

# “Fit for the Future” Community Information



7 May 2015



Cr Doug Batten  
Mayor



Cr Ash Walker  
Deputy Mayor



Cr Susan Baker



Cr Amber Bunter



Cr John Collison



Cr Stephen Horan



Cr Gina Johnson



Cr Laurie McGrath



Cr Greg Peart

## A Message from Your Councillors

### Background

In October 2013 the Independent Review Panel, commissioned by the NSW State Government to look at ways to strengthen the effectiveness of local government in NSW, released its final report and recommendations.

In September 2014 the State Government announced a reform package for local government in NSW under the heading “Fit for the Future”, based on the Independent Review Panel’s recommendations.

The Panel recommended that Gilgandra Shire become a “Rural Council” or alternatively merge with Coonamble Shire Council.

As part of this reform process your Council has been asked to assess its current scale, capacity and performance and prepare a plan to ensure it will be “Fit for the Future” using the Independent Review Panel’s recommendations for Gilgandra Council as a starting point.

### Council’s Position

At its February 2015 meeting your Council resolved to put forward a submission to continue as a stand-alone “Rural Council”. At the same time Council resolved not to support any amalgamation with Coonamble Shire.

Council’s submission will be assessed by an independent expert panel which will make recommendations to the Minister for Local Government.

Councils that prepare a sound proposal showing they have the appropriate scale and capacity and have developed a plan to improve their performance, will be considered as “Fit for the Future”.

The NSW Government has indicated that “Fit for the Future” councils will have access to more benefits, such as cheaper finance to help fund local infrastructure. They will also be able to play a more active role in shaping their region’s future and helping their regional community grow.

When making the decision to put forward a submission to continue as a stand alone “Rural Council” your Councillors took into account the significant long term strategic and financial planning undertaken over the past four years to ensure Council’s long term financial sustainability and ability to continue to deliver the services expected of it by the local community. We were also very mindful of retaining the unique local identity and social fabric of our community.

### Our Future

As you are aware, this long term planning has involved a significant increase in general rates over the period 2014/15 to 2016/17 to allow for an increase in maintenance on the local road network and ensure our ageing transport infrastructure and other assets are renewed as required.

As your elected representatives we are also committed to ongoing regular reviews of operations and service delivery to ensure that service priorities are being met in a cost efficient manner.

There is a significant push for Councils to consider activities outside the traditional “roads, rates and rubbish” to improve their financial sustainability. Gilgandra Shire has over a long period of time provided community services including aged, disability and community care services to meet the needs of our community. Businesses have been built around these services enhancing the economy of Gilgandra and also increasing the ability of Council to be financially sustainable. These services add significant value to the community at no cost to the ratepayer.

We look forward to continuing to engage with you to ensure our Shire remains a strong, sustainable and vibrant rural centre into the future.

Details of the Fit for the Future reform package can be found at [www.fitforthefuture.nsw.gov.au](http://www.fitforthefuture.nsw.gov.au).

## Why We Are Not Merging

Your Councillors considered the option of a merger with Coonamble Shire in detail and determined that this option is not supported for the following reasons:

- Increased size of the area to be serviced and distance between centres leading to increased costs
- Restrictions on ability to reduce employment costs (Local Government Act & Award)
- Loss of local council identity / community of interest
- Reduced community voice / representation
- No evidence of savings / increased service delivery from previous rural council amalgamations
- A merged entity would have a population and financial capacity still below levels indicated by independent review panel to be sustainable
- Gilgandra Shire Council operates substantial non-core Local Government functions which a merged structure may not have interest nor capability to manage
- Differences in philosophy may lead to Council losing input into a number of community services, eg aged care and disability services – potential to significantly impact on job numbers in our Community
- Council's long term strategic and financial plans confirm that Council is financially viable and sustainable over the long term

There is a significant body of independent, academic research that shows amalgamation delivers little or no benefit to ratepayers and residents in small rural communities. In small rural communities research indicates, rates do not decrease, smaller communities lose representation in a larger council, there is competition for resources between communities, staff numbers generally don't decrease and there is no evidence that communities get better services as a result of the amalgamation.

## The “Rural Council” Proposal

The “Fit for the Future” reform package identifies a number of characteristics/challenges unique to smaller rural councils including:

- Small and static population spread over a large area
- Local economies based on agriculture/resource industries
- High operating costs associated with dispersed population and limited opportunities for return on investment
- High importance of retaining local identity, social capital, and capacity for service delivery
- Low rate base and high grant reliance
- Difficulty in attracting and retaining skilled and experienced staff
- Challenges in financial sustainability and provision of adequate services and infrastructure
- Long distance to a major (or sub) regional centre
- Limited options for mergers

The Independent Panel originally proposed a separate “Rural Council Model”, however consultation with the sector has shown that the needs of rural communities are so diverse that a single legislated model, creating a new type of council, may not be the best solution. This is no longer being proposed.

Instead, small rural councils like ours now have the option of preparing a “Rural Council Proposal” to show how we will continue to improve performance within our current structure.

