



Upper Lachlan Shire Council
Fit for the Future Improvement Proposal
Final Report at 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 2019/2020.

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 Local Government Independent Review Panel made the following recommendation for Upper Lachlan Shire Council:

"Council in Tablelands Joint Organisation or merger with Goulburn-Mulwaree"

The Local Government Review Panel did not specify a preference between these options. Therefore, Upper Lachlan Shire Council has scale and capacity under either option. Upper Lachlan Shire Council has also assessed and presents its track record of strategic capacity against the elements proposed by the Review Panel.

In addition to having scale and capacity as recommended by the Independent Local Government Review Panel, Upper Lachlan Shire Council meets the Fit for the Future criteria that have been set by the NSW Government for its financial sustainability over the next ten years in respect of sustainability, infrastructure and service management and efficiency.

In addition:

- TCorp assessed Council as being financially sustainable, with a sound financial sustainability rating with a neutral outlook
- A recent Office of Local Government presentation by Sonja Hammond to Crowe Horwarth Finance Conference stated in 2013/2014 only 40 Councils had an operating surplus (before capital grants and contributions) out of 152 Councils. Also in the past 5 financial years a maximum of 60 Councils had an operating surplus (before capital grants and contributions) in any given year.. Upper Lachlan has had an operating surplus for the past 6 financial years
- In addition to maintaining an operating surplus for the past six years, Council has a diverse revenue base through its private works, significant Roads and Maritime Services (RMS) state road contract, and Council's business units. Recent information from the Office of Local Government indicates that the majority of councils in NSW have had operating deficits over that period.

- Upper Lachlan Shire Council was amalgamated in 2004. This community has already borne the cost of amalgamation, and the organisation has already driven efficiency by reversing large operating deficits that resulted from the transition to a merged entity
- Upper Lachlan Shire Council has a long track record of operating under regional arrangements, including shared services and resource sharing through CENTROC and strategic alliances and advocacy through the Canberra Region Joint Organisation (CBRJO formerly SEROC). This means that Council is already operating as per the Independent Review Panel Recommendation as a Council in a joint organisation
- Upper Lachlan Shire Council is a strong performer in the delivery of large capital projects partnering with State and Federal Government funding bodies
- Upper Lachlan Shire Council has demonstrated its ability to lead and drive the development of social and economic capacity within its community through the facilitation and provision of a range of non-core local government services to its rural communities and the upgrade of key transport routes through its LGA

The Upper Lachlan community has directed that Upper Lachlan Shire Council remain as per the Independent Review Panel Recommendation as a standalone council in a joint organisation.

3 Scale and capacity

The Local Government Independent Review Panel report describes councils that are “fit for the future” as being those with sufficient “scale and capacity” to deliver modern, efficient and sustainable services to local communities.

The starting point for scale and capacity according to the Office of Local Government, and more recently confirmed by the IPART Assessment Methodology, is to be the Local Government Independent Review Panel recommendation for each council.

Based on the Independent Review Panel Recommendation that Upper Lachlan Shire Council be a “Council in the Tablelands Joint Organisation or merge with Goulburn-Mulwaree”, Council has sufficient scale and capacity under either option. Upper Lachlan Shire Council further submit the following as demonstration of its scale and capacity:

1. Upper Lachlan Shire Council has already achieved increased scale and capacity through the 2004 amalgamation of Crookwell and parts of Gunning and Mulwaree Council local government areas. The community has therefore already borne the transition costs of local government structural reform, and is only starting to experience the benefits or returns on this investment in more recent years.
2. Council has demonstrated a strong commitment to performance, best practice and efficiency improvements over time, as evidenced by the following:
 - a. Council drove the realisation of efficiency benefits of the 2004 merger and reversed significant operational deficits that resulted from the transition to operating surpluses for the past six years. This was particularly challenging given the proclamation requirement with the need to retain both rural core employee numbers and the Council offices and Works Depots in Crookwell and Gunning and the resulting high IT costs incurred
 - b. Council has implemented all recommendations from the 2012 Office of Local Government Promoting Better Practice Review, indicating that it is operating at best practice across all its operations
 - c. Council is a participant in the NSW Local Government Professionals *Operational and Management Effectiveness Survey* which demonstrates Council’s commitment to benchmarking performance and enabling effective management decisions to improve its performance
 - d. Council was given a rating of ‘strong’ in the OLG Infrastructure Audit demonstrating its performance in managing infrastructure
3. Upper Lachlan Shire Council has built scale and capacity into its organisation over a long period of time as demonstrated by being financially sustainable and meeting the Fit for the Future benchmarks. Its history of operating surpluses, and forecasts of continuation of these, mean that

the organisation has financial scale and capacity to meet the changing and growing needs of its community over time. Recent information from the Office of Local Government indicates that the majority of councils in NSW have had operating deficits over that period.

4. Upper Lachlan Shire Council has not only ensured its organisation is effective and delivering quality services and infrastructure to its community, it has also demonstrated that it is building significant social and economic capacity into the area. This is ensuring that:
 - a. The community has access to a range of other services that are traditionally outside of local government's role, such as health services and post offices. In addition to retaining services in rural communities, this enhanced capacity means that residents are able to remain within their communities which provides social capital and economic benefit. This is aligned to Council's mission "to provide services and facilities to enhance the quality of life and economic viability within the Council area".
 - b. Strategic economic transport linkages are improved. Council has been committed to sealing all of the roads in the LGA that connect the towns, and improve links between regional centres including to Goulburn, Bathurst, key tourist routes and economic connections, such as stock movements to the Central Tablelands Livestock Exchange at Carcoar, freight to Canberra Airport and the South Coast. Council is also a member of the South Eastern Australia Transport Strategy Group (SEATS).
5. The Australia Centre for Excellence for Local Government's report *Consolidation in Local Government: A Fresh Look* made it clear that strategic capacity can be increased both by creating larger units of local government and through regional collaboration and resource sharing¹. As a merged entity, Upper Lachlan Shire Council is already a larger unit of local government and an active participant in regional collaboration and resource sharing through CENTROC and the CBRJO

In addition, Council has demonstrated a track record of strategic capacity as follows:

Elements of Strategic Capacity	
More robust revenue base and increased discretionary spending	<ul style="list-style-type: none"> • Council's own source revenue ratio is forecast to remain over the benchmark of 60% • Council's significant private works have diversified its income base, with an additional \$8.3m generated in the past five years • Council has significant RMS state road contracts, to the value of \$9.5m over the past five years • Increasing rate base from actual and projected growth in population • Council operates four business units for its water supply, sewerage, domestic waste management and plant mechanical services. These business units return modest profits
Scope to undertake new functions and major projects	<ul style="list-style-type: none"> • Council has delivered significant capital projects in the past eight years including: <ul style="list-style-type: none"> – Water supply and sewerage projects (\$20.7m) – General fund projects (\$63.3m) • Future new capital projects already programmed (\$11.5m) • Council is delivering best practice water and sewerage services providing quality water supply at an affordable price • Council's operating surplus means that it is able to continue to deliver its diverse range of services to the community, which includes services outside of local government's core duties, including facilitation of health services, an Australia Post Office and an RMS Motor Registry Agency, keeping these services in rural towns

¹ http://www.acelg.org.au/system/files/publication-documents/1320885841_Consolidation_Final_Report_Vol_1_web.pdf

Elements of Strategic Capacity	
Ability to employ wider range of skilled staff	<ul style="list-style-type: none"> Proximity to Sydney, Canberra and Goulburn means attraction and retention of skilled staff is not the same problematic issue that other rural councils face Resource sharing through CENTROC and CBRJO delivers capacity in this area Council has demonstrated commitment to local employment and building local skills through its apprenticeships and traineeships program Flexibility has been built through multiskilling staff across business units and operational areas
Knowledge, creativity and innovation	<ul style="list-style-type: none"> Water supply and sewerage scheme projects are delivering quality services without increased price for end users Council's investment in plant and fleet has built capacity for private works and state road contracts which return a profit to the organisation, diversifying the revenue base and contributing to positive operating performance. In addition this has built Council's capacity to deliver services in other Local Government Areas Council has demonstrated significant innovation in its management of wind farm developments in the Shire: with its Wind Farms DCP, private works, Community Enhancement Programs and Voluntary Planning Agreements. As a result, Council has built knowledge and expertise in this area and is looked on as a leader and provides advice to other councils Council has innovatively secured a range of social and economic services that are typically outside local government responsibility, including health services at Crookwell Health Centre and Gunning and District Health Service, Taralga Post Office and the RMS Motor Registry in Crookwell Upper Lachlan Shire Council was runner up in the prestigious Local Government Bluett Award in 2013 and 2014 Council won the 2009 R H Dougherty Award for leading practice in communications for "The Voice" newspaper which is mailed to every ratepayer quarterly
Effective regional collaboration	<ul style="list-style-type: none"> Council is an active member of both CENTROC and CBRJO CENTROC is a Joint Organisation pilot project, therefore Upper Lachlan Shire Council is already operating under the proposed ILGRP model as a Council in a JO Council is already achieving savings and efficiencies through regional collaborations and resourcing sharing initiatives as a member of CENTROC including ARC Blue Procurement, internal audit, telephony and regional online training programs Council is a member of the Southern Tablelands Library Cooperative (STLC) in conjunction with Yass Valley and Goulburn – Mulwaree Councils Council is an active participant in a number of regional collaborations regarding transport infrastructure including the Goulburn Crookwell Rail Trail Project, high speed rail project, international flights for Canberra Airport, and the SEATS group
Credibility for more effective advocacy	<ul style="list-style-type: none"> Council has addressed the NSW 2021 Plan goals and targets within the Delivery Program In line with its track record for effective regional collaboration, Council has been an effective advocate for its Shire and the broader region through collaboration, successful grant funding and regional leadership Council is a member of CBRJO and Council's Mayor is the

