



# Inverell Shire Council

Fit for the Future Roadmap  
Final Document  
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## **SECTION 1.1 EXECUTIVE SUMMARY**

Inverell Shire Council has resolved to accept the recommendation of the Local Government Independent Review panel – that it be a ‘stand alone Council’.

Prior to making this determination, Council followed the approach recommended by the IPART and considered the ‘scale and capacity’ criteria. Under this ‘head of consideration’ Council took note of:

- The comments of various external reviews that assessed Council as having strong management systems and a robust financial position, and
- Various examples of independent assessment of the organisation achieving best practice in service delivery areas.

These issues are amplified in the commentary field of the various benchmarks, later in this proposal.

For the period 2011/12 – 2016/2017, Council meets five (5) of the seven (7) Fit for the Future ratios. While Council’s performance for two (2) ratios shown below is slightly below benchmark, the Organisation’s performance will be subject to the improvement strategies detailed in Council’s Improvement Proposal, resulting in Council achieving all of the seven (7) Fit for the Future ratios by the end of the required 2016 – 2020 period. The following is noted in respect of the two Ratios that require improvement:

<b>Ratio</b>	<b>Operating Performance Result</b>
	Benchmark: Greater than or equal to breakeven average over 3 years
	Performance: To 2016 = -0.0639
	To 2020 = 0.0003 – Achieved
	Strategy: Continue to seek every opportunity to be operationally efficient/effective, minimise operating costs and increase Own Source Revenues.
<b>Ratio</b>	<b>Own Source Revenue</b>
	Benchmark: Greater than 60% average over 3 years
	Performance: To 2016 56.1%
	To 2020 60.6% - Achieved (Excluding Auspiced Community Services – State and Federal Government)
	Strategy: Increase Own Source Revenues to required benchmark by 2020

Council has an extended history of being a Council that can face the challenges of the future by:

- Undertaking functions that enrich the communities of the Shire and the wider regional area,
- Financing and delivering major projects ‘on time’ and ‘on budget’,
- Employing skilled staff to fulfil Council’s strategic and operational objectives,
- Being a credible and effective advocate for its community,
- Demonstrating that it can be a capable partner for State and Federal agencies,
- Having a well planned and innovative approach to service delivery,
- Having the ability to cope with complex and unexpected change,
- Having quality political and managerial leadership.

However, an element that has been missed in the discussion of the characteristics of a Fit for the Future Council is that the Council services those areas that constitute its natural communities of interest. (Council submits that its boundaries do not reflect its communities of interest). If a Council is to deliver strong and effective 'local government' to its community, then social, economic, environmental and cultural linkages between the communities of that Local Government Authority must exist.

Council acknowledges that the mapping of communities of interest for the purpose of establishing coherent Local Government boundaries was not permitted at this point, however it is submitted that Councils be permitted to undertake this exercise in Phase II of the Fit For the Future Program.

## **SECTION 1.2 SCALE AND CAPACITY**

### **DOES YOUR COUNCIL HAVE THE SCALE AND CAPACITY BROADLY CONSISTENT WITH THE RECOMMENDATIONS OF THE INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL?**

YES.

#### **SECTION 2.1 COUNCIL'S CURRENT POSITION (500 Word Limit)**

##### **A GENERAL COMMENTARY**

Inverell Shire Council has an area of 8,600km<sup>2</sup>, with 1,598kms of roads (various classifications) and a shire population of 16,846. The population has grown by 3.12% over the past five (5) years. The population is distributed more densely in the southern part of the Shire [Inverell (12,500) and 5 villages] while the northern part is less densely settled with larger rural holdings [4 small villages (50 to 600 persons)].

The economy of the Shire has an agricultural base, with a major export abattoir (820 employees) and many Agricultural and Engineering support services. The town of Inverell is a commercial and retail service centre for Northern NSW and South West Queensland.

##### **B FIT FOR THE FUTURE**

###### **1. Scale and Capacity**

In the SWOT analysis, this component of the FFF program will be dealt with in more detail, however Council wishes to emphasise the following matters:

- i) Council has a robust financial position that is underpinned by a number of key factors, including:
  - a) Strong operational performance. Refer to the Office of Local Government Comparative Data,
  - b) Sound financial outlook. Refer to the TCorp's 2013 Financial Assessment Benchmark Report,
  - c) Strong financial performance. Refer to 2013/2014 Auditors Report.
- ii) Council has a sustainable revenue base. This revenue base is underpinned by:
  - a) A growing population that contributes to rate base growth,
  - b) Appropriate levels of debt,
  - c) Manageable asset infrastructure backlog,
  - d) Low governance and administrative overheads (refer to Office of Local Government Comparative Data).
- iii) Council has a demonstrated capacity to undertake new functions and programs. This capacity is predicated on Council's existing human and physical resources and the

- ability to employ a wider range of skilled technical staff or engage specialist contractors.
- iv) There is a commitment to Regional Collaboration. Council participates in a number of shared service initiatives in the Region and is prepared to expand this area of activity. Council is the 'servicing Council' for the New England Group of Councils.
- v) Council has a demonstrated history of being a capable partner with State and Federal Agencies. The SWOT analysis provides details in this matter..

## **2 Impacts on Financial Benchmarks**

Council manages a range of social justice programs on behalf of a number of community based Committees. The financial activity associated with these programs is recorded in Council's financial statements. The financial activity associated with these programs impact the 'Own Source Revenue' and 'Operating Performance' benchmarks.

Council encourages the Review Panel to critically assess the raw benchmark results to give due recognition of the social benefits accruing to the community from Council partnering with local community based organisations and State/Federal Agencies to deliver these services.

## **3 Council Boundaries**

Council acknowledges that the Government has determined that no boundary adjustments of existing Local Government Authorities will be considered as part of the current FFF program guidelines. However, if the next phase of FFF involves boundary adjustments, Council submits that a robust and sustainable Local Government Authority is built upon servicing a natural 'community of interest'. Council submits that Local Government boundaries in the New England Area do not exhibit this characteristic.

In Inverell Shire Council's case, an argument could be mounted to support the Tingha (currently in Guyra Shire), Bundarra (currently in Uralla Shire) and Bingara (currently in Gwydir Shire) areas being included in the boundaries of this Shire.