This allows us to choose from solutions, developed through consultation, that particularly suit small rural communities. There will be no change to the way that these councils are named, nor mandated changes to operations.

## Working Towards Sustainability

In this term of Council that commenced in September 2012, Council has taken a number of steps towards long term financial sustainability, improved infrastructure and service management and improved efficiency, including:

- Reviewing our Strategic and Long Term Financial Plans
- Increasing our Rate Revenue Base
- Implementing an ongoing review of all Council operations and services
- Introducing a local road hierarchy plan
- Committing to additional funding for maintenance and renewal of transport assets in particular rural roads and timber bridges
- Improving Asset Maintenance and Renewal in terms of planning and practices for both transport and building assets
- Making operational savings
- Achieving surplus cash results over the past two years and a further anticipated surplus this year
- Delivering asset renewal and upgrade works in line with our Delivery Program and Long Term Financial Plan

## Challenges and Opportunities

Your Councillors have identified a number of key challenges and opportunities for Council and our community:

- Maintaining and renewing infrastructure assets as they fall due
- Ageing and declining population
- Long term financial sustainability
- Fluctuations in agricultural commodity prices
- Impact of extractive industries (CSG)
- Co-ordination of government and non government community service providers
- Encouraging volunteerism
- Capitalising on our central highway location and proximity to Dubbo
- Youth participation
- Industry expansion/new industries
- Retaining skilled labour
- Maintaining and growing our retail sector

## Fit for the Future Benchmarks

All Councils in NSW will have their performance, both now and into the future, measured in terms of:

- Sustainability
- Infrastructure and Service Management; and
- Efficiency

Seven specific ratios will be measured, monitored and reported on an ongoing basis:

### Sustainability

- **Operating Performance Ratio** – Core measure of sustainability – indicates council's capacity to meet ongoing operating expenditure requirements

#### Benchmark

Greater than or equal to break-even over the longer term – ongoing deficits are unsustainable

- **Own Source Revenue** – Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability

#### Benchmark

Greater than 60% to ensure councils have sufficient flexibility to manage external shocks and challenges

- **Building & Asset Renewal Ratio** – Measures whether council's assets are deteriorating faster than they are being renewed – indicator of whether council's infrastructure backlog is likely to increase

#### Benchmark

Greater than 100% ensures community assets are managed in a sustainable way

### Infrastructure & Service Management

- **Infrastructure Backlog Ratio** – Measures how effectively councils are managing their infrastructure. Increasing backlogs may affect council's ability to provide services and remain sustainable

#### Benchmark

Less than 2% ensures infrastructure backlogs are at manageable levels

- **Asset Maintenance Ratio** – Measures whether council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog

#### Benchmark

Greater than 100% ensures councils infrastructure position is not deteriorating

- **Debt Service Ratio** – Indicates whether council is using debt wisely to share the life long cost of assets and avoid excessive rate increases

#### Benchmark

Greater than 0% and less than or equal to 20% - it is appropriate that councils should carry some level of debt to ensure inter-generational equity in funding major infrastructure

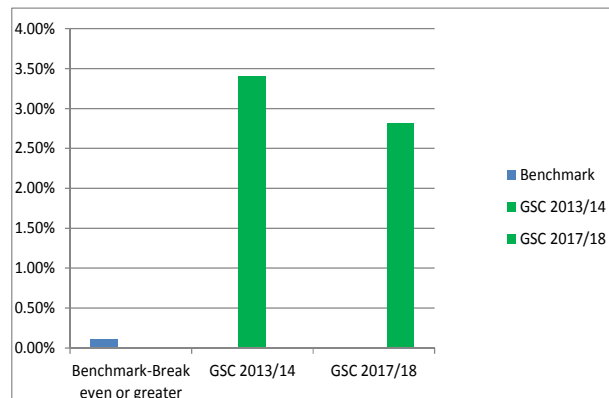
### Efficiency

- **Real Operating Expenditure per capita** – Indicates how well councils are utilising economies of scale and managing service levels to achieve efficiencies

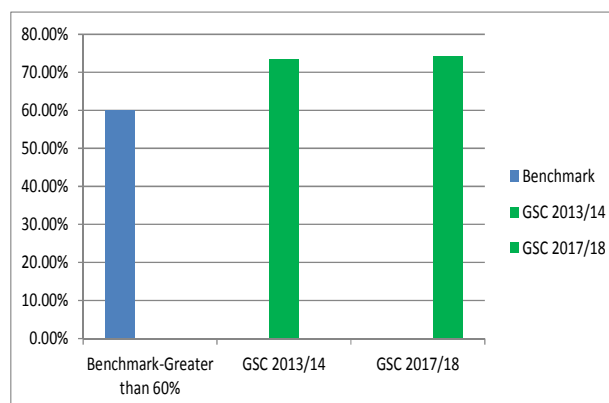
#### Benchmark

- Focuses on each council's individual performance over time, rather than comparing with others. A decrease in real expenditure per capita indicates improved efficiency (all things being equal)