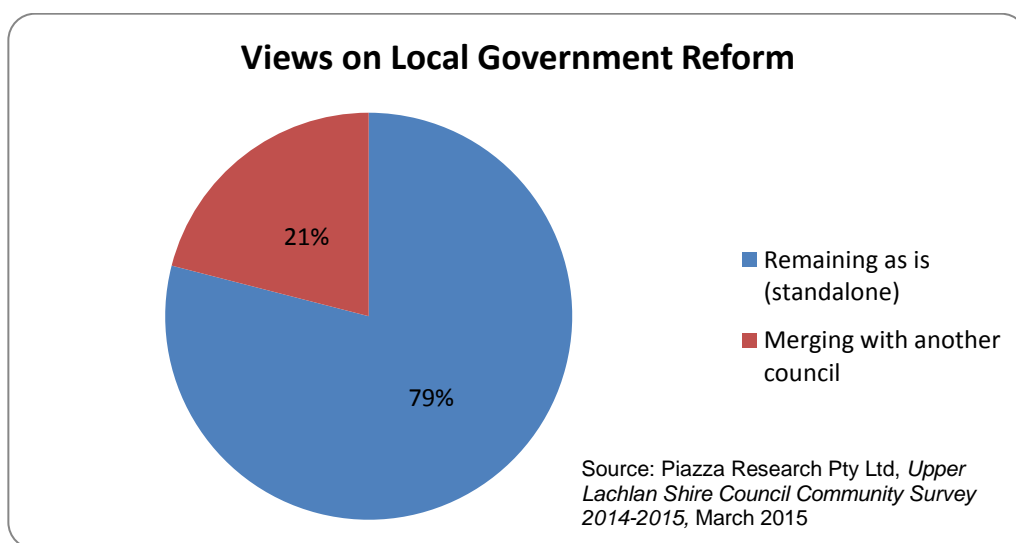
Elements of Strategic Capacity	
	<p>Chairperson (CBRJO)</p> <ul style="list-style-type: none"> The Upper Lachlan Shire Council General Manager is the Chair of the CBRJO General Managers Advisory Committee (GMAC) and is an Executive Member of the Regional Development Australia – Southern Inland Committee (RDASI) Council is a member of Local Government NSW who is a strong advocate to all levels of government
Advanced skills in strategic planning and policy development	<ul style="list-style-type: none"> “Council’s Integrated Planning and Reporting documents meets legislative requirements and include some good practice elements”, OLG Promoting Better Practice Review The “LTFP meets legislative requirements and is informative and easy to read”, OLG Promoting Better Practice Review Council’s governance framework facilitates effective policy development and continuous review Council’s approach to wind farm developments within its LGA demonstrates advanced skills in strategic planning in an area that very few councils are faced with, and on which Council has regularly provided advice to other councils. This includes a Wind Farm DCP, Community Enhancement Programs and Voluntary Planning Agreements
Capable partner for state and federal agencies	<ul style="list-style-type: none"> Council has partnered effectively with State and Federal agencies and this is demonstrated through securing significant state and federal funding for infrastructure projects The Gunning/Dalton Water Security and Improvement Project (\$10.8m) is a key example of effective partnering on a capital project, as is the Taralga sewerage scheme (\$8m) The Auslink Federal Government road reconstruction project partnership (\$4.7m) of Boorowa to Crookwell Road Council is an RMS Motor Registry Agency Council has significant state road contracts with the RMS RMCC plus an additional \$10m road reconstruction contract for State Road MR54 over the next four years to 2018 Council provides Australia Post services through the Taralga Post Office
Resources to cope with complex and unexpected change	<ul style="list-style-type: none"> Council has had an operating surplus for the past 6 years which provides resources to leverage potential opportunities for new infrastructure projects Council has a diverse revenue base, profitable private works and state road contracts and business units, and has own source revenue over the benchmark. When the Federal Financial Assistance Grants are accounted for in their own source revenue, the ratio is over 80% which is relatively high for a rural council Council has built a multi-skilled workforce which operates across its business units and functions providing a robust employee resource base Council has demonstrated its capacity to deal with complex and unexpected situations including: <ul style="list-style-type: none"> Managing the 2004 merger and realizing potential efficiencies and reversing significant operating deficits which resulted in the early years Natural Disaster Relief and Recovery Arrangements program responses to major flooding events in 2010 and 2012, including \$7.9 million emergency response and road restoration works completed by Council workforce.

Elements of Strategic Capacity	
	<ul style="list-style-type: none"> - Section 44 Bushfire event in 2014
High quality political and managerial leadership	<ul style="list-style-type: none"> • Upper Lachlan Shire Council enjoys a stable and cohesive elected council. Council's current Mayor has been in the position for 9 years • There has been zero Code of Conduct complaints in past 11 years • Council's General Manager has been in the position for 11 years, and guided the Council through the 2004 merger and has driven the efficiencies and cost savings as described throughout this submission • Council has a highly qualified and experienced managerial team who all hold professional memberships; i.e. CPA • Continued professional development by Councillors and staff • Council has demonstrated sound financial and infrastructure management as evidenced by its positive operating performance, TCorp and OLG Audit results, and performance against the Fit for the Future benchmarks • Council has demonstrated a long track record of regional collaboration and leadership. Council's Mayor is currently the Chair of the CBRJO • The Upper Lachlan Shire Council General Manager is the Chair of the CBRJO General Managers Advisory Committee (GMAC) and is an Executive Member of the Regional Development Australia – Southern Inland Committee (RDASI) • Sound management of investment portfolio throughout the Global Financial Crisis with no \$ principal amounts forfeited

4 Upper Lachlan Shire Council Current Position

Our Community Opposes a Merger

Upper Lachlan Shire Council engaged Piazza Research Pty Ltd in February 2015 to conduct the biennial telephone survey, utilising a statistically valid sample size of Upper Lachlan Shire residents. In addition to measuring community satisfaction across a range of Council functions and services, residents were surveyed as to their views on local government reform.



Council held community meetings in four of its towns during May 2015. Attendees of the meetings were presented with Council's Fit for the Future current and forecast position, along with its high level analysis of

a potential merger with Goulburn-Mulwaree Council. The following results were derived from these meetings:

Bigga Community Meeting - Number of Attendees: 25

- Unanimous Consensus for Stand Alone proposal

Crookwell Community Meeting - Number of Attendees: 52

- Unanimous Consensus for Stand Alone proposal

Gunning Community Meeting - Number of Attendees: 21

- Fit For the Future Proposal – Stand Alone proposal – 1 against

Taralga Community Meeting - Number of Attendees: 31

- Unanimous Consensus for Stand Alone proposal

The community meetings were attended by 129 people with 99% supporting Upper Lachlan to standalone.

Council has received five written submissions in relation to the Fit for the Future. Four in support of Council continuing to stand alone based on its performance and concern about loss of local identity and representation for Upper Lachlan if merged with a larger, more city-focused council. The fifth submission related to continuing to support local farmers and the agricultural industry without reference to Fit for the Future.

Fair and Effective Representation for Communities of Interest is Important to Our Community

Mergers and/or amalgamations tend to result in fewer elected members representing a greater number of residents and multiple communities of interest. This typically means that the various interests and needs of distinct and diverse communities of interest are less likely to be taken into account. The great concern for Upper Lachlan Shire is the potential loss of community identity and focus on local priorities when merged with a larger, regional city-focused organisation.

Different communities have particular issues and concerns and differing interests, priorities, or preferences for council services. They may also differ in their capacity or willingness to pay for a particular level of service. If they are not directly represented on the Council their concerns and or preferences may not be addressed.

- With fewer elected councillors and a single Mayor for a larger area, communities tend to feel that the Mayor and councillors are less accessible because their constituency is larger, the scope and scale of their role is greater and they are less able to spend time in the community. This may result in communities feeling that they have less access to the decision-makers
- Amalgamation tends to increase the workload of elected members due to the resulting larger area and population base and to an increased scope of role; in this context, it can be challenging for elected members to representing the diverse interests of their electorate alongside those of the wider area²
- In the case of Buloke Shire in Victoria, it was found that some 13 years after the forced amalgamation which created the council, that there was a widespread view in the community that post-amalgamation governance structures had failed to effectively represent and reconcile the disparate interests of the constituent communities³
- Following on from the Queensland amalgamations of local councils in 2008, four councils (Noosa Shire, Livingstone Shire, Mareeba Shire and Douglas Shire) have successfully made the case for de-amalgamation based on the loss of effective local representation, the loss of local identity, substantial increases in rates and service costs and a decline in services and or service levels
- The 2004 amalgamation for Upper Lachlan Shire Council and consolidation into one rating structure has already resulted in increased Farmland rates for particular sections of the Shire by up to 60%; i.e. the former Mulwaree and Gunning Shire areas

Mergers or Amalgamations are Costly

A merger and/or an amalgamation have significant costs which are unlikely to be fully recovered through Government assistance, and this will redirect community money away from service delivery and economic

² Doing more with less: Tension and change at work in South Australian Local Government, Pocock, Sexton and Wilson, Centre for Labour Research, Adelaide University, 2001

³ Crossing boundaries: local government boundaries and inter-community relations in Buloke Shire, University of Melbourne, Alexander, 2008

development of the local area. The Independent Parliamentary Budget Office examined the cost of council mergers prior to the recent NSW state election, and estimated that a merger between Upper Lachlan Shire Council and Goulburn-Mulwaree Council will cost \$9.6 million. This is a shortfall of \$4.6 million in the OLG FFF assistance package, which for a community the size of Upper Lachlan is a significant burden, even taking a portion of the outstanding transition costs.

Upper Lachlan Shire was formed in 2004 as an amalgamated entity and as a result the community has already borne the costs associated with merger. In the years following the amalgamation, the Council experienced large deficits due to the costs of transition, particularly around IT costs and the need to retain core numbers in the rural centres. Council worked hard to reverse these operating deficits through a range of efficiency measures to the point where it has now enjoyed operating surpluses for numerous years.

Internationally, amalgamation of local councils tends to be premised on the idea that amalgamation will result in:

- significant savings and efficiencies from economies of scale and scope and reduced duplication
- improved financial sustainability
- better standards and service levels and more effective service delivery
- enhanced strategic and technical capability within councils
- improved and integrated economic, environmental and social planning

However, much of the published research which seeks to evaluate the success of amalgamation suggests that these objectives are often not realised or that any savings resulting from efficiency gains are used to improve service levels or provide additional services; meaning that they neither show up as operational surpluses nor result in an overall reduction in rates. The benefits of mergers are not always realised, often leaving communities paying more for services, or seeing services change or reduce. This is demonstrated from the case studies including the City of Toronto amalgamation, Ontario Amalgamation, Auckland Amalgamation and Queensland Amalgamations.

4.1 About Upper Lachlan Shire

4.1.1 Overview

Upper Lachlan is located on the Southern Tablelands about 60 kilometres west of Goulburn, about 100 kilometres north of Canberra and about 130 kilometres south-east of Bathurst. Upper Lachlan Shire is a rural Council covering an area of around 7,243 square kilometres. It is an area that is known for its fine wool and potato production, history and picturesque countryside.

7,761 people live in the Shire (source ABS Regional Population Growth dated 31 March 2015), with 2,507 people living in the major centre of Crookwell and the majority living in the smaller towns and villages or on properties.

Despite its proximity to major centres, Upper Lachlan Shire is strongly rural in its character. Agriculture is a key feature of the economic and social fabric of the Shire. However, the economic base of the Shire is changing, with tourism becoming the third major industry in the Shire, behind the traditional agricultural industries and retail.

Seventy-nine percent of local residents would prefer Upper Lachlan Shire Council to remain as a stand-alone council.