## **SECTION 2.2 KEY CHALLENGES AND OPPORTUNITIES (SWOT ANALYSIS)**

### **STRENGTHS:**

#### **SCALE AND CAPACITY:**

##### **Robust Revenue Base:**

- A strong Financial Position. Council has sound Cash Reserves (internally Restricted Assets) and Investments totalling \$34M (as at 31 March, 2015) in the General Fund (\$44M in the Combined Fund). That said, Council has identified the need to consider increases in its Own Source Revenues, including the need to consider a Special Rate Variation as early as 2017/2018 to ensure a continuing Robust Revenue Base and compliance with the Fit for the Future Benchmarks;
- TCorp noted in their 2013 Financial Assessment and Benchmarking Report that, "*The Council has been well managed over the review period based on the following observations:*
  - *Council has had operating surpluses (excluding capital grants and contributions) over the review period;*
  - *While expenses have grown quickly over the period they have remained below revenue;*
  - *Council has a very low level of borrowings; and*
  - *Council has sound liquidity.*
- The robust nature of Council's Revenue Base is also displayed by its low Outstanding Rates Ratio. The Ratio at 5.6% is significantly lower than the Group 11 Council average of 7.4% and the NSW average of 7%;
- The Shire Population is predicted to continue to grow into the future. The Inverell Shire local government area (population of 16,846 - 2015), had the largest ongoing growth in the region with an increase of 526 people over the previous five (5) year period at a rate

of 3.12%. NSW Department of Planning and Environment predictions estimate a continuation of the Shires growth, which will assist in ensuring a robust Revenue Base for Council. Council's current annual growth rate of 0.8% is above that of many larger Regional Centres (ABS Quickstats).

#### Scope to Undertake new functions and programs:

- Lead Council in partnering with Best Employment to secure Federal Government Funding for the New England/North West Energy Efficiency Campaign project (two (2) year project) which aims to address information failure as a barrier that prevents pensioners, indigenous people and the unemployed in the Inverell, Gwydir and Glen Innes Severn Council areas from improving their energy efficiency. This program was seen as a logical element of Council's push to achieve energy efficiency not only in its own operations, but also in the wider community;
- Lead Council in securing Funding for the purchase of Graffiti Removal Equipment and the delivery of a two (2) year graffiti removal program with two (2) neighbouring Council's and a local Not-for-Profit Organisation. The program will continue on an ongoing basis after the two (2) year period and be run by Council;
- Implementation of its new Shire wide Waste Management Strategy. This Strategy has seen the Council's Domestic Waste and Recycling Services extended across the Rural Areas of the Shire and is aimed at achieving improved environmental and community outcomes;
- In 2010 Council took over the role of auspicing the Inverell Linking Together Centre at the request of State and Federal Government Funding Providers to prevent its closure. The Centre was run by a community based organisation. The Centre delivers services aimed at addressing social disadvantage in the community. Council built a purpose built building for the Centre in 2013 at a cost of \$0.8M and now as well as auspicing the Centre, also provides a \$50,000 contribution to the Centres costs;
- Council provides an allocation of \$515,000 per annum to its "Strategic Capital Projects and Infrastructure Fund" with these funds being able to be utilised to undertake feasibility studies and provide the infrastructure necessary to establish new functions and programs. These funds have been utilised very effectively to leverage substantial Grant Funding over the last 10 years;
- Council has resolved that it will consider the option of a Special Rate Variation commencing in 2017/2018 to provide additional Own Source Revenues and scope in this area.

#### Ability to employ a wider range of skilled staff:

- Stable, highly skilled and qualified Workforce. Existing staff have high level strategic, professional and technical skills. These staff have consistently demonstrated the abilities of being able to lead local and regional projects, undertake and complete major infrastructure projects (on time and on budget) and enable economic growth and development;
- Recognised sound Management has been noted as follows:
  - *"Council has been well managed over the review period"* – TCorp Financial Assessment and Benchmarking Report, 2013;
  - *"Inverell Shire Council is a well-managed and efficient local government authority. Council has strong links to the local community it serves. The review team was impressed at the administrative professionalism and effectiveness in achieving value for money"* – Department of Local Government Promoting Better Practice Review Report 2008;
  - *"Council's approach to integrity management and its responses during the review gives reason for a high level of confidence in Council's ability and commitment to the further improvement of an already well-managed organisation"* – Echelon Australia Integrity Management Programme Diagnostic Review Draft Report April, 2015.
  - *"Council's systems and records have been well maintained during the year and the audited accounts will be submitted to the Division of Local Government within the prescribed time"* – Forsyths Business Services Pty Ltd 2013/2014 Audit Report.
- Governance and Administration Costs (OLG Comparative Data Report 2012/2013) are 38% below the Group Average. These decreased further in 2013/2014 to 50% below the

- Group average, demonstrating the capacity of Council's Staff to provide efficient and effective Local Government at a lower cost;
- Established an Environmental Sciences Staff Unit within Council;
  - Seeks to provide employment and work experience opportunities to people with disabilities;
  - Skilled, professional and works staff have successfully delivered the following major projects over the last 2 Council Terms;
    - Inverell Shire Library Redevelopment - 2008 \$ 2.25M
    - Artificial Turf Hockey Facility – 2008 \$ 0.81M
    - New Clinton Hill 10ML Reservoir – 2009 \$ 1.60M
    - Upgrade Inverell Netball Courts - 2009 \$ 0.16M
    - Inverell Equestrian Centre – 2009 \$ 0.13M
    - Cycleway extension Program – 2010 \$ 0.31M
    - MacIntyre River – “Bridge to Bridge Project” – 2011 \$ 0.24M  
(Partnership with Local Land Services)
    - Inverell CBD Redevelopment – 2010 and 2011 \$ 2.20M
    - Recycling Centre Expansion - 2011 to 2013 \$ 0.38M
    - Victoria Park Upgrade - 2011 \$ 0.62M
    - Inverell CCTV System - 2012 \$ 0.35M
    - Administration Centre Redevelopment - 2012 \$ 2.20M
    - Implemented Technology One Financial System - 2012 \$ 0.38M
    - Connections Disability Services Building – 2013 \$ 1.60M
    - New Cardboard Press Recycling Centre \$ 0.28M
    - Inverell Linking Together Centre – 2014 \$ 0.85M
    - National Transport Museum Development – 2014 \$ 1.50M  
(enabled the sale of the previous premises to a rapidly expanding Engineering business with up to 30 new jobs)
    - Varley Oval Redevelopment - 2014 \$ 2.10M
    - New Ashford SES Headquarters – 2014 \$ 0.40M  
(The SES have advised that they will be utilising this building as the new benchmark for SES facilities in similar sized communities)
    - Inverell Works Depot Large Storage Shed - 2014 \$ 0.35M
    - Ashford Medical Centre Development – 2015 \$ 0.80M
    - Inverell Medical Centre Infrastructure Works \$ 0.45M  
(New \$3M Privately Funded Centre)
    - New Ashford Water Treatment Plant – in progress \$ 4.64M
    - Gilgai Drainage Project – in progress \$ 1.80M
    - Inverell Sewerage Treatment Works asset renewal and Upgrade Project – In progress \$ 3.60M
    - Cameron Park multi-use sporting fields – in progress \$ 0.89M
- TOTAL \$ 30.89M

