



Birthplace of Our Nation

4 August 2017
CAS-18379 - 7719

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The Hon. Gabrielle Upton MP
Minister for Local Government
GPO Box 5341
SYDNEY NSW 2001

Dear Minister,

Thank you for letter of 24 April 2017 in relation to Tenterfield Shire Council's ongoing commitment to fulfilling its obligations under the Fit for the Future (FFTF) program. Council has been actively working towards meeting its FFTF obligations and this can be demonstrated in the way that Council has planned to address the issues that have been previously identified in the evaluation.

To help provide you and your department with confidence in Council's future direction, I have provided a table below which addresses a number of the points highlighted in the Council Reassessment Proposal 2016-17 Improvement Action Plan and how Council has actively pursued the goals and actions that are raised within the plan.

FFTF Council Reassessment Proposal 2016-17 Improvement Action Plan – Action Update		
Item No.	Strategies	Actions Undertaken
1.2	Review strategies and business plans of Council's commercial business units.	Review and update the existing Asset Management Plan and Business Plan for Waste, undertaken as part of IPR review of all services. Decision taken to revise Boonoo Boonoo Landfill cell construction and seek further demand assessment given cost estimate. Note revision of waste management charges to cover future deficit. Adopted Asset Management Strategy 2017-2027 (page 48). Waste Management 501 Charge increased by 9.1% for the 2017-18 year as per Adopted

All correspondence should be addressed to:

The General Manager

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		<p>Revenue Policy with a reduction in Operating Expenditure forecast for the 4 year Delivery Program.</p> <p>Review of Water Fund undertaken with a future focus on refining Asset condition data and identification of priority projects to seek external funding to Adopted Asset Management Strategy 2017-2027 (page 33).</p> <p>Saleyards Strategic Plan reviewed as per Council Resolution 27 April 2016. Application for grant to improve viability of the Saleyards including Truck Wash facility. Partial funding granted in current year however assessment is still being undertaken to ensure financial sustainability, prior to acceptance. Future profit is forecast from the operation for the coming three financial yards in line with operational expenditure containment.</p>
1.3	<p>Implement a Council efficiency program (Innovation Fund) and expenditure reduction dividend.</p>	<p>Annual efficiency dividend has been applied to services as can be seen in the holistic reduction in operating expenditure forecast for the coming three years across consolidated service units p130 Appendix E Operational Plan 2017-18.</p> <p>FFTF Innovation Fund Round 1 Application successful. Implementation to date has been used to streamline business processes, governance practices and support the continued review and implementation of IPR documents. A focus on teamwork and innovation have also lead to identified operational savings in areas such as advertising, Council Committee reviews and movements to more efficient and cost effective administrative processes. One example is the use of Engagement Hub to support community engagement during the IPR Document Review instead of traditional engagement service providers such as Bang the Table, saving Council in excess of \$10,000 for the project. Further savings will be achieved in administration through the renegotiation of Telecommunications contracts in the coming year.</p>

		Council also is in the process of implementing a variety of productivity tools, including an organisation wide intranet and a fast internet service which will significantly improve office functionality.
1.4	Undertake a major review of all fees and charges.	Fees and charges adopted by Council in June 2015 reflecting a 10% increase in charges where possible. A further review of fees and charges has been undertaken in line with Service Plan development as part of the review of IPR. This is evidenced in commentary contained in the Strategic Asset Management Strategy, fee increases in the Revenue Policy and the adopted fees and charges outline in the Operational Plan 2017-18. The average increase across all fees and charges is 7.13% with 4 additional fees identified and included where significant staff time was identified and able to be captured and recovered.
1.6	Investigate further opportunities for economies of scope (Shared Services).	<p>Strategic direction included in Delivery Program action assigned to Organisational Leadership Service (page 22).</p> <p>Council continues its participation in the Legume to Woodenbong Road Alliance. Council staff continue to meet with counterparts from adjoining Councils and local and federal politicians to secure funding for this section of road.</p> <p>Council regularly meets with surrounding Councils to discuss regional issues and provides some shared services such as ranger services with surrounding Council.</p>
7.2	Develop a rolling service review program in combination with adoption of an innovation and business excellence program.	<p>Service reviews have been implemented as part the annual IPR processes and can be seen reflected in the new service structure of the Delivery Program and Operational Plan.</p> <p>Initiatives contained in the plans supporting the Operational Plan include (but are not limited to) the following:</p> <ul style="list-style-type: none"> • Land and property assets review for properties owned by Council that could be sold or leased; • Identifying assets (e.g. vehicles, plant and buildings) that should not be replaced as there is no efficient use for them;