4.1.2 Current and future population

- The usual resident population on census night (2011) was 7,193
- The estimated resident population of Upper Lachlan Shire Council at June 2014 was 7,761 (source ABS Regional Population Growth dated 31 March 2015)

	2004	2008	2012	2013	2014	Change 2013-2014 as a percentage
Upper Lachlan Shire	7,192	7,276	7,555	7,600	7,761	2.1%

- Upper Lachlan Shire had the fastest rate of growth in the South East and Tablelands in 2013/14
- Growth between 2011 and 2014 is higher than that projected by the New South Wales Department of Planning and Environment. The table below shows Department of Planning and Environments projected population growth

	2011	2016	2021	2026	2031	Total % Change	Annual % Change
Upper Lachlan Shire	7,400	7,500	7,550	7,550	7,500	1.3%	0.1%

Community Demographics

Demographics

- The median age of residents of Upper Lachlan shire is 46 years; 8 years older than the median age for New South Wales as a whole
- Compared with New South Wales as a whole Upper Lachlan Shire has relatively more people aged between 60 – 70 years old and relatively fewer people aged 20 – 34 years old
- 88% of Upper Lachlan Shire residents were born in Australia and 7% were born overseas; the most common countries of birth other than Australia were Britain (3.3%), New Zealand (0.7%) and Germany (0.4%)
- 94% of residents of Upper Lachlan Shire speak English at home
- The majority of households, in Upper Lachlan Shire, are family households (71%), followed by 28% of people living in lone person households
- Of the families in Upper Lachlan Shire, the majority (48%) were couples without children, 39% were couples with children, and 12% were one-parent families
- 34% of the adult population have completed Year 12 of school
- The average weekly family income in Upper Lachlan Shire was around \$1,429; this is lower than the New South Wales average of \$1,769

Housing

- In 2011 there were 2,798 occupied private dwellings in Upper Lachlan Shire and the majority of these (97%) were detached dwellings
- Overall, 49% of occupied private dwellings in Upper Lachlan Shire were fully owned, 30% were being purchased with a mortgage and 17% were rented

4.1.3 Local Economy and Employment

- Around 51% of residents, aged 15 years and over, had a post-school qualification
- The labour force participation rate, amongst residents aged 15 years and over, was 61%
- 34% of jobs in Upper Lachlan were part-time and 66% were full-time
- The most common occupations of employed residents, in Upper Lachlan Shire, were:
 - Managers
 - Professionals
 - Technicians and trades workers
 - Administrative workers
 - Labourers

- The industries of employment in Upper Lachlan Shire were:
 - Rural production (39%)
 - Health and social care (9%)
 - Education and training (7%)
 - Retail trade (7%)
 - Accommodation and food (6%)

4.1.4 Our Community Vision, Aspirations and Priorities

Our vision

To be a diverse local government area that provides various lifestyle, business enterprise, leisure and recreation alternatives, whilst ensuring environmental sustainability, preservation of our history and a sense of belonging in our community.

Our Mission Statement:

To provide services and facilities to enhance the quality of life and economic viability within the council area

Our Aspirations:

To achieve the Vision eight Aspirations are identified which interrelate to the five Strategic Objectives identified by Council and the community. The Community Aspirations are as follows:

- A built environment enhancing the lifestyle of a diverse community
- Community liaison to preserve and enhance community facilities
- A healthy natural environment
- A prosperous economy with the balanced use of our land
- People attaining health and wellbeing
- Resilient and adaptable communities
- Responsible and efficient use of resources
- Transparent and accountable governance

4.2 Key challenges and opportunities

Upper Lachlan Shire Council has identified the following challenges and opportunities for the community and organisation. These have been categorised as to the Fit for the Future benchmark criteria (S = sustainability, I = infrastructure and service management, and E = efficiency).

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Financially sustainable and fiscally responsible Council (refer to TCorp Review 2013) - S 2. Strong advocate for investment into Council infrastructure asset renewal and enhancements - I 3. IPR documents meet the legislative requirements and include industry best practice requirements and were used by OLG as an example for Category 3 Councils implementation of IPR - S and E 4. Solid working relationship with Government Agencies including RMS, NOW, i.e. RMCC Performance Report - I and E 5. Close proximity to Sydney, Canberra, Wollongong, Bathurst and Orange - I 6. Close proximity to Illawarra and South Coast beach and holiday destinations - I 7. Wombeyan Caves and Grabine State Park are located in the Shire and are popular holiday, boating, and camping destinations - I 8. Country village lifestyle/liveability and attraction to tree changers - I 9. All main roads sealed, ease of access to various regional centres - I and E 10. Close proximity to major transport routes e.g. Hume and Federal Highways and main Southern Railway Line - I 11. Strong rural production industry based on livestock and horticulture (e.g. seed potatoes, fine wool, sheep, cattle, alpaca, poultry farm productions) - S 12. Healthcare facilities including hospital, ambulance and a number of doctors and health specialists - I and S 13. Education facilities (pre-school, primary and secondary schools) - I and S 14. Available serviced land for both urban commercial and residential purposes - I 15. Availability of major utility service infrastructure e.g. Moomba to Sydney gas pipeline, north south and east west high voltage transmission lines - I 16. Existing Alternate/Renewable energy industry ie several wind farm developments - S and E 17. Local democracy, stable elected representation, non political council - E 18. Accessibility of Councillors and staff to the public – strong community engagement - I 19. Upper Lachlan Shire Council is the largest employer and a major driver of 	<ol style="list-style-type: none"> 1. NBN broadband infrastructure not available - I 2. Mobile telephone black spots throughout the LGA - I 3. TV Reception is unreliable in a number of towns - I 4. Higher demand than supply of available motel accommodation and conference facilities - I 5. No TAFE or University in the Upper Lachlan LGA - I 6. No large retail shopping centre in the Upper Lachlan LGA - I 7. Limited recreational facilities for youth demographic - I

<p>the local economy in LGA - I</p> <p>20. Quality service provision – 2015 population survey show 68% were either satisfied or very satisfied with Council services – I and E</p> <p>21. Assets infrastructure in good condition – 3 new town water facilities, 1 new town reticulated sewerage facility and sporting facilities. - I</p> <p>22. Demonstrated capacity to deliver and compete for major infrastructure projects utilising Council's workforce – E and I</p>	
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Further regional collaboration through the CBRJO – S and I 2. Burgeoning Alternate/Renewable energy industry - green shire and associated local employment opportunities – I and E 3. Further Voluntary Planning Agreements and Community Enhancement Program funds investment into local economy from alternative energy infrastructure projects – I 4. LEP has provision and capacity for economic growth - I 5. Affordable residential and commercial land costs relative to other similar regional centres - E 6. Continued expansion of tourism destination numbers to the LGA – increase of 15% anticipated when final reconstruction and sealing of gravel portions of State Road MR54 Goulburn to Bathurst is complete in 2018 - I 7. Goulburn-Crookwell rail trail and cycling concept expected to incur 30,000 annual visitations - S 8. Residential housing demand due to location within Sydney-Canberra corridor - S 9. Industrial and transport industry development potential adjacent to major transport routes - S 10. Aged care facilities provision/development – I 11. The recent upgrades in the towns water supply infrastructure will adequately cater for future population growth – S and E 	<p>Threats</p> <ol style="list-style-type: none"> 1. Resistance to change - potential conflict between rural lifestyle and further development – E and S 2. Noxious Weeds, pest control and environmental land degradation – possible loss of productive agricultural land - S 3. Potential merger of Council and associated effects loss of political representation, local identity, reduced level of services to 14 towns and villages - I 4. Climate change e.g. increased natural disaster, flood and bushfire events - I 5. Ageing population – impact on community services – I and S 6. Youth retention - loss of youth and younger people population demographic to larger cities - S 7. Council land area is 7,243 square kilometres with varying geography and terrain. Expensive to service far outreach locations – S and E 8. Freezing of Financial Assistance Grants by the Federal Government – S and I

4.3 Performance against the Fit for the Future Benchmarks

4.3.1 Upper Lachlan Shire is currently financially sustainable and Fit for the Future

Upper Lachlan Shire Council is already fit for the future and meets the criteria that have been set by the NSW Government for its financial sustainability over the next ten years and therefore has the capacity to continue in its current form, as detailed below.

In April 2013 NSW Treasury Corporation (TCorp) provided Upper Lachlan Shire Council with a Financial Assessment, Sustainability and Benchmarking Report. TCorp's assessment of Council's Financial Sustainability Rating was that it was sound, with an outlook of neutral. Further, TCorp's report stated that *"the Council has been well managed over the review period."* Upper Lachlan also received a rating of 'strong' from the OLG Infrastructure Audit.

Upper Lachlan Shire Council has utilised the services of consultants to assist in forecasting future performance projections: these services included LG Solutions (Long Term Financial Plan modelling), Morrison Low assisted in peer review and development of Fit for the Future Submission, Jeff Roorda and Associates provided asset management strategy development services and revaluation of asset classes, Piazza Research conducted the community survey.

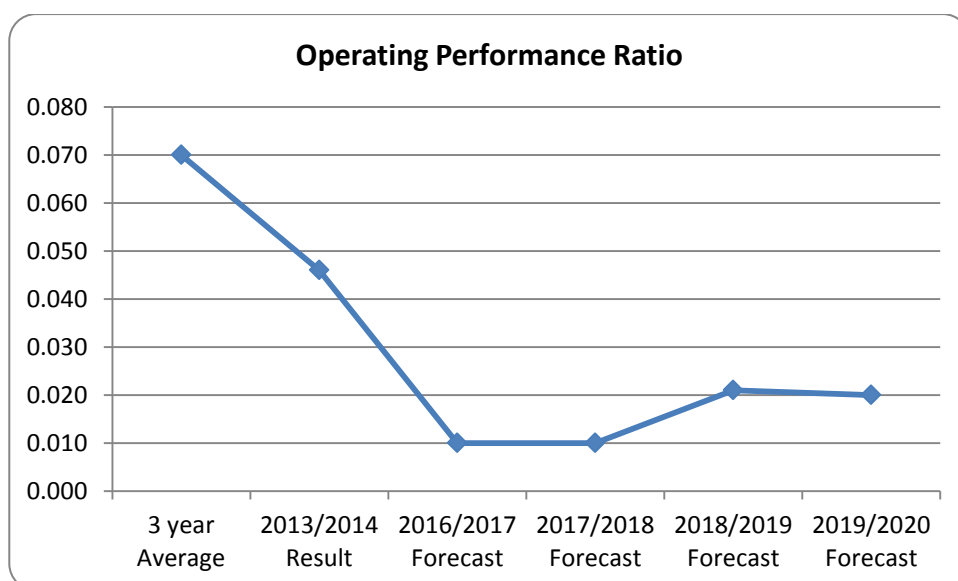
Following is Council's current and forecast performance against the Fit for the Future criteria of Sustainability, Infrastructure and Service Management, and Efficiency.

4.3.2 Sustainability Ratios

4.3.2.1 Operating Performance Ratio

Council has achieved a surplus operating position (before capital grants and contributions) for the past six years and this is reflected in the operating performance ratio meeting the required benchmark of equal to or greater than breakeven.