Council staff were able to attract significant Grant Funding to assist the delivery of a number of these projects. These projects are in addition to Council's continuing \$8M – \$9M annual Capital Works Program. It is noted that Council has replaced 17 Timber Bridges in the last 15 years and in 2015/2016 will commence the \$1M replacement of the Tintot Bridge being the last all Timber Bridge in the Shire. A strong achievement for Council and its staff.

#### Knowledge, creativity and innovation:

- Awards in the last two (2) years:
  - 2013 - NSW Youth Action Award for Outstanding Project/Service Working with Aboriginal Young People;
  - 2014 - Highly commended Award for the Indigenous Yilaathu (Gamilaraay translation: Past - Present) Project, NSW Local Government Annual Arts & Culture Awards.
- Equitable service provision to smaller Communities. Council was able to establish a partnership with NSW Police, NSW National Parks and State Emergency Services to deliver reliable Mobile Phone services to the remote village of Yetman and the surrounding area;

- Low Governance and Administration Costs resulting from Council's sound scale and capacity (OLG Comparative Data Report);
- Council operates leading edge/efficient/cost effective Information Technology (IT) Systems managing the systems in-house and utilising only limited external support. Council's IT Staff level is approximately 50% less than comparable Group 11 Councils. Council's IT systems are supported by a robust Disaster Recovery Plan;
- Council has been a strong adopter of energy efficient lighting (Solar Lighting, LED Street Lighting, etc) and solar energy systems with a view to generating efficiencies in its operations but also in demonstrating to the community the quantum of savings that can be generated by the latest technologies. The Community can view Council's energy cost savings in real time at several of its Solar Sites. Energy cost savings currently total \$0.27M p.a;
- Council maintains a modern, innovative Heavy Plant Fleet and utilises the latest technologies. Council's Fleet is GPS enabled which allows Council to obtain real time data on it fleet and to ensure the effective and efficient delivery of services. For example, Council knows when its Graders have the blade on the ground grading, Council knows when the PTO drives of its Slashing Tractors are engaged and when its Bitumen Patching Trucks are actually spraying bitumen. Council's high cost Road Reclaiming Plant allow Council to utilise the latest road stabilisation materials/polymers/practices and to stabilise road pavements at a cost saving of up to 60% over traditional pavement stabilisation. Council in 2014 undertook a comprehensive review of its Heavy Plant Fleet and added additional new items to the fleet which are driving additional efficiencies. The most innovative is a high 110 Horse Power Posi Track Loader, with a 1 metre wide Road Mill, Mulcher, Slasher and 4 in 1 Bucket which allows Council to deliver additional efficiencies in pavement stabilisation, roadside vegetation control and general construction and maintenance activities. Council trialled a hire machine as part of its Business Case prior to committing to the purchase.

Advanced skills in strategic planning and policy development:

- 2012 Inverell Shire LEP;
- Operational Efficiency/Effectiveness Program which is now in its fifth year, including changed work practices, energy and resource cost savings, and extensive partnering with local organisations, State and Federal Government Agencies resulting in lower operating costs (OLG Comparative Data Report);
- Inverell Shire Waste Strategy, Plant Fleet, Water and Sewerage Long Term Finance and Asset Plans, delivering high level services at a lower overall cost;
- Business Support for businesses of State significance, eg Bindaree Beef 820 Staff making a substantial contribution to the regional economy. Regular Meetings to align priorities and to assist with their continuing growth.

Effective Regional Collaboration:

- Strong working relationship with its local members of Parliament and other State Government Representatives displaying a Strong Regional approach to issues;
- Lead Council in seeking to establish a Joint Organisation of Councils (JOC) pilot in the New England. While the Group was unsuccessful in becoming a pilot organisation, a New England Group of Councils has been established. Inverell Shire is currently providing the Secretariat;
- Willingness and ability to;
  - supply infrastructure to support regional growth and community well being. Council has for example donated four second hand bushfire tankers to smaller rural Shires, provides a potable water supply to Tingha, a lower socio disadvantaged community in Guyra Shire, and has been the lead Council in securing shared plant, equipment and resources to provide services across multiple Council areas;
  - encourage local infrastructure providers to service a wider regional area;
  - support new and existing businesses, including Council's \$150K p.a. Industry Support Fund;

- Member of Northern Inland Regional Waste, Australian Rural Roads Group, Border Regional Organisation of Council's, North West Weights of Loads, Tourism New England North West and the Northern Tablelands Co-operative Library Service.

Credibility for more effective advocacy:

- Strong working relationship with its local members of Parliament. It meets with its local members on a regular basis to discuss issues and to ensure all parties are kept well informed of issues which impact the Community and Region;
- Sound working relationship with the Regional State Government Department Executive Officers;
- Work with the New England and Border Region Organisation of Council's to ensure effective advocacy for the Region;
- Recognised Regional Service Centre for a population of 69,000 people (Economic Impact Statement for Big W Development Application, prepared by independent consultants engaged by Woolworths Properties);
- One of the 32% of NSW Councils that have established an Audit Committee. The Committee has been in operation for over two (2) years;
- Strong working relationship with Council's Village Precinct Committees, Section 355 Committees, Service Clubs, local and regional Community Service Providers, NSW Local Land Services and the Inverell Chamber of Commerce and Industry. Council undertakes major promotional and business development activities with the Chamber;
- Participant in the NSW Small Business Friendly Council Program.

