled due to difficulty accessing public rating information from Narromine.



Wellington residential and business ratepayers are likely to be worse off under a merger with Dubbo, however farmland ratepayers are likely to be significantly better off.

In addition to the financial impacts, a merger would see levels of representation decline significantly in Wellington, as demonstrated by the following graph:



5.4.2 Other service cuts

Council consulted on a list of cost saving opportunities, and following community feedback as their importance and priority for quality of life and economic sustainability of the Wellington area, Council has removed them from the Improvement Proposal:

- Tourism
- Indigenous Liaison

6. HOW WILL THE PLAN IMPROVE PERFORMANCE

6.1 Expected improvement in performance

6.1.1 Sustainability

Operating Performance Ratio – Benchmark Greater Than Breakeven, Meet By 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Operating Performance Ratio	3.7%	6.5%	6.0%	5.2%
Meets Benchmark?	Yes	Yes	Yes	Yes

Own Source Revenue Ratio – Benchmark Greater Than 60%, Meet By 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Own Source Revenue Ratio	56.7%	59.1%	64.2%	64.7%
Meets Benchmark?	Yes	Yes	Yes	Yes

Buildings and Infrastructure Asset Renewal Ratio – Benchmark 100%, Meet or Improve in By 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Buildings and Infrastructure Asset Renewal Ratio	177.7%	100.0%	100.0%	100.0%
Meets Benchmark?	Yes	Yes	Yes	Yes

6.1.2 Infrastructure and Service Management

Infrastructure Backlog Ratio – Benchmark Less Than 2%, Meet or Improve in by 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Infrastructure Backlog Ratio	0%	0%	0%	0%
Meets Benchmark?	Yes	Yes	Yes	Yes

Asset Maintenance Ratio – Benchmark 100%, Meet or Improve in by 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Asset Maintenance Ratio	100%	100%	100%	100%
Meets Benchmark?	Yes	Yes	Yes	Yes

Debt Service – Benchmark Greater Than 0% and Less Than 20%, Meet by 2019/20

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Debt Service Ratio	0.3%	0.3%	0.3%	0.2%
Meets Benchmark?	Yes	Yes	Yes	Yes

6.1.3 Efficiency

Real Operating Expenditure Per Capita, Benchmark Decrease Over Time

	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Real Operating Expenditure Over Time	1.031	1.099	1.016	1.054
Meets Benchmark?	Yes	Yes	Yes	Yes

7. CONCLUSION

The ILGRP recommendation for Wellington Council is as follows:

“Council in Orana JO or merge with Dubbo”

Given that the starting point for “scale and capacity” is the ILGRP recommendation, Wellington meets the test for scale and capacity under either option.

Wellington Council will not meet the other criteria established by the NSW Government, and confirmed more recently by the IPART proposed assessment methodology for Fit for the Future submissions, unless it undertakes a range of improvements to ensure that it is spending enough money on its assets, able to balance its budget, and showing improved efficiency over time.

Council identified a range of improvement opportunities and consulted with the community on these in April 2015. This also included asking the community their views on a merger with Dubbo and Narromine as per the alternate recommendation of the ILGRP, even though Dubbo City Council formally resolved to not merge with any other council. Modelling of the merger proposal indicates that the community is not better off under a merged council when compared to Wellington’s Improvement Proposal, both in terms of the Fit for the Future benchmarks and the risk of loss of representation, local priorities and identity.

The community’s preference was for Wellington Council to stand alone into the future.

Following community feedback on the improvement opportunities, Council has modelled the savings and opportunities against the Fit for the Future criteria, and the results are as follows:

Fit for the Future Criteria	Meets Now	Meets in 2019/20	Meets in 2019/20 with Improvement Proposal
Scale and Capacity as per the ILGRP Recommendation	Yes	Yes	Yes
Operating Performance Ratio	No	No	Yes
Own Source Revenue Ratio (Federal Assistance Grants included)	Yes	Yes	Yes
Buildings and Infrastructure Asset Renewals Ratio	Yes	No	Yes
Infrastructure Backlog Ratio	No	No	Yes
Asset Maintenance Ratio	No	No	Yes
Debt Service Ratio	Yes	Yes	Yes
Real Operating Expenditure Over Time	N/A	Yes	Yes

Wellington Council submits this Improvement Proposal for public exhibition and community comment and believes that this places Council in a strong position in terms of the Fit for the Future assessment criteria, and is in the best interests of the Wellington community.

Submissions will be received until 12 June 2015, after which time Council will consider the feedback and adopt a final Improvement Proposal for submission to IPART for assessment by 30 June 2015.