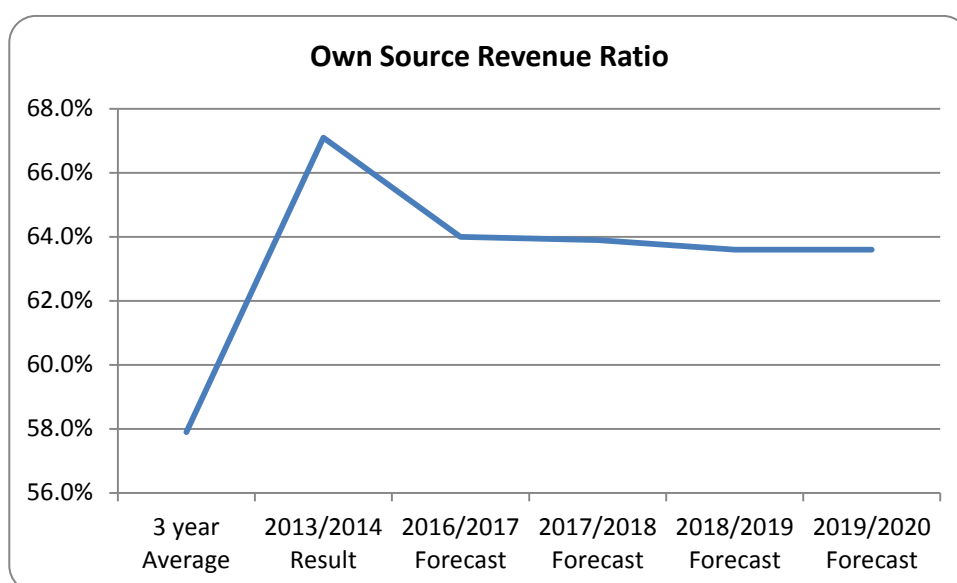
	Three year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Operating Performance Ratio	0.070	0.046	0.010	0.010	0.021	0.020
Meets Benchmark?	Yes	Yes	Yes	Yes	Yes	Yes



4.3.2.2 Own Source Revenue Ratio

Council's Own Source Revenue Ratio three year average is slightly below the benchmark, as a result of \$7.9 million natural disaster (NDRRA) external funding. In 2013/2014 Council meets the benchmark and it is forecast to remain above the benchmark from 2013/14 onwards.

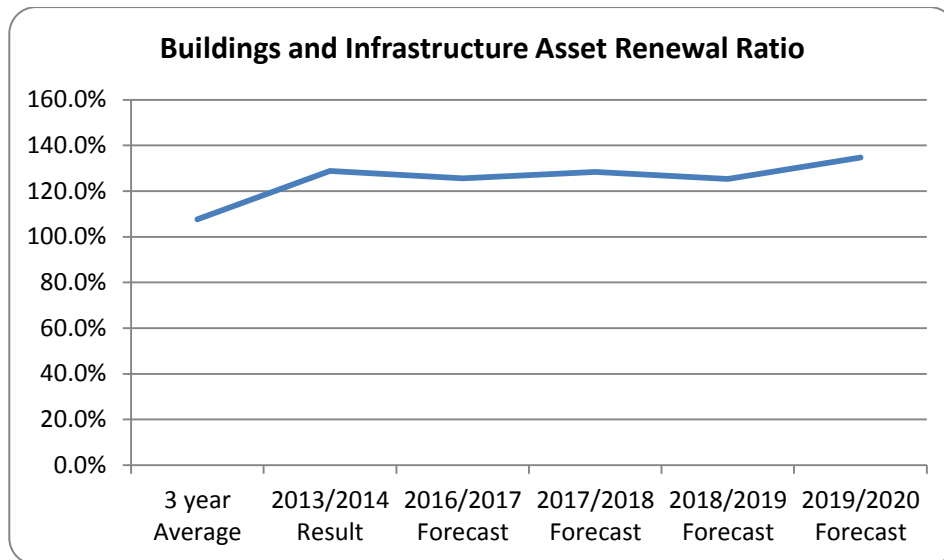
	Three year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Own Source Revenue Ratio	57.9%	67.1%	64.0%	63.9%	63.6%	63.6%
Meets Benchmark?	No	Yes	Yes	Yes	Yes	Yes



4.3.2.3 Building and Infrastructure Asset Renewal Ratio

Council's Building and Infrastructure Asset Renewal Ratio is above the benchmark of greater than 100% in all categories as demonstrated below.

	3 year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Building and Infrastructure Asset Renewal Ratio	107.6%	128.9%	125.6%	128.4%	125.3%	134.7%
Meets Benchmark?	Yes	Yes	Yes	Yes	Yes	Yes

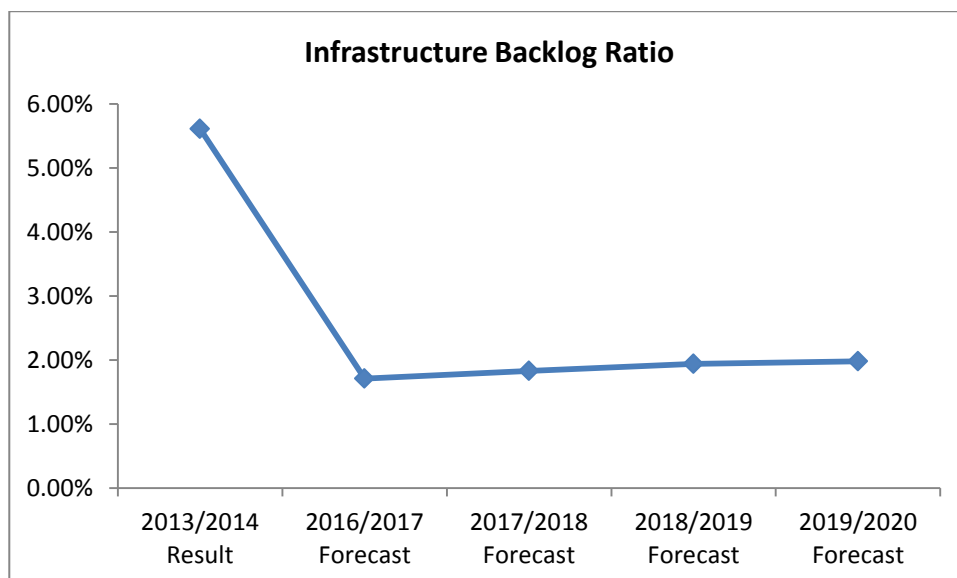


4.3.3 Infrastructure and Service Management

4.3.3.1 Infrastructure Backlog Ratio

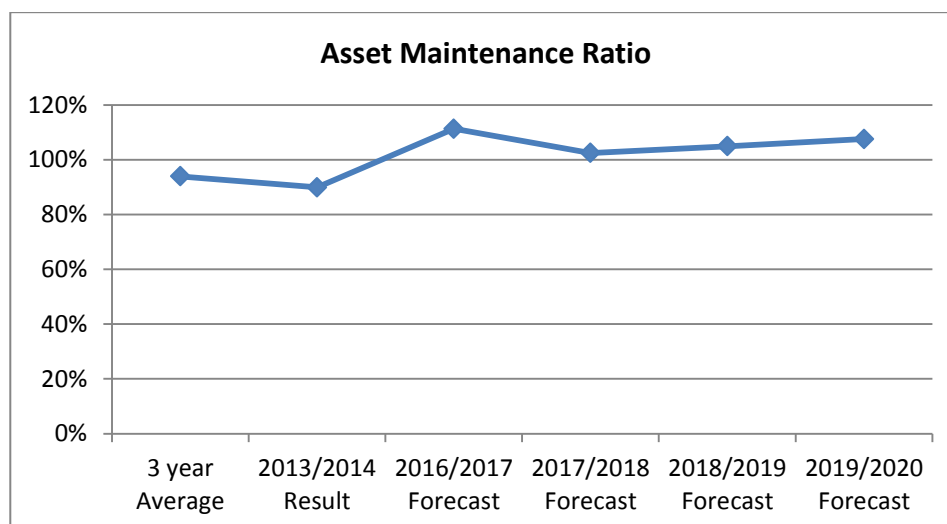
Council will reduce its infrastructure backlog ratio from 5.61% in 2013/14 to below the benchmark of 2% from 2016/17 onwards.

	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Infrastructure Backlog Ratio	5.61%	1.71%	1.83%	1.94%	1.98%
Meets Benchmark?	No	Yes	Yes	Yes	Yes



4.3.3.2 Asset Maintenance Ratio

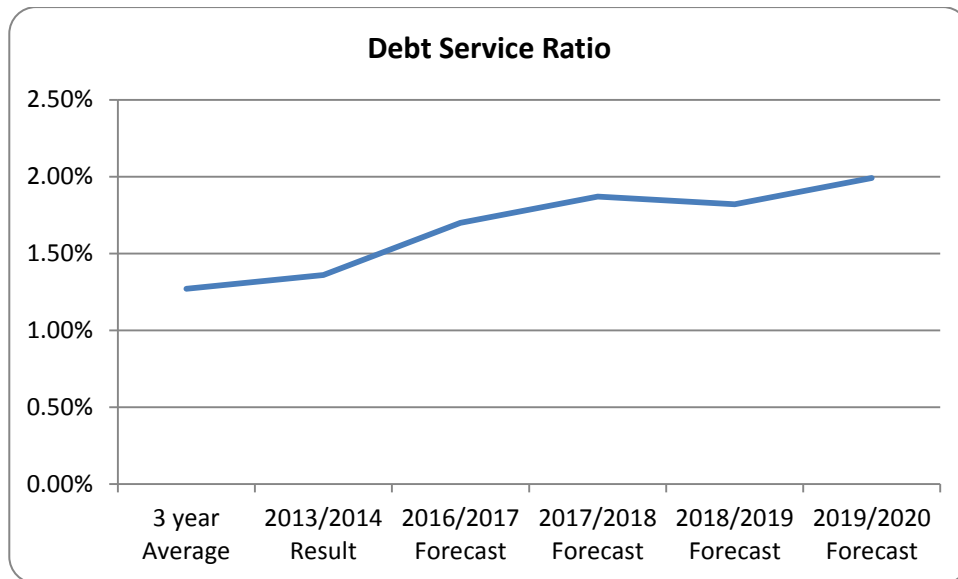
	3 year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Asset Maintenance Ratio	93.9%	89.9%	111.3%	102.4%	104.9%	107.5%
Meets Benchmark?	No	No	Yes	Yes	Yes	Yes



4.3.3.3 Debt Service Ratio

Council's Debt Service Ratio is well within the benchmark of between 0% and 20% in all categories as demonstrated below.