Capable Partner for State and Federal Agencies:

- Partner for the State and Federal Government across a range of areas and is committed to being a capable partner in leading the Industry in the long term;
- Partner with NSW Road and Maritime Services (RMS) in the delivery of road infrastructure and services to the community. Council holds a Highway Maintenance Contract with and undertakes Contract Upgrade Projects for RMS. Council is unique in that it has also worked in direct partnership and onsite along side RMS Staff and Construction Crews to deliver major multi million dollar projects and has an ongoing interest in expanding its RMS Contract area across the region. In addition to highly skilled and qualified staff and Quality Control Systems, Council has high value specialist Road Plant that enables it to deliver road pavements at highly competitive costs;
- Partnerships with a range of State and Federal Government Agencies in the delivery of Community Services into the community and the region. Council auspices Connections Disability Services and operates the Inverell Linking Together Centre, while also facilitating a number of smaller organisations. Connections, with an annual turnover of \$1.4M, provides "Transition to work", "Community Participation", "Life Choices and Active Aging" and "Respite" programs for people with disabilities and is an expanding organisation in the region. Council has been working with Connections Staff to ensure a smooth transition to the National Disability Insurance Scheme for its current and future clients. Council also auspices/operates a range of programs out of the Inverell Linking Together Centre (annual turnover of \$0.5M). The Centre was established in 2002 by a group of concerned community members to address the issue of Social Disadvantage especially in the Indigenous Community. The Awarded Centre has been shown to be delivering a \$6 return for every \$1 invested in programs (Social Ventures Australia Report – September, 2014 for the Australian Government Department of Prime Minister and Cabinet);
- Strong working relationship with the Rural Fire Service and the State Emergency Service and their volunteers. The infrastructure and equipment provided to the Services in the Shire is first class, and is part of a strategy Council has pursued over many years to ensure that the services can attract quality members;
- Strong working relationship with and has conducted a number of jointly funded and delivered projects with NSW Local Land Services targeted at improved environmental outcomes;

- Partnership with Federal Government and Hunter New England Health to provide a new Ashford Medical Centre (population 600 people). Council was the major capital funding partner with the Centre now being run by Hunter New England Health;
- Partnership with the Federal Government, McLean Care Pty Ltd (Aged care provider) and a local group of Doctors to establish a Medical Precinct and deliver a new \$3M Medical Services Centre for Inverell. The Centre is privately owned and operated, includes “Tele Health Facilities” and is a General Practitioner Training Facility.

Resources to cope with complex and unexpected change:

- Highly skilled, qualified and flexible workforce which has demonstrated an ongoing ability to cope with complex and unexpected change in a timely manner;
- Council provides an allocation of \$515,000 per annum to its “Strategic Capital Projects and Infrastructure Fund’. These funds can be utilised to address complex and unexpected change issues in a timely manner. Where financial costs are ongoing Council has the option of pursuing a Special Rate Variation as a way of generating additional revenues, noting it has not pursued this option previously.
- Access to Cash resources in the form of internally restricted assets to deal with emergency matters and the financial capacity to secure new loans to deal with long term change issues, where there is a need to ensure intergenerational equity;
- Able to deal with complex and unexpected change in a cost effective manner (OLG Comparative Data Report).

High quality political and managerial leadership:

- Council consists of 9 Councillors (previously 12), a number of these Councillors hold or have held board level position at State and Federal levels including Regional Development Australia, Uniting Care, Bus NSW, NSW Farmers, Regional Australia Institute;
- Councillor Training Program that provides access to appropriate training;
- Councillors and Staff are encouraged to undertake relevant industry inspections of Best Practice Services and Infrastructure which could be successfully replicated in the Shire to meet community needs;
- Senior Staff all hold qualifications commensurate with their positions and are members of the relevant professional Associations. Council’s middle management staff all hold Degree Level qualifications and are also members of the relevant professional Associations;
- Council has established a procedure for ensuring direct Councillor involvement in Project Management Control Groups for major projects.

SUSTAINABILITY:

- Inverell Shire has a growing population with a current annual growth rate of between 0.6 and 0.8% and is the fastest growing centre in the New England Region. This growth rate is greater than many other regional centres in New South Wales (ABS 2011 Quickstats). This growth is predicted to continue into the future as advised by the NSW Department of Planning and Environment. The Median Age of the population is 41 years which is consistent with other regional centres, with 6.5% of the population identifying as indigenous;
- Strong, stable and growing Revenue Base;
- Partnerships with other Council’s in the region including the Border Regional Organisation of Council’s, North West Weight of Loads, Tourism New England North West and the Northern Tablelands Co-operative Library Service (sharing of resources/pooling of funds, ability to deliver high cost services/resources to the regional community – eg digital services/resources, regional Tourism Initiatives and Promotions, cross Border issues etc);
- Participation in Local Government Procurement Programs/Contracts to ensure the cost effective delivery of energy, plant and equipment and other services to Council and NSW Local Government;
- Significant positive impact on Benchmarks as interest rates increase in the future.

**INFRASTRUCTURE AND SERVICE MANAGEMENT:**

- Modern efficient/effective Council enabling infrastructure i.e. Administration Centre, Works Depots, Visitor Centre Complex, Library, Community Buildings and associated facilities;
- Sound/Modern Shire Sporting and Recreational Facilities;
- Modern Emergency Services Infrastructure, Vehicles and Equipment supporting the SES and RFS Volunteers, their Training and Service Delivery;
- Sound Tourism Facilities in the Shire which encourage strong Tourism Market;
- Sound cost effective and innovative Information and Computer Systems;
- Infrastructure Backlog is being addressed and is now confined to Road Infrastructure Asset Class. Council was assessed in the Local Government Infrastructure Audit – June 2013 Infrastructure Management Assessment as “Moderate” with an unaudited Backlog of \$80M. This figure included the cost of upgrading Council’s entire road network to Higher Mass Limits Vehicle standards and was technically incorrect. A desktop review was conducted in 2013 resulting in the unaudited Backlog reducing to \$20.7M. Council has now at significant cost undertaken a full on the ground review and technical condition assessment of its Road Assets in 2014/2015 using Independent Specialists to determine an “accurate and auditable” Infrastructure Backlog amount. This action has been taken to enable Council to now put in place a funding strategy commencing 1 July, 2015 to deliver a Backlog of <2% being below the Fit for the Future < 2% Benchmark. This Strategy includes Council funding an additional \$6M of Road Asset Renewal in the 2015/2016 Budget (on top of its \$5.5M recurrent Road Asset Renewal Program). The Program funding includes Internally Restricted Assets \$4.3M, Roads to Recovery Program Supplementary Funding \$0.9M and NSW Country Bridges Program \$0.8M;
- New Waste Management Facilities is being delivered under Council’s Waste Strategy, the Community’s acceptance of the Strategy has been sound, and Council partners with Northaven Pty Ltd (provider of Disability Employment Services) who operate Council’s Recycling Facilities.