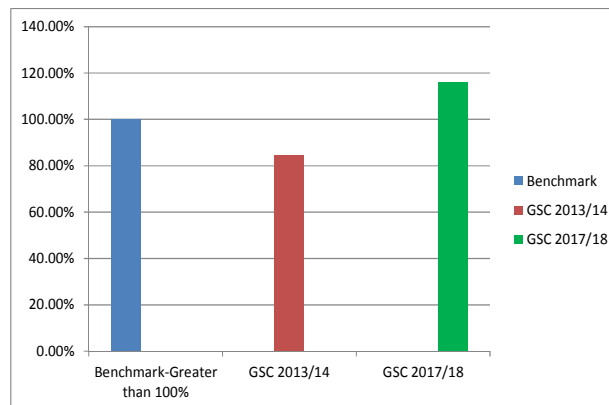
## Operating Performance



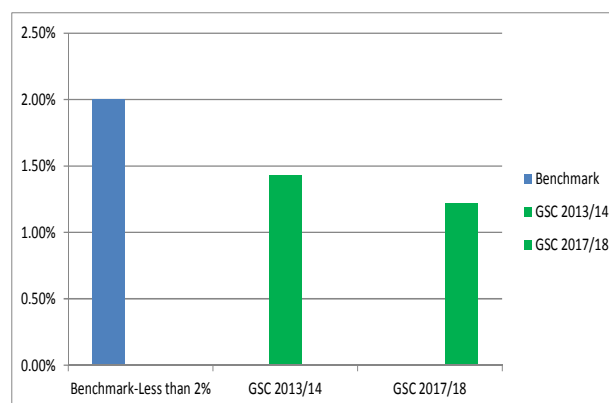
## Own Source Revenue



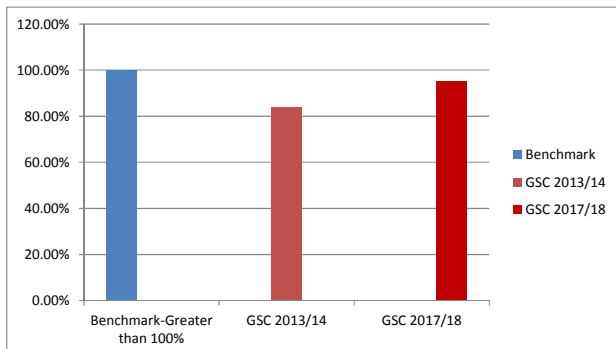
## Building & Infrastructure Renewal



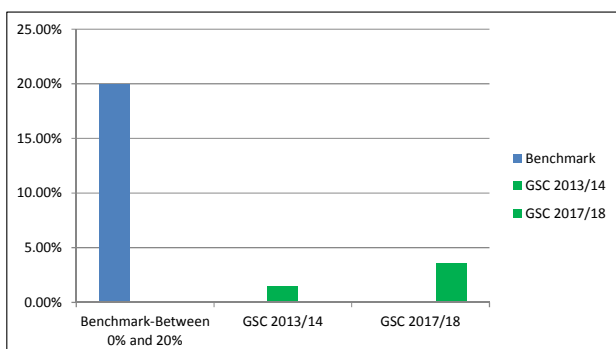
## Infrastructure Backlog



## Asset Maintenance



## Debt Service



## Joint Organisation of Councils (JOCs)

Joint Organisations are a key part of the Fit for the Future reform package, providing a forum for local councils and the State to work together to deliver things that matter most to communities. Under a JOC, communities like Gilgandra will have direct interaction with senior government staff who will also serve on these regional boards. This will give the opportunity for a co-ordinated long term, planned, approach to overall government service delivery.

## The Fit for the Future Assessment Process

Council's "Rural Council" proposal will be assessed against four key criteria:

- Scale and capacity to engage effectively across community industry and government
- Sustainability
- Effectively managing infrastructure and delivering services for the community; and
- Efficiency

The Independent Pricing and Regulatory Tribunal (IPART) will undertake the role of assessing Council's Fit for the Future proposal. The timeline for the process is:

- Council submissions to be lodged by 30 June 2015
- Public submissions invited from 1 July to 31 July 2015
- IPART recommendations to the government by 16 October 2015

## Future Action plan

Council is committed to a number of actions to ensure our continuing ability to deliver services to you and manage assets for you over the long term, including:

- Ensuring increased rate revenue is used to maintain and renew our public assets particularly our local roads and associated transport assets
- Continuing to share resources and services with surrounding councils
- Continuing to explore opportunities to share professional staff and expertise with surrounding councils
- Exploring opportunities to share support services and back of house functions with surrounding councils
- Streamlining Council's committee and meeting structures
- Continuing to review Council operations and service delivery to ensure ongoing sustainability
- Playing an active role in our Regional Joint Organisation of Councils (JOC)
- Considering opportunities for the reduction of red tape associated with the current review of the Local Government Act
- Continuing to improve our long term strategic planning and financial planning processes



## Feedback

Council encourages your comments / feedback in relation to this information **by 5pm on Friday, 29 May 2015**

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