	3 year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Debt Service Ratio	1.27%	1.36%	1.70%	1.87%	1.82%	1.99%
Meets Benchmark?	Yes	Yes	Yes	Yes	Yes	Yes

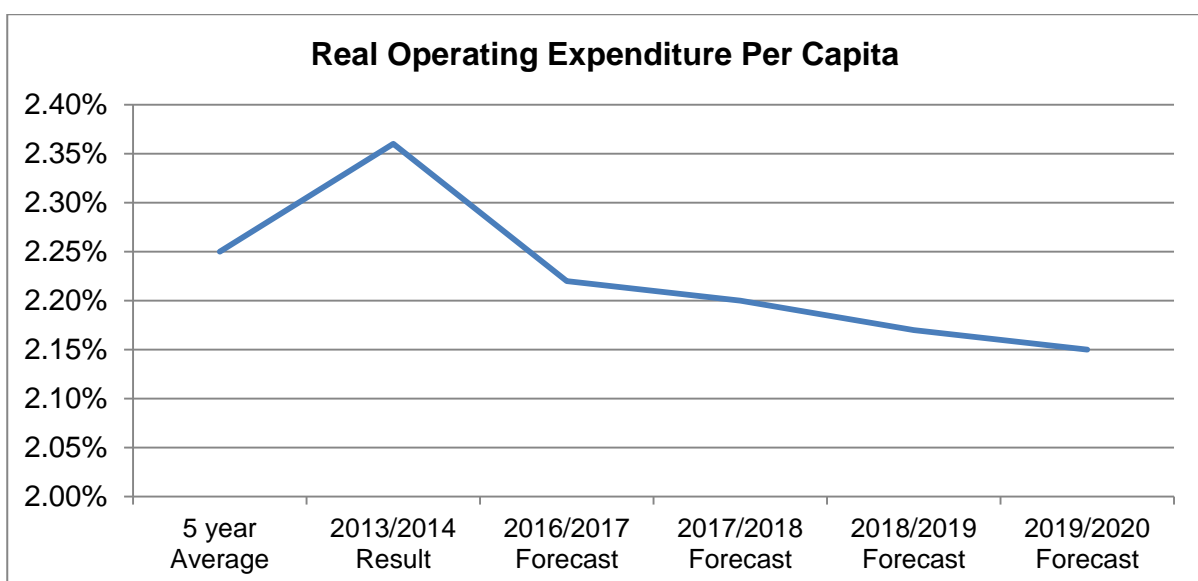


4.3.4 Efficiency

4.3.4.1 Real Operating Expenditure Per Capita

Council meets the benchmark of a decrease in real operating expenditure and realised cost savings over time commencing from 2013/2014 in all categories as demonstrated below.

	5 year Average	2013/2014 Result	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Real Operating Expenditure Per Capita	2.25%	2.36%	2.22%	2.20%	2.17%	2.15%
Meets Benchmark?	No	Yes	Yes	Yes	Yes	Yes



4.4 Water utility performance

Upper Lachlan Council operates a successful Water Supply and Sewerage network across the Shire in accordance with the NSW Government Best Practice Management (BPM) of Water Supply and Sewerage Framework.

Council achieved a 90% and 89% implementation of the NSW BPM requirements for Water and Sewer respectively in the 2013/2014 year.

As per the 'Strategic Business Plan for Water Supply and Sewerage Services' Council provides supporting information for Council's Integrated Planning and Reporting (IP&R) as well as satisfying compliance requirements for NSW Office of Water.

4.4.1 Network performance

Council does manage its water supply and sewerage operations on a full cost recovery basis and generate moderate surplus results each year. Council has augmented water supplies in the towns of Crookwell, Gunning, Taralga and Dalton. Council has sewerage network in the towns of Crookwell, Gunning and Taralga.

Council has ensured the efficient performance and productivity of water supply and sewerage operations and has completed a number of large scale asset replacement and renewal projects including construction of the Gunning and Dalton water supply improvement project at a cost of \$10.8 million in 2012-2014, the Taralga water supply augmentation project of \$1.8 million in 2013-2014, construction of the Taralga Sewerage filtration plant at a cost of \$7 million in 2008-2009

Council's water supply operations have generated a surplus operating result before capital grants and contributions in 2013/2014 and for the past 7 financial years. The Operating Performance Ratio for water supply operations in 2013/2014 is 5.26%.

Council's sewerage operations have generated a surplus operating result before capital grants and contributions in 2013/2014. The Operating Performance Ratio for sewerage operations in 2013/2014 is 20.92%. Council has achieved an operating surplus result in 3 of the past 5 financial years (note a natural disaster bad debt write-off resulted in operating deficit in 2012/2013).

Historically Council has a strong performing water supply and sewerage network with the combined operating performance above zero. This positive performance is set to continue with both the water and sewer funds forecast to return operating performance ratios well above the 0% mark as per Figure 1 . By having a strong operating performance ratio, it gives a good indication of Council's ability to fund renewals and improvement opportunities for each of the networks.

The backlog of 4.19% (\$880,000) and 1.11% (\$143,000) for water supply and sewerage network respectively, show the majority of the infrastructure assets are in a satisfactory or better condition.

This strong and sustainable financial indicator, along with a low infrastructure backlog, shows the water and sewer funds are not only sustainable but are also maintaining good infrastructure assets.

Figure 1 *Operating performance ratio of water networks, three year averages (information from financial statements)*

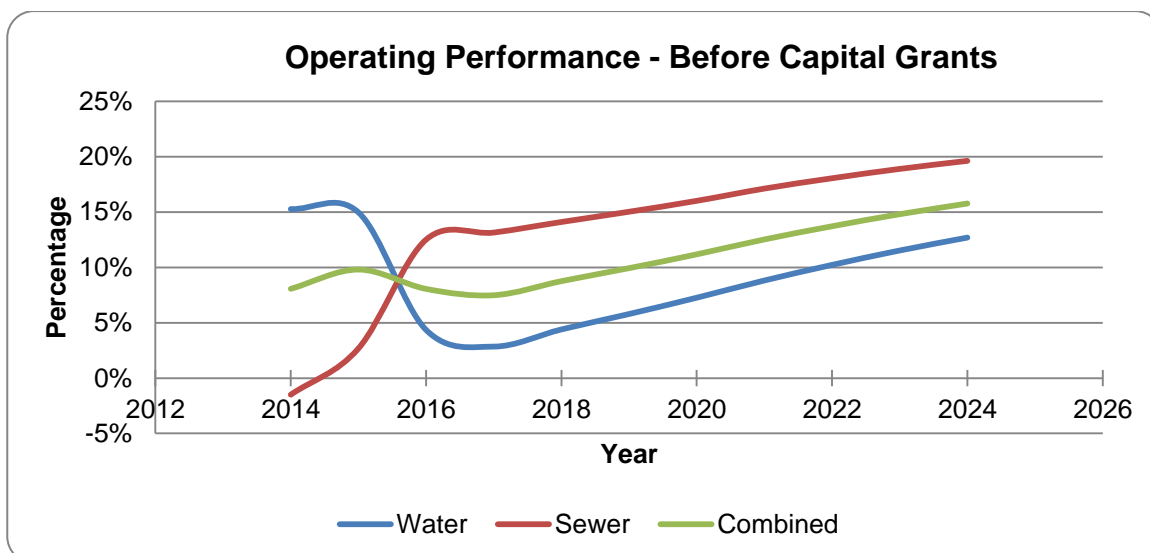
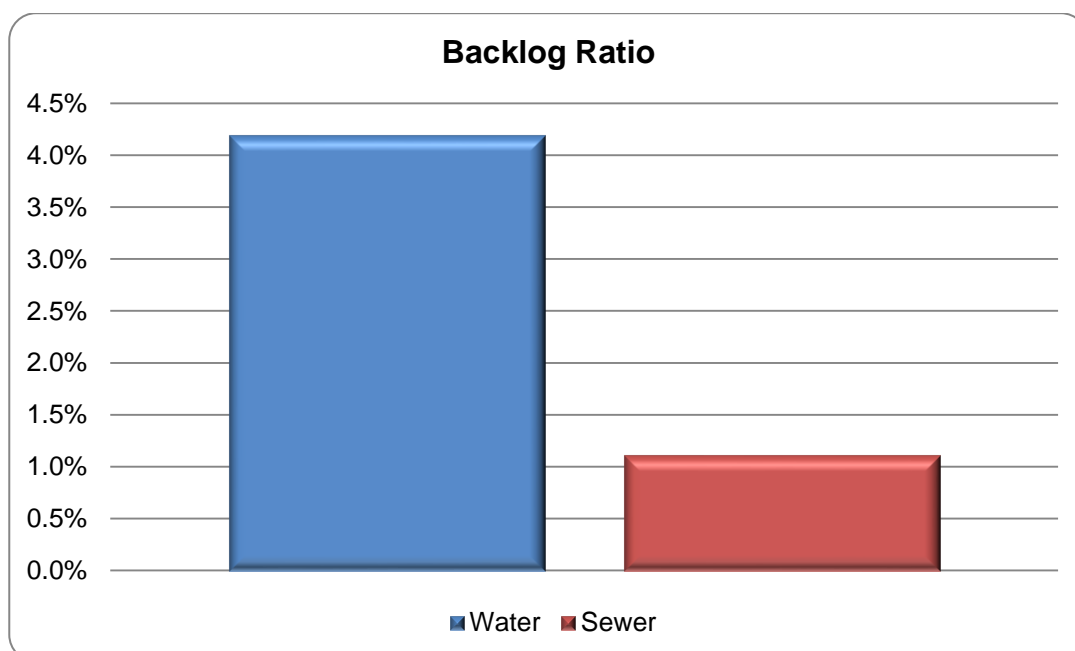


Figure 2 Backlog ratio for water and sewer funds, Cost to satisfactory/ Written Down Value (information from 2013/2014 financial statements)



4.4.2 Capital Works

The 2014 'Strategic Business Plan for Water Supply and Sewerage Services' identifies a number of key capital works projects to be carried out in the next ten years. The works program recognises critical renewal upgrades in both the water and sewer sector as per Table 1 and Table 2. These renewal projects are focused on ageing assets and aim to ensure the sustainability of the water networks. The works program also identifies a number key upgrades required for increases in service levels across the two networks.