**EFFICIENCY:**

- Financial/Operational Efficiency/Effectiveness Program is now in its fifth year. This includes a forced efficiency program, coming on top of Council’s other efficiency measures, whereby staff are required to deliver Council’s Existing Programs within their existing budget (based on the adopted 2011/2012 Budget) outside of increases in unavoidable fixed costs. This program has assisted in Council being able to manage without a special rate variation, while providing significant new infrastructure and addressing the infrastructure backlog. It seeks to ensure that when a special rate variation is sought in 2017/2018 or later that Council has already achieved all the efficiency and effectiveness measures it is able to;
- Ongoing energy efficiency program including Solar Power Generation Systems (Capital payback periods range from 2.6 to 4.1 years) on Council’s main buildings (Administration Centre, Library, Visitors Centre, Works Depot, Linking Together Centre and Recycling Centre), Energy Efficient Street Lighting, fuel efficient Plant, Recycling Initiatives;
- Economies of Scale of Council’s Engineering/Design and Works Branch. For example Council has the skills, expertise and equipment to stabilise Road Pavements at a cost which is up to 60% less than the cost of a full Road Pavement Rehabilitation for a resulting similar pavement “useful life”. Council is consistently bitumen resealing its Sealed Road networks at costs of up to 25% less than IPWEA Benchmark Rates. These matters are having a significant impact on Council’s Infrastructure Backlog;
- Modern efficient/innovative/effective self sustaining/funding Heavy and Light Plant Fleet utilising the latest technologies including GPS Tracking/Monitoring. Due to strong management and continuing efficiencies Council has not increased its Plant Hire Charges to its Works and RMS Contracts Program for the last six years, while maintaining a modern and technologically efficient/advanced Plant Fleet;
- Ongoing ability to minimise the cost of infrastructure renewal and upgrade as a result of the strong works co-ordination and delivery where projects also involve water and sewerage services;

- Efficient and Effective Community Services delivery – Council through its Linking Together Centre Programs, which are targeted at addressing Social Disadvantage in the Community, has been shown to be delivering a \$6 return for every \$1 invested in programs – Social Ventures Australia Report – September, 2014 for the Australian Government Department of Prime Minister and Cabinet;
- To ensure robust and efficient Information Technology Systems and Procedures, the instant availability of Information and accurate data transfer, Council has installed a dedicated Optic Fibre Data Link between its Administration Centre, Works Depot and Waste Facility. Commercial Service Providers did not have the infrastructure available to assist Council in this matter. The capital payback period on this Link is four years;
- Staff acceptance of the need to operate in a more efficient manner and innovate in Service and Infrastructure delivery.

#### **WEAKNESSES:**

#### **SCALE AND CAPACITY:**

- Nil Identified

#### **SUSTAINABILITY:**

- Reliance on Investment Income, Private Works/Contract Profits and other external revenues to support ongoing maintenance and asset renewal activities (interest on investments have declined by over \$0.53M);
- Current economic conditions in the local economy impacting Council's Own Source Revenues growth/rate base growth (Federal Government Finance and Assistance Grant Indexation Freeze will cost Council \$0.43M per annum from 2016/2017);
- Potential community resistance to a Special Rate Variation;
- Long term sustainability of the Inverell Chamber of Commerce and Industry;
- Limited Economic Development Strategy.

#### **INFRASTRUCTURE AND SERVICE MANAGEMENT:**

- Community's perception of Council's ability to fund Council's existing and new services/infrastructure;
- Inability to fund all the ongoing maintenance and renewal needs of the Sealed and Gravel Road Network from Council's existing revenues. Access to quality gravel resources is becoming an issue.

#### **EFFICIENCY:**

- No local Regular Passenger Transport Air Service;
- Limited capacity to generate additional cost savings from Resource Sharing noting Council's existing low costs of business. Council has on a continuing basis intentionally "right sized" its resource base, carefully matching resources to identified needs as a means of achieving strong cost and service delivery efficiencies.

#### **OPPORTUNITIES:**

#### **SCALE AND CAPACITY:**

- Potential benefits flowing from the establishment of a Joint Organisation of Council;
- Growing population.

#### **SUSTAINABILITY:**

- Ability to pursue a Special Rate Variation and other increases in Own Source Revenue including Land Development;
- Opportunity to pursue a broadening of the local economic base and build on existing businesses, online marketing/service delivery to further aid revenue and skills growth;

- Land Bank of Residential and Industrial Land.

## INFRASTRUCTURE AND SERVICE MANAGEMENT:

- Ability to increase Own Source Revenues by way of a Special Rate Variation (Council has not previously pursued a Special Rate Variation), to address the remaining Infrastructure Backlog, to ensure Community defined Service Levels are met, to fund new services and to provide Council with reasonable discretionary funds;
  - Opportunity to provide additional small children's and aged persons Recreational Facilities as a means of encouraging the adoption of Healthy Lifestyles.

## EFFICIENCY:

- Potential to pursue a co-ordinated approach to the delivery of Community Health and Well-being programs/initiatives as a means of delivering additional efficiencies and cost savings to all levels of Government (including the removal of service duplication and resource sharing);
  - Potential to partner in more programs with Other Council's Local Land Services and other State and Federal Government Departments.

## **THREATS:**

### SCALE AND CAPACITY:

- Removal of Water and Sewerage Operations from Council's management and control resulting in decreased economies of scale and negatively impacting service and infrastructure delivery.

## SUSTAINABILITY:

- Long Term continuation of current Economic environment:
  - Perception that Council will be a greater provider of Community Services in the future which were previously funded by State and Federal Government (Cost Shifting);
  - Aging Population and the potential impact on Own Source Revenues (more Pensioner Rebates and potential removal of Pensioner Rates Rebate Subsidy);
  - Continued Shifting of responsibility for service delivery and funding to Council by State and Federal Government without a commensurate funding stream (Cost Shifting is now estimated to cost Council \$1.5M p.a. based on Local Government NSW figures);
  - Continuation of the indexation freeze on Council's Finance and Assistance Grants. The costs are as follows:
    - 2014/2015 \$132K
    - 2015/2016 \$265K
    - 2016/2017 and beyond \$431K  
(based on a CPI of 2.5%. This is equivalent to a 4.1 % Rate Increase)
  - Provision of additional grant funded Infrastructure without a commensurate increase in Own Source Revenues to fund its maintenance and renewal.