		<ul style="list-style-type: none"> Identifying new savings through more organisational restructuring and more efficient work practices. <p>Examples of actions implemented to date include the continued promotion and sale of surplus commercial assets with one industrial block sold in 16-17. The review of Organisational Structure adopted by Council currently in the final stages of implementation and compliance of 89% of Plant, Fleet and Equipment in line with the IPWEA optimum replacement benchmark. Plant, Fleet and Equipment identified for disposal is currently 7.2%.</p> <p>Council is also upskilling senior management through the use of advanced management training to improve Council's operations and governance processes.</p>
7.5	Develop Councils budget management, project management and business planning systems and skills.	<p>Council has applied for grant funding under the FFTF Round 2 Innovation Fund to strengthen budget management capability via the introduction of Management Accounting Software to support the recent move to program budgeting and Budgets aligned to service delivery. This move has focused individual managers' attention on the service area and helped to identify opportunities for service improvement, innovation and future efficiency in delivery.</p> <p>The review of the IPR documentation provided an opportunity for training and practical application of business planning skills that continue to be at the forefront of Workforce Development initiatives contained in the Operational Plan 2017-18 p34.</p> <p>Project Planning is highlighted in the Asset management and Resourcing Service found on p39 of the Operational Plan 2017-18. This commitment is evidenced in the current recruitment process for the manager of Assets and Project Planning, designed to improve existing processes and drive further efficiency and collaboration opportunities. One example of a project undertaken to ensure that Council continues to deliver service levels in line with community expectations and focus future</p>

		project management around engagement practices is the draft Urban Design Plan (UDP) for Drake and Urbenville. Council adopted the UDP's at its meeting held on 16 December 2015. The UDP's will now form the basis for future budget submissions for infrastructure improvements at Drake and Urbenville respectively.
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Additionally, in your letter you requested that Council provide yourself and the Office of Local Government (OLG) with the Operating Performance Ratio (OPR) projections. I have also enclosed Council's projections in relation to the Building and Infrastructure ratio and the Maintenance ratio.

Tenterfield Shire Council							
FINANCIAL PERFORMANCE INDICATORS	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Operating Performance Ratio	2.77%	9.75%	2.78%	10.29%	4.40%	8.04%	5.90%
Building & Infrastructure Renewals Ratio	149.35%	118.11%	192.14%	328.51%	197.56%	212.31%	162.92%
Asset Maintenance Ratio	1.06	1.08	1.10	1.10	1.10	1.10	1.10
	Projected	Projected	Projected	Projected	Projected	Projected	
Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Operating Performance Ratio 1)	5.06%	4.77%	6.26%	5.73%	5.90%	7.16%	
Building & Infrastructure Renewals Ratio	117.15%	80.85%	85.40%	79.39%	75.48%	65.39%	
Asset Maintenance Ratio	1.10	1.10	1.10	1.10	1.10	1.10	

Operating Performance Ratio (OPR)

Council's Performance ratio has exceeded the Department's benchmark since the 2014/15 financial year, with the last audited statements showing Council's consolidated actual OPR to be 9.8%, with the General Fund OPR actual result of 11.4%. Council as part of its annual review of its long term financial plan has demonstrated that it expects to achieve a positive OPR over the coming ten year forecast period with an average of 6.4 percent over that period.

While concern was raised around the removal of Rural Fire Service assets and the implication around depreciation, the overall impact of deprecation in the 2014/15 financial year was only \$186,000 and is not expected to have a material impact on this ratio. It is also important to state that a number of Councils have removed Rural Fire Services assets and remained consistent with the requirements of the New South Wales Local Government Accounting Code.

Building and Infrastructure Renewals

Council's building and infrastructure since the 2014/15 financial year have exceeded 100 percent with the 2015/16 ratio being 118 percent. Council's long term financial plan forecasts that it will average 137 % over the next ten years, exceeding the benchmark over that period.

Asset Maintenance Ratio

This ratio measures Council's obligations in meeting its maintenance requirements for its asset classes, based upon its asset management plans. Council has continued to exceed its asset maintenance ratios since 2014/15. Council exceeded the benchmark of 1.00 in 2015/16 with a ratio of 1.08. Council's long term financial plan shows that Council expects to exceed its maintenance requirements by ten percent over the next ten years with a ratio of 1.10 per annum.

Should you require any further information, please contact the undersigned on

[REDACTED]

Yours faithfully,

[REDACTED]

Kylie Smith

Chief Corporate Officer