Table 1 Proposed Major Water Supply Capital Work (Strategic Business Plan for Water Supply and Sewerage Services'pg 13)

Proposed Capital Work	Year	Justification
Crookwell WTP Replacement	2014-2016	Renewal of assets nearing end of economic life

Crookwell – raw water intake upgrade	2015-2016	Improved levels of service, water security and capacity upgrade
Water mains replacement	2014 onwards	Replacement of ageing assets
Gunning to Dalton Pipeline and Pumping Station	2014	Improved levels of service (required to meet ADWG and improve supply security)
Taralga – Relining of off-stream storage	2018	Improved levels of service (required to meet ADWG)
Taralga – Membrane replacement at WTP	2023-2024	Improved levels of service (required to meet ADWG)

Table 2 Proposed Major Sewerage Capital Works (Strategic Business Plan for Water Supply and Sewerage Services' pg 15)

Proposed Capital Work	Year	Justification
Sewer mains renewal/ replacement	2014 onwards	Replacement of ageing assets
Gunning – sewer extension and pumping station	2015	Servicing growth areas
Crookwell – STP and sewage pumping station upgrade	2018-2022	Renewal and capacity upgrade of ageing assets
Gunning – STP upgrade	2021-2022	Renewal and capacity upgrade of ageing assets

4.4.3 Improvement strategies

Council's Strategic Business Plan for Water Supply and Sewerage Services details the range of improvement actions that are currently being implemented by Upper Lachlan. The key strategies are:

Objective	Target	Strategy
Levels of Service - To provide services which are economically feasible, financially affordable in the long term and meeting health/ environmental regulations	Drinking Water Management Plan completed by September 2014	Monitor services and address any non-conformance with LOS as a priority action
Areas to Be Serviced - To provide a service to concentrated population areas where financially viable	Feasibility studies for remaining unserved areas completed by December 2015	Complete implementation of schemes identified in the Operational Plan
Sewer Loads - To minimise load in the sewerage system due to infiltration, inflow and illegal connections	I/I investigation completed by December 2015	Identify and eliminate illegal connections and system infiltration
Demand Management - Encourage the most efficient use of drinking water	Improve bulk metering by December 2014	Implement Demand Management Plan

Objective	Target	Strategy
Drought Management - Ensure reliability of water supply schemes during times of drought	Increase secure yield of Crookwell Water Supply by December 2015	Implement drought management plan
Pricing - Pricing structure which generates sufficient funds for current and future operations and capital works and which encourages wise water use	Updated pricing tariffs adopted by July 2013 and new DSP adopted by July 2015	Comply with NOW Best Practice Management Guidelines where appropriate
Customer Relations - Provide a high level of customer satisfaction with reduced (no increase) level of substantiated complaints	Update complaints benchmarking report and report to Council by August 2015	Provide efficient and responsive customer service
Community Involvement - Engage the community in consultation in the delivery of water supply/ sewerage services as appropriate	Community involvement complies with Council policy	Raise community awareness of future schemes
Environment and Sustainability - Operate water and sewerage services in an environmentally responsible and economically sustainable manner	Installation of variable speed aerator motors at all STPs by December 2013 (complete)	Identify and manage potential risk to the environment
Operations - Operate assets to provide levels of service at minimal life cycle costs	Review and formalisation of the Operations Plan by June 2015	Identify and document operational procedures to ensure the system operates efficiently and effectively
Maintenance - Maintain the system to industry best practice to meet levels of service at least cost	Develop Maintenance Plan by June 2015	Implement the Maintenance Plan and Program
Capital Works - Ensure systems have adequate capacity to meet current and future levels of service at minimum life cycle costs	Program goals achieved by way of implementing projects on time and within budget	Develop and implement a 30-year capital works plan
Human Resources - To have appropriate staff resources to ensure delivery of levels of service and Council objectives	Develop Succession Plan by June 2014	Develop and implement Workforce Plan
Financial Planning - Provide an affordable and sustainable price path for water supply/ sewerage infrastructure and service delivery	Update and monitor long term financial plan annually	Develop and maintain a 30-year financial plan which funds identified works and services for maintaining affordable levels of service

5 How will Council Remain Fit for the Future?

5.1 Upper Lachlan is Already Fit for the Future and Council's Improvement Proposal Needs to Be Considered in this Context

Upper Lachlan Shire Council is already Fit for the Future based on the IPART proposed assessment methodology as demonstrated by the following:

- Council meets scale and capacity based on the ILGRP recommendation that Upper Lachlan remain a standalone council in a Tablelands Joint Organisation
- Council is forecast to meet all seven of the Fit for the Future sustainability, infrastructure and service, and efficiency benchmarks over the life of the 2015/2016 ten year Long Term Financial Plan and most importantly, by 2019/20 which is the date at which councils need to demonstrate their performance against the benchmarks for IPART

Fit for the Future Criteria	Meets in 2019/20
Scale and Capacity as per the ILGRP Recommendation	Yes
Operating Performance Ratio	Yes
Own Source Revenue Ratio (Federal Assistance Grants included)	Yes
Buildings and Infrastructure Asset Renewals Ratio	Yes
Infrastructure Backlog Ratio	Yes
Asset Maintenance Ratio	Yes
Debt Service Ratio	Yes
Real Operating Expenditure Over Time	Yes

Council has committed to improving its efficiency and effectiveness over a long period of time, particularly following the 2004 amalgamation creating Upper Lachlan Shire Council. This is demonstrated through:

- Gaining and maintaining a surplus operating position for the past six years
- The reversal of significant operating deficits resulting from the merger transition costs, highlighting the efficiencies that have been achieved over the past 11 years
- Profitable private works, state roads contracts and business units contributing to the positive operating position, diverse revenue base and own source revenue ratios above the benchmark
- Healthy results in both the TCorp Financial Sustainability reviews and the OLG Infrastructure Audit
- Implementation of all recommendations from the 2012 OLG Promoting Better Practice Review
- The delivery and facilitation of a range of core and non-core services to its community building increased accessibility, quality of life and sustainability of the local economy

As a Fit for the Future Council, Upper Lachlan will continue to operate efficiently. The key focuses of Council's Improvement Proposal within this context are:

1. Sustainability - build greater financial scale and capacity to continue to service the needs of its community into the future, particularly after 2020 when Council's operating performance ratio declines (but never falls below the benchmark)

2. Infrastructure and Service Management – continue the commitment to best practice asset management to ensure Council manages its assets effectively, and delivers quality assets to its community
3. Efficiency – Council is demonstrating increasing efficiency through its declining operating expenditure per capita. In order to ensure the organisation delivers quality services in the most cost-effective way over time, Council will:
 - a. Continue its commitment to regional collaboration and resource-sharing to reduce costs of services where possible
 - b. Implement a rolling program of service reviews to ensure that over the course of each 4 year Delivery Program, it considers each service it delivers as to its ongoing alignment with community priorities, its effectiveness, and whether it is being delivered in the most efficient way possible

Within the context that it is already Fit for the Future, Council believes that these key strategies will ensure its remains on track to not only continue to meet the Fit for the Future benchmarks, but more importantly to deliver quality and cost-effective services to meet the needs of the Upper Lachlan community over time.

5.2 Sustainability Strategies

Council is sustainable as evidenced by Council achieving all three Fit for the Future Sustainability Benchmarks.

- Operating performance ratio
- Own source revenue
- Building and infrastructure renewal

Upper Lachlan Shire Council is proud of its achievements in financial and asset management, and the efficiency and positive operating result it has built over time. This has been accomplished without raising rates above the rate cap.

Council is considering applying for a special rate variation increase to correspond with the marginal decline in operating performance after 2019 (note – operating performance ratio never decreases below 0 and remains above 1% over the life of the 2015/2016 ten year Long Term Financial Plan). This will be used to fund infrastructure renewal of its road assets with a view to further reducing the infrastructure backlog ratio (which again is below the benchmark of 2%) in line with its demonstrated commitment to effective asset management and provision of a quality road network. The impacts of this proposed rate increase are shown in section 6.1.

In addition, Council will continue to:

- Implement best practice in procurement to ensure that it is able to purchase goods and services at the best price, delivering savings to the organisation
- Continue the Roads and Maritime Services Routine Maintenance Contract as a key income source for Council

The sustainability strategies are outlined below:

SUSTAINABILITY ACTION PLAN					
Objective	Strategies	Actions	Key milestones	Outcome	Impact on other measures
1. Secure additional revenue to keep Council's operating performance ratio well above the benchmark and ensure funding for renewal of road network assets	Implement Special Rate Variation in 2020/2021	1. Notify community of intention to apply for SRV 2. Community consultation and engagement 3. Notify IPART of intention to apply 4. Submit application to IPART 5. Fund infrastructure renewal of its road network assets	Commencement in July 2019 Community Engagement Strategy reviewed	Targeted local roads hierarchy established Effective asset management Further reducing the infrastructure backlog ratio	All three Sustainability Benchmarks will be enhanced
2. Drive cost savings through procurement	Implementation of a Best Practice in Procurement Program	1. Procurement Roadmap - Arc Blue 2. Review Procurement Action Plan and policies	Commenced November 2014 Development of \$ spend analysis completed June 2015 Utilisation of LGP Tender Panel and TenderLink	Realisation of actual \$189,000 savings to date. Achievement of 5% cost savings through amended procurement practices Internal efficiencies in a comprehensive contract management framework Training needs analysis and upskilling staff. 212 staff trained in specific courses in 2014/2015 Stores operation development strategy	Operating Performance Ratio maintained above Benchmark

3. Maintain diverse income streams through state roads contract	Retention and provision of Roads and Maritime Services (RMS) Routine Maintenance Council Contract (RMCC)	<ol style="list-style-type: none"> 1. Maintain existing high standard rating for road works in Contractor Performance Report 2. RMCC Benchmarking 	<p>RMCC Commenced in 2008</p> <p>Contracted project completion date of 2018 for \$10 million scope of road works</p>	<p>Service delivery to work schedule timeframes of RMS</p> <p>Project and risk management ensuring high standard of work deliverables</p> <p>Profit margin delivered within project plan</p> <p>Existing workforce utilised and ensures staff retention</p>	Operating Performance Ratio maintained above Benchmark
4. Maximise diverse income streams through private works	Provision of road reconstruction contracted private works for renewable energy developments	<ol style="list-style-type: none"> 1. Review pricing structures for private works which are in demand at profitable rates 2. Cost of service is transparent and in accordance with the National Competition Policy Guidelines 	Remain competitive with the private sector and to secure contract works for road reconstruction	<p>Ensure profitability of the business unit</p> <p>Sustainable business practices and best practice project management</p> <p>Annual review of workforce capacity to maintain the appropriate skill levels and meet contract conditions</p>	Operating Performance Ratio and Own Source Revenue Ratio maintained above Benchmark

5.3 Infrastructure and Service Management Strategies

Council is achieving the Fit for the Future Sustainability Benchmarks of the Debt Service Ratio performance measure for the entire period. This means that Council has capacity to borrow money as needed, which is one of the improvement strategies outlined in the following table.

Council did not achieve the Fit for the Future Sustainability Benchmarks for Infrastructure Backlog Ratio and Asset Maintenance Ratio in 2013/2014. However, financial and asset modelling undertaken in conjunction with Jeff Roorda and Associates (JRA) has provided a transparent, accountable and evidence based methodology in relation to asset condition and bring to satisfactory standard.

JRA observation is that this policy framework has not been applied consistently to “Bring to Satisfactory” BTS or “backlog” across NSW local government. Upper Lachlan Shire Council's Asset Management Strategy identifies assets that are critical to the council's operations and outlines the risk management strategies for these asset classes.

Council has recently re-valued its asset classes including; roads, bridges, footpaths, stormwater and building assets, and is spending adequately to ensure its assets and infrastructure are effectively maintained to a satisfactory standard. Council will continue to invest in additional works programs identified in the borrowings contained within the Long Term Financial Plan.