## **INFRASTRUCTURE AND SERVICE MANAGEMENT:**

- Infrastructure and Service demands of an aging population;
  - Community expectation that Council will provide additional staffing into the Community Services area from within its existing resource base;
  - Current reduction in State and Federal Government grant funding for a wide range of existing Community Services due to the continuing economic environment and the growing Community expectation that Council should provide for the funding shortfall;
  - Community expectation that Council will provide additional sporting and recreational facilities and the cost of maintaining any additional facilities provided from its existing revenue base;
  - Resourcing continuously changing Environmental Legislation and Compliance;

- The current changing State Government environmental requirements for Waste/Recycling activities and the possible implementation of the NSW Waste Levy (Cost to Council would be approximately \$0.4M p.a. based on current charges requiring a 15% increase in Council's Waste Management Charges);
- Rural Waste Facility closure/remediation and monitoring requirements and costs;
- Community acceptance of Waste Transfer Stations and their continuing use;
- Expectation by some rural ratepayers (including those moving out of town onto Lifestyle Blocks) that the existing Gravel Roads should be upgraded to a higher Bitumen Sealed Road Standard.

EFFICIENCY:

- No threats identified.

**SECTION 2.3**      **PERFORMANCE AGAINST THE FIT FOR THE FUTURE BENCHMARKS**

The following Fit for the Future Benchmarks will be achieved in the General Fund from the implementation of the 2015/2016 Operational Plan and Budget for the period ending 2016/2017.

IF THE FIT FOR THE FUTURE BENCHMARKS ARE NOT BEING ACHIEVED, PLEASE INDICATE WHY.

Sustainability Indicators:

**OPERATING PERFORMANCE RESULT**

Benchmark: - Greater or equal to break even average over 3 years

		GENERAL FUND	
2011-12	2,666	=	0.094
	28,276	=	
	1,977	=	0.072
	27,560	=	
	-1,189	=	-0.048
	24,973		
2014-15	-2,134	=	-0.089
	23,867	=	
	-1,250	=	-0.052
2015-16	23,914	=	
	-1,219	=	-0.050
	24,389		
Average 2011-12 to 2013-14		✓	0.0395
Average 2014-15 to 2016-17		✗	- 0.0639

Benchmark not achieved.

Based on Council's Budget Estimates for the 2014/2015 to 2016/2017, Council's General Fund will be slightly below the FFF Benchmark. This results from the decline in Interest on Investment Income (\$0.53M), the three (3) year freeze on Finance and Assistance Grant indexation (\$0.43M), a reduction in Profits on RMS Contract/Private Works (\$0.5M), above Rate Peg increases in Council's fixed costs, and the flow on effect from Council transferring funds (\$0.6M) from Asset Renewal to Asset Maintenance to meet Service Level needs and Community expectations.

These results while below benchmark will continue to be positively assisted by Council's ongoing Efficiency/Effectiveness Program and will not impact Council's operations over the 2014/2015 to 2016/2017 period. Any funding shortfall in asset renewals will be funded from Capital Grants and Contributions (Grant and Contributions can be utilised for infrastructure renewal), Internally Restricted Assets (Cash held in Term Deposits) and new Loans to assist in ensuring intergenerational equity. Council advises that a significant proportion of its annual Capital Grants and Contributions is expended each year on Infrastructure Renewal. Only limited amounts are expended on new Infrastructure/Upgrades, noting that these place additional maintenance and renewal burdens on its Community. Council also noted that it is committed to providing Infrastructure that is fit for purpose, multi-use and which is not excessive.

Council will need to increase its Own Source Revenues in 2017/2018 and beyond to enable the achievement of this FFF Benchmark and to ensure its long term sustainability.

Council's Auditor has noted that, "As stated in previous reports Council's enviable cash position provides a strong footing from which to address infrastructure improvements and complete Internally Restricted Projects".

<b>OWN SOURCE REVENUE - AUSPICED SERVICES INCLUDED</b>			
Benchmark: - Greater than 60% average over 3 years			
<b>GENERAL FUND</b>			
2011-12	16,330	=	53.7%
	30,424		
2012-13	17,471	=	59.7%
	29,241		
2013-14	17,361	=	62.1%
	27,972		
2014-15	15,471	=	57.6%
	26,872		
2015-16	15,340	=	53.3%
	28,781		
2016-17	15,714	=	57.4%
	27,360		
Average 2011-12 to 2013-14		✗	58.5%
Average 2014-15 to 2016-17		✗	56.1%

Benchmark not achieved.

Based on Council's Budget Estimates for 2014/2015 to 2016/2017, Council's General Fund will be slightly below the FFF Benchmark. This Benchmark is impacted by Council auspicing a number of Community based Organisations/Programs.

The decline in Interest on Investment Income and the draw down on Investments (\$0.53M and expected to be ongoing based on Investment Advisor advice), the three (3) year freeze on Finance and Assistance Grants costing \$132K in 2014/2015, \$265K in 2015/2016 and \$431K in 2016/2017), above Rate Peg increases in Council's fixed costs (\$0.53M) and the reduction in profits on RMS Contracts/Private Works (\$0.5M) over the last five years, which are expected to be long term impacts, negatively impact this FFF Benchmark.

Council needs to increase its Own Source Revenues by the following amounts to achieve this benchmark and the Operating Performance Benchmark over the 2016 -2020 period:

2017/2018	\$ 513,722
2018/2019	\$ 1,099,695
2019/2020	\$ 1,853,290

(This level of increase provides Council with only a \$20K buffer in meeting these two (2) Benchmarks)

Noting Council's current Cash Position, Council has determined to utilise these existing cash funds to address its asset renewal and infrastructure needs and continue its Efficiency/Effectiveness Program over the 2014/2015 to 2016/2017 period, while seeking to increase Own Source Revenues, prior to considering a Special Rate Variation commencing in 2017/2018. A Special Rate Variation of 14.25%, over three years, above the annual rate peg limit is required to raise Own Source Revenues to above the 60% Fit for the Future requirement.

<b>BUILDING &amp; INFRASTRUCTURE ASSET RENEWAL RESULT</b>			
Benchmark: - Greater than 100% average over 3 years			
GENERAL FUND			
2011-12	3,851	=	76.6%
	5,029	=	
2012-13	3,707	=	71.8%
	5,165	=	
2013-14	7,285	=	122.1%
	5,964	=	
2014-15	8,032	=	142.0%
	5,655	=	
2015-16	11,123	=	257.5%
	4,319	=	
2016-17	5,328	=	123.0%
	4,333	=	
Average 2011-12 to 2013-14		✗	90.2%
Average 2014-15 to 2016-17		✓	174.2%

Benchmark achieved.

It is noted that this Benchmark includes Council's 2015/2016 Special Road Renewal Infrastructure Backlog Program - which allocates an additional \$6M to Road Asset Infrastructure Renewal.

#### Infrastructure and Service Management Benchmarks.

<b>DEBT SERVICE RESULT</b>			
Benchmark: - Greater than 0% and less than or equal to 20% average over 3 years			
GENERAL FUND			
2011-12	0	=	0.00%
	28,276	=	
2012-13	0	=	0.00%
	27,560	=	
2013-14	0	=	0.00%
	24,973	=	
2014-15	0	=	0.00%
	23,867	=	
2015-16	250	=	1.05%
	23,914	=	
2016-17	250	=	1.03%
	24,389	=	
Average 2011-12 to 2013-14		✗	0.00%
Average 2014-15 to 2016-17		✓	0.69%

Benchmark achieved.

A new \$2M Waste Management Services Loan to be taken up in 2015/2016.

### ASSET MAINTENANCE RESULT

Benchmark: - Greater than 100% average over 3 years

	GENERAL FUND		
2011-12	5,969	=	101.2%
	5,897		
2012-13	5,428	=	100.1%
	5,421		
2013-14	5,312	=	101.6%
	5,228		
2014-15	5,418	=	101.1%
	5,359		
2015-16	5,500	=	100.9%
	5,450		
2016-17	5,555	=	101.4%
	5,477		
Average 2011-12 to 2013-14		✓	101.0%
Average 2014-15 to 2016-17		✓	101.1%

Benchmark achieved.

While it is proposed that this benchmark will be achieved, it is noted that it is becoming increasingly difficult to fund Council's ongoing Asset Maintenance Budget. Financial Modelling indicates that this matter will require serious consideration in the 2017/2018 Budget (additional funding) if this indicator is to be met in 2017/2018 and beyond.

### INFRASTRUCTURE BACKLOG RESULT

Benchmark: - < 2%

	GENERAL FUND		
2013-14	25,747	✗	8.66%
	297,478		
2014-15	5,611	=	1.87%
	299,855		
2015-16	5,611	=	1.84%
	305,459		
2016-17	5,611	=	1.84%
	305,254		
		✓	1.84%

Benchmark achieved.

The 2015/2016 \$6M financing strategy to reduce the Road Asset Infrastructure Backlog to below the <2% Benchmark, has been discussed with Council's External Auditor, and will have a significant beneficial impact on the Shire economically and socially.

Efficiency Benchmark:

<b>REAL OPERATING EXPENDITURE PER CAPITA RESULT</b>			
Benchmark: - A Decrease in Real Operating Expenditure per capita over time			
GENERAL FUND			
2009-10	25,072	=	1.529
	16,398		
2010-11	27,608	=	1.670
	16,530		
2011-12	23,542	=	1.416
	16,631		
2012-13	22,718	=	1.360
	16,703		
2013-14	22,372	=	1.337
	16,727		
2014-15	22,025	=	1.307
	16,846		
2015-16	20,463	=	1.207
	16,951		
2016-17	20,199	=	1.184
	17,057		
Decrease over time		✓	22.5%

Benchmark achieved.

Council has already achieved a reduction in this Benchmark of 12.5% to 30 June, 2014 through its ongoing Operational Efficiency/Effectiveness Program. This will increase by a further 10.0% to 30 June, 2017. It is noted that this benchmark will be negatively impacted by any increases in funding for Council's auspiced community services being Connections and the Linking Together Centre if this funding is not removed from the Benchmark calculations.

#### **SECTION 2.4 WATER UTILITY PERFORMANCE**

##### **DOES YOUR COUNCIL CURRENTLY ACHIEVE THE REQUIREMENTS OF THE NSW GOVERNMENT'S BEST PRACTICE MANAGEMENT OF WATER SUPPLY AND SEWERAGE FRAMEWORKS?**

NO.

##### **IF NO, PLEASE EXPLAIN THE FACTORS THAT INFLUENCE YOUR PERFORMANCE AGAINST THE FRAMEWORK.**

Council undertook a review of its performance against the Framework and a SWOT Analysis of its Water and Sewerage Funds in February, 2015 and resolved the following:

1. **FIT FOR THE FUTURE (FFF) ROADMAP - WATER AND SEWERAGE ACTIVITIES S13.1.2**

*That:*

- i) *Council's Water and Sewer Operations continue on a stand alone basis, noting the strong financial position, scale and capacity of these Council undertakings;*
- ii) *Council maintain the current framework and practices for water and sewer management inclusive of its current pricing structure;*

- iii) Council review its water and sewer pricing structure against Council's operational need and the Office of Water 'Best Practice Management Framework' (BPMF) on an annual basis;
- iv) Council note Council's 20 Year Water and Sewer Asset Management Plans, Long Term Financial Plans and the Water and Sewer Operations SWOT Analysis.

*That Council staff be authorised to prepare Inverell Shire Council's water and sewerage Fit for the Future Roadmap in accordance with i-iv above.*

Council's review noted that the purpose of the NSW Best Practice Management of Water Supply and Sewerage Guidelines as stated in the document is:

*Through the NSW Government's Country Towns Water Supply and Sewerage Program, sections 283 to 322 of the Water Management Act 2000, and sections 56 to 66 of the Local Government Act 1993, the Minister for Water Utilities is responsible for overseeing the performance of Local Water Utilities (LWUs) in:*

- *Providing appropriate, affordable and cost-effective water supply and sewerage services in urban areas of non-metropolitan NSW which meet community needs, protect public health and the environment and make best use of regional resources.*

*In addition to meeting the requirements of the Australian Government's National Water Initiative, the guidelines reflect the NSW Government's policy in relation to the Application of National Competition Policy to Local Government which states:*

- *"the Government supports the objects of the Local Government (NSW) Act 1993, which devolves to local councils significant responsibility for the conduct of their own affairs. The Government is confident that NSW councils are fully able to appreciate the significant efficiency gains and reduction in service costs that can flow from the adoption of competition reforms, and will be able to responsibly apply the Agreement for the benefit of their constituents and clients."*

Council further noted as contained in the Guidelines that, "the guidelines have been prepared to encourage continuing improvement in performance and identify criteria for best-practice management of water supply and sewerage.