Council will implement the JRA Asset Management Improvement Program developed for Upper Lachlan Shire Council to ensure it manages its assets and infrastructure effectively.

The following strategies are being utilised by Council to improve performance in infrastructure and service management:

INFRASTRUCTURE AND SERVICE MANAGEMENT ACTION PLAN

Objective	Strategies	Actions	Key milestones	Outcome	Impact on other measures
1. Implement best practice asset management practices	JRA Asset Management Improvement Program Review	<ol style="list-style-type: none"> Review Asset Management and Risk Plan, strategies and policies Review of Council Infrastructure Plan – define community service level for asset maintenance 	<p>Commenced November 2014</p> <p>Asset Management Plans identify asset service standards</p> <p>Road and Transport asset classes valuation at fair value</p> <p>Asset Register created – JRA Datashare</p>	<p>The determination of satisfactory target service levels</p> <p>Special Schedule 7 - flows directly from the Delivery Program which defines performance indicators for service levels</p> <p>Annual maintenance program expense is increased at 5% per annum to ensure road condition standards are maintained</p>	The Infrastructure Backlog Ratio and Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved
2. Secure funding for asset renewals	Utilise borrowing capacity to invest in infrastructure renewal projects – Timber Bridge Replacement Program	<ol style="list-style-type: none"> Review Council Borrowings/Loans Policy Council Long Term Financial Plan priority bridge replacement schedule 	<p>Commencing August 2016 Loan financing arrangements with Financial Institutions</p> <p>Application for State Government Local Infrastructure Renewal Scheme (LIRS) funding</p>	<p>Capital investment in asset renewal programme in accordance with JRA Asset Management Improvement Program</p> <p>\$ savings on interest proportion of new borrowings</p> <p>3 loans programmed to 2022/2023 totalling \$3.9 million to replace 7 timber bridges</p>	<p>Debt Service Ratio is within benchmark level of 0 to 20%.</p> <p>The Infrastructure Backlog Ratio Benchmark will be reduced</p>

3. Minimise potential public liability incidents	Utilise Statecover Best Practice Guidelines and achieve industry benchmarks for risk management practices	<ol style="list-style-type: none"> 1. Review Risk Management Plan and Policy 2. Review Safe Work Method Statements for high risk priorities 	<p>Risk Management Action Plan (RAMP) approved and adopted by Council annually by June</p> <p>Safe Work Method Statements reported to WH&S Committee every 6 months</p>	<p>Mitigation of public liability incidents and claims</p> <p>Safe work environment for staff and the public</p>	Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved
4. Maintain assets in satisfactory condition to meet community expectations	Evaluation of asset utilisation and rationalisation	<ol style="list-style-type: none"> 1. Review of Council Infrastructure Plan 	Report to Council on strategies for Council owned buildings rationalisation by June 2016	Inform decision making on annual \$ spending on asset maintenance programs	The Infrastructure Backlog Ratio and Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved

5.4 Efficiency Strategies

Council is achieving a decrease in real operating expenditure per capita over time through the efficiency improvements it has driven and through a range of resource-sharing initiatives through CENTROCC.

Importantly, Council has reversed high operating deficits that resulted from the costs of the 2004 amalgamation such that it has had operating surpluses for the past six years.

In 2013/2014 the performance ratio was 2.36% which was a decrease in real operating expenditure per capita over time in comparison to the 3 prior years. The projected real operating expenditure per capita shows a gradual reduction through to 2019/2020 and meets the benchmark.

Given the demonstrated commitment to efficient performance, Council will continue to find ways to increase its efficiency through the following strategies:

EFFICIENCY ACTION PLAN

Objective	Strategies	Actions	Key milestones	Outcome	Impact on other measures
1. Understand how the organisation is performing	Benchmark Upper Lachlan with other Councils Local Government Professionals Australia (LGPA) - Operational and Management Effectiveness Report	<ol style="list-style-type: none"> 1. Identify trend analysis of operational cost centres and functional service areas of Council 2. Performance tool for benchmarking by senior management of operational efficiencies of individual cost centres 	<p>Completed 2012/2013 and 2013/2014</p> <p>Continue annual benchmarking for entire period to 2019/2020</p>	<p>Survey statistics to be utilised to drive cost savings and efficiencies within the organisation</p> <p>Effective tool for meaningful comparisons of Councils that focus on operational and management excellence</p>	The Efficiency Benchmark will be achieved and enhanced through regional collaboration
2. Continue to collaborate regionally	Be an active partner in the Canberra Region Joint Organisation of Councils (CBRJO)	<ol style="list-style-type: none"> 1. Development and implementation of a JO Management Plan 2. JO Strategic Plan aligned with Quadruple Bottom Line principles 3. Intergovernmental collaboration; i.e. ACT Government and State Government 	<p>Implementation after JO Pilots in 2016</p> <p>Formulation of an effective and efficient governance structure to oversee implementation, review and evaluation in CBR Region</p> <p>CBR branding established and support tourism and economic development</p>	<p>Operational support to member Councils</p> <p>Regional Leadership and Advocacy</p> <p>Regional Strategic Planning</p> <p>Resource sharing and economies of scale to deliver operational efficiencies, avoid duplication of services and realisation of \$ saving annually</p>	The Efficiency Benchmark will be achieved and enhanced through regional collaboration

			throughout the region		
3. Continuously improving the quality and efficiency of all of Council's services	Undertake four year rolling program of service reviews as part of Council's Delivery Program	<ol style="list-style-type: none"> 1. Develop four year program of service reviews, with a focus on those services of greatest cost to the organisation 2. Update the Four Year Delivery Program to incorporate the service review program 3. Implement program annually 4. Report outcomes through the 6 Month Delivery Program report and update Long Term Financial Plan annually to reflect any savings or changes 	<p>Program established and Delivery Program updated</p> <p>6 Monthly Delivery Program Report to include service review progress and outcomes</p> <p>Annual update of Council's Long Term Financial Plan</p> <p>Annual Review of Strategic Internal Audit Plan by Grant Thornton Australia</p>	<p>Regular review of services to ensure:</p> <ul style="list-style-type: none"> • Ongoing alignment with community priorities • Whether the services is delivering the outcomes it should, such as customer satisfaction, service levels • Whether it is being delivered in the most efficient way possible • Opportunities for improvements, alternate service delivery methods , or changes to service levels 	The Efficiency Benchmark will be achieved and enhanced through this program, with the potential for improving the Operating Performance Ratio over time
4. Improve efficiency through technological advancement	Provide innovative and leading technology interface	<ol style="list-style-type: none"> 1. Enhanced use of technology particularly in the area of staff remote and on-line customer access 2. Implement a Unified Telecommunications solution 	<p>CBRJO Implementation of DA systems by December 2016</p> <p>CENTROC Request for Tender, tender specifications prepared June 2015</p> <p>Implementation of Integrated United Telecommunications System March 2016</p>	<p>Online DA Tracking system operational and utilised</p> <p>Integrated Unified Telecommunications System - reduction in costs and ability to streamline internal and external communications with the latest technology</p>	The Efficiency Benchmark will be achieved and enhanced through this program

5.5 Other actions considered

5.5.1 Merger with Goulburn-Mulwaree Shire Council

Council met with Goulburn-Mulwaree Council in December 2014 to discuss the alternate recommendation by the ILGRP for a merger between the two councils. No agreement was reached on the need for a merger. Upper Lachlan Shire Council agreed to pursue the ILGRP's recommendation as a standalone council in a Tablelands Joint Organisation, in response to its community survey in February 2015 indicating majority (79%) community preference for this option.

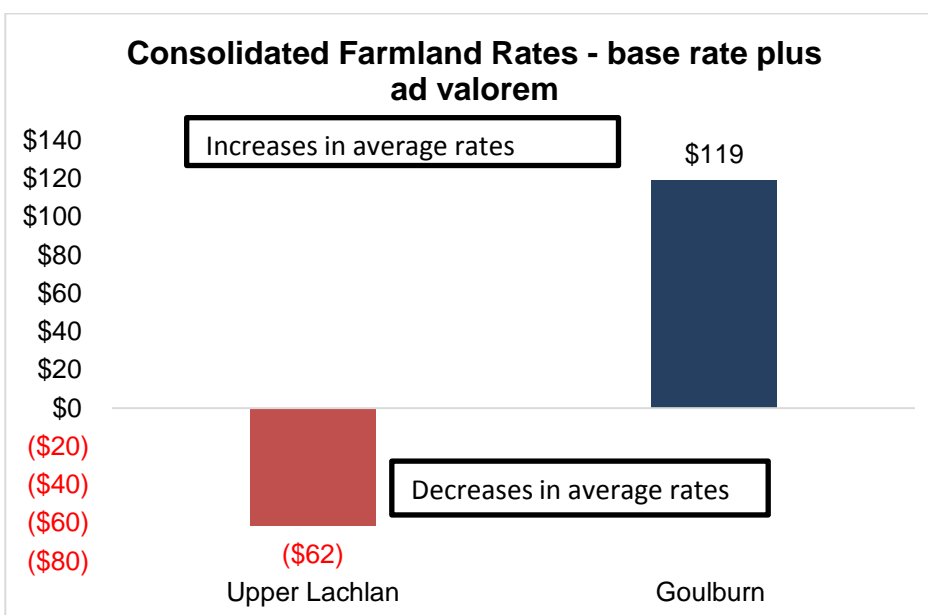
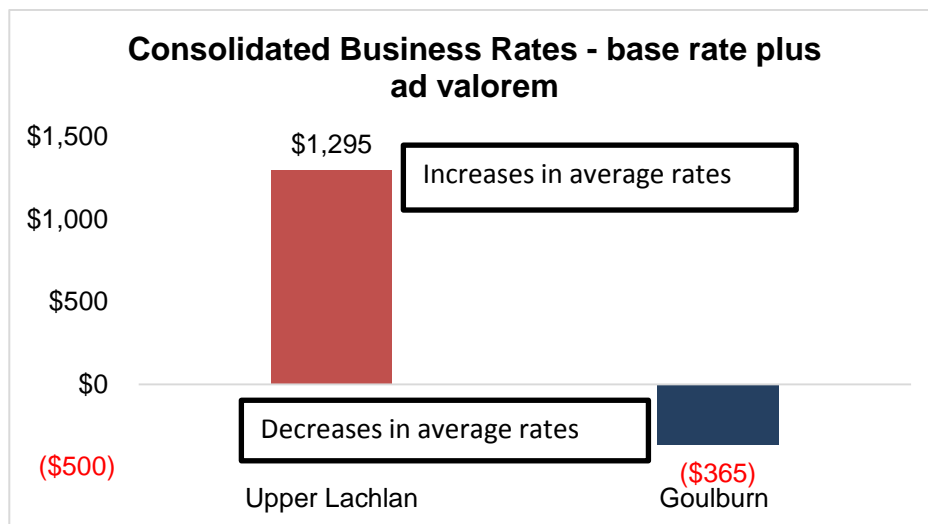
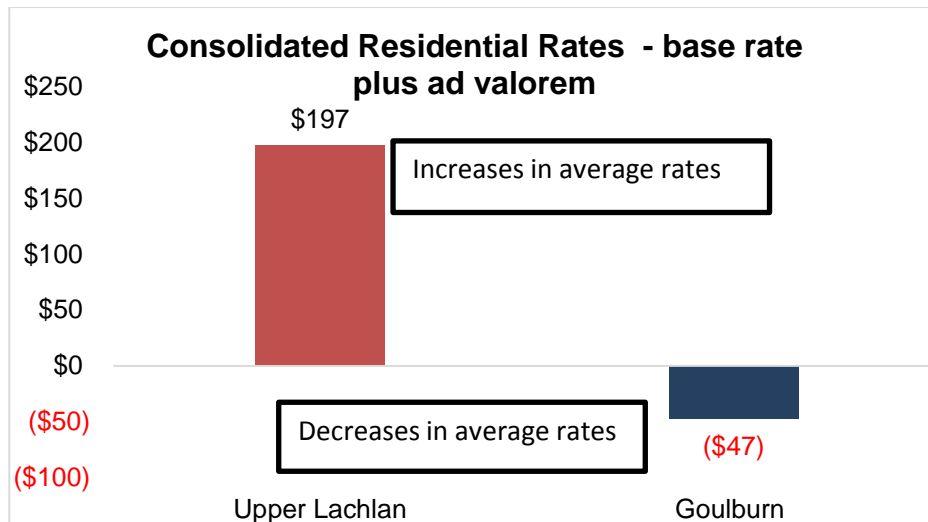
In order to ensure the relative benefits and costs of the merger option were considered by Council, high level analysis was undertaken of the two organisations, comparing publicly available information.

	Upper Lachlan Shire Council	Goulburn- Mulwaree Council
Operating Result Before Capital Income (\$'000)	\$1,024	\$-6,832
General Fund Operating Performance Ratio 2013/2014	5.26%	-27.03%
Depreciation as a % of OPEX 2013/2014	21.6%	35.9%
TCorp Financial Sustainability Rating	Sound	Moderate
TCorp Outlook	Neutral	Negative
OLG Infrastructure Audit	Strong	Very Weak

Given that a merged entity is a sum of its parts, a merger between a financially sustainable smaller organisation and a less financially sustainable larger organisation will see a greater share of the financial burden fall on Upper Lachlan residents.

Modelling by the Independent Parliamentary Budget Committee estimated the transition cost of the merger between these two organisations to be \$9.6 million. This falls short of the Government Assistance for voluntary mergers by \$4.6 million. Even a proportion of this cost for an organisation and population the size of Upper Lachlan is a significant burden, particularly given that this community has already borne the transition costs of the 2004 merger and is only now realising the efficiency gains that the organisation has worked hard to deliver. This is demonstrated through the reversal of significant operating deficits in the years following the 2004 merger to the current operating position of surplus budgets.

Upper Lachlan Shire Council undertook modelling of the impact of a merger on rates to give an indication of likely movements, utilising a scenario of changes to average rates using a base rate + ad valorem. This indicated that Upper Lachlan Shire residents would be worse off in the residential and business rate categories (\$197 and \$1,295 on average respectively), with Upper Lachlan farmland ratepayers paying slightly less (\$62).



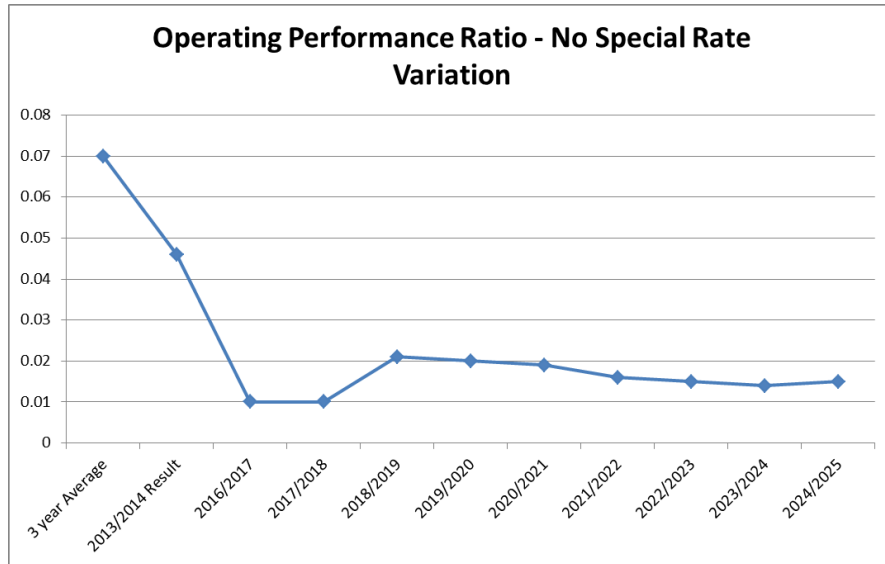
6 How will your plan improve performance?

6.1 Expected improvement in performance

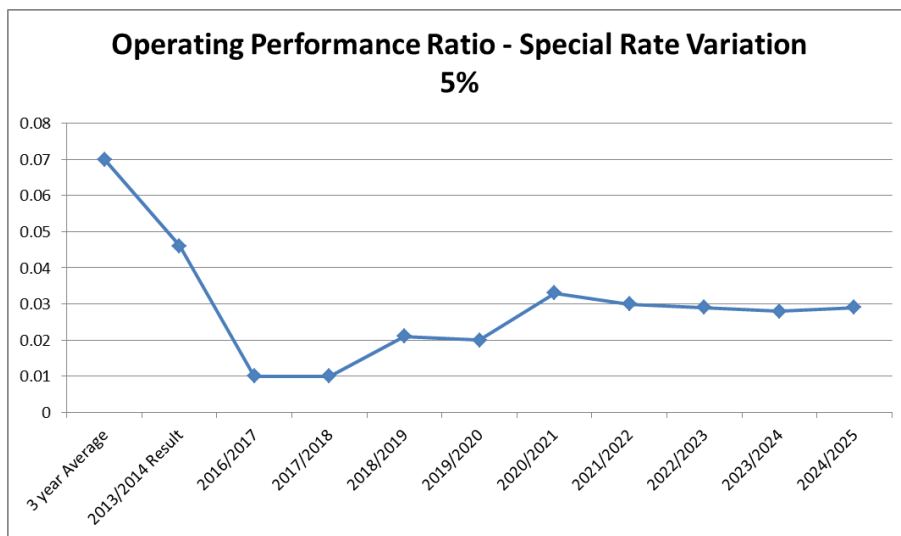
Expected improvement in performance							
Measure/ benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.005	0.051	0.010	0.010	0.021	0.020	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	62.2%	57.8%	64.0%	63.9%	63.6%	63.6%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	121.5%	159.3%	125.6%	128.4%	125.3%	134.7%	Yes
Infrastructure Backlog Ratio (Less than 2%)	1.87%	1.60%	1.71%	1.83%	1.94%	1.98%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	113.5%	108.5%	111.3%	102.4%	104.9%	107.5%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.48%	1.41%	1.70%	1.87%	1.82%	1.99%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	2.25%	2.24%	2.22%	2.20%	2.17%	2.15%	Yes

Upper Lachlan Shire Council will meet all the benchmarks from 2016/2017 to 2019/2020. However, Council is proposing a Special Rate Variation to commence in 2020/2021 to allow additional local roads asset renewal capital works programs to ensure the Council roads infrastructure asset backlog continues to be adequately addressed to meet the community's expectations. This will have the following impact on Council's operating performance ratio:

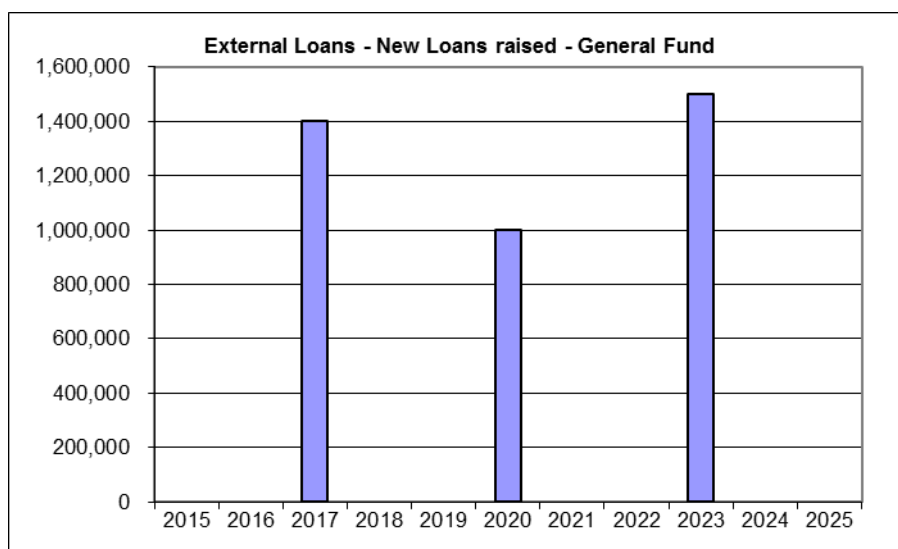
Council's operating performance ratio based on our Long Term Financial Plan, is forecast as follows:



A 5% increase in rates above the rate cap would increase Council's operating performance ratio by 1%, as demonstrated in the following graph:



Council's strategy is to utilise borrowing capacity to invest in infrastructure renewal projects for the Timber Bridge Replacement Program will be as follows:



7 Putting your plan into action

Upper Lachlan Shire Council has included these strategies and actions into its four year Delivery Program. It is the responsibility of Council's General Manager to ensure these actions are implemented.

The Improvement Action Plan implementation and reporting timeframes will be consistent with and reported through Council's Integrated Planning and Reporting Framework. The Improvement Action Plan includes all strategies identified in line with the Fit for the Future benchmarks of Sustainability, Infrastructure and Service Management, and Efficiency

8 Conclusion

The Independent Local Government Review Panel recommendation for Upper Lachlan Shire Council is *"Council in Tablelands JO or merge with Goulburn–Mulwaree"*

Given that the starting point for "scale and capacity" is the Independent Local Government Review Panel recommendation, Upper Lachlan meets the test for scale and capacity under either option.

In addition, currently Council meets five of the benchmarks for its performance, and will meet all seven benchmarks by 2019/2020.

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

Council has engaged its community and has received majority support for it to continue to remain a standalone Council. Given that Upper Lachlan Shire Council meets the NSW Government criteria for a Fit for the Future council, Upper Lachlan Shire Council intends to proceed with a Template 2 Improvement Proposal submission.