In respect of Council's review and its outcomes, Council investigated its performance against the Best Practice Management of Water Supply and Sewerage Guidelines noting that the overarching objectives of the Guidelines as stated in the document is as follows:

*The NSW Government encourages best-practice by all NSW Local Water Utilities (LWUs). The purpose of best-practice management is:*

- *To encourage the effective and efficient delivery of water supply and sewerage services; and*
- *to promote sustainable water conservation practices and water demand management throughout NSW.*

*The NSW Government is required to demonstrate compliance with the Australian Government's National Competition Policy and National Water Initiative. The approach adopted since 1995 is to progressively encourage best-practice management by LWUs to ensure effective, efficient and sustainable water supply and sewerage businesses.*

Council noted the following:

- Compliance with Guidelines is currently not mandatory unless the local water utility wishes to pay a dividend from the water and sewerage "business" to the general fund, or is seeking funding from the State Government for particular projects – Council is not seeking either of these;

- The NSW Office of Water has been promoting BPM as a “proven evidence-based framework for delivering appropriate, affordable, cost effective and sustainable water supply and sewerage services for regional NSW”;
- There have been changes to the requirements for BPM since it was first developed and there are now 19 components which have to be complied with to meet the requirements for BPM;
- Council in making its resolution on this matter further noted that based on current evidence available that the full adoption of the guidelines on a “one-size fits all approach” is not in the best interests of the local community and will not provide additional benefits;
- Council’s existing responsibility and control of the local Water and Sewerage Schemes provided strong economies of scale into the schemes and sound efficiency gains in respect of the co-ordination of infrastructure delivery and renewal where multiple services were involved; and
- Council is committed to reviewing its compliance against the Guidelines on an annual basis.

#### **COUNCIL COMPLIANCE WITH THE GUIDELINES:**

The Guidelines have 19 requirements which are grouped under four (4) elements. The framework is:

<b>Best Practice Management</b>	
<b>19 BPM Requirements:</b>	
<b>IWCM Strategy and Financial Plan (3)</b>	1 IWCM Strategy (WS) 2 IWCM (Sge) 3 Water Conservation Plan (WS)
<b>Strategic Business Plan and Financial Plan (3)</b>	4 SBP (WS) 5 SBP (Sge) 6 Drought Management Plan (WS)
<b>Pricing and Regulation (11)</b>	7 Full Cost Recovery (WS) 8 Full Cost Recovery (Sge) 9 Appropriate Residential Charges (WS) 10 Appropriate Residential Charges (Sge) 11 Residential Revenue – Usage Charges $\geq 75\%$ (WS) 12 Appropriate Non-residential Charges (WS) 13 Appropriate Non-residential Charges (Sge) 14 Appropriate Trade Waste Fees and Charges 15 DSP with Commercial Developer Charges (WS) 16 DSP with Commercial Developer Charges (Sge) 17 Liquid Trade Waste Policy and Approvals
<b>Performance Monitoring (2)</b>	18 Report by Sept 15 (WS) 19 Report by Sept 15 (Sge)

Acronyms:  
IWCM: Integrated Water Cycle Management  
WS: Water Supply  
Sge: Sewerage  
DSP: Developer Servicing Plans

Council has been assessed as followings:

- Water Fund compliance – 70%
- Sewerage Fund Compliance – 67%

Comments on Council's Compliance with each item are as follows;

1. Integrated Water Cycle Management (IWCM) Strategy for Water Supply (WS) and
2. Integrated Water Cycle Management (IWCM) Strategy for Sewerage (Sge)

*These Strategies have not been prepared at this time as the cost of preparation is expected to exceed \$0.5M as indicated by NSW Public Works and their value to Council is questionable. While these strategies are proposed to ensure the "right sizing" of capital works/infrastructure, to ensure the community receives 'value for money', Council proposes that this outcome can be achieved utilising the skills and knowledge of Council's existing Professional and Technical Staff/Resources. Council's Water and Sewerage Planning covers a 30 year period as the IWCM Strategies require but with particular focus on the next 20 year period.*

3. Water Conservation Plan (WS).

*This has not been prepared as based on Council's continued performance as reported by the NSW Office of Water, there is little technical reason to introduce water conservation measures. Inverell's Median Water is below the Median NSW consumption, the Median Inland Annual Consumption and the Median Councils 3,000 to 10,000 properties consumption. That said Council on a continuing basis promotes the efficient use of its water resources with all of its water consumers.*

4. Strategic Business Plan (SBP) Water Supply (WS)
5. Strategic Business Plan (SBP) Sewerage (Sge).

*Council has these plans which were prepared for Council by NSW Public Works in 2008. While they are due to be updated, this work has been put on hold pending the possible mandating of BPM requirements which would require the updating of SBP's and IWCM Strategies each 8 years on a 4 year rotation eg IWCM in 2015, SBP in 2019, IWCM in 2023, SBP in 2027 etc. The Strategic Business Plans have been of only limited value in the overall sound management of the schemes.*

6. Drought Management Plan (WS).

*This has not been prepared as the major water supplies or distributions historically have not been affected by drought and again noting that the Median Water consumption is below the Median NSW consumption, the Median Inland Consumption and the Median Councils 3,000 to 10,000 properties consumption. There have been some minor short term issues with the bores at Graman and Bonshaw during prolonged dry periods but these have been addressed as operational issues. Council continues to monitor this issue.*

7. Full Cost Recovery (WS)

*Council complies.*

8. Full Cost Recovery (Sge)

*Council complies.*

9. Appropriate Residential Charges (WS)

*Council does not comply as the access charge does not vary in proportion to the square of the meter size, at this time. For example, with a 20mm meter being adopted as the "normal" size for a service, a property with a 40mm service would pay 4 times the basic access charge (ie \$1320 per year instead of \$330 per year on current charges.)*

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10. Appropriate Residential Charges (Sge)

*Council complies.*

11. Residential Revenue – Usage Charges ≥ 75% (WS)

*Council does not comply as, from a risk management aspect, variations in consumption have a greater effect on income when usage is the major factor. Under the current billing scenario, usage charges are about 40% of the total income. This charge structure continues to serve Council very well and ensures a stable revenue stream to meet Council's Operational and Capital Costs providing a high quality water supply across the Shire.*

12. Appropriate Non-residential Charges (WS)

*Council does not fully comply as the access charge does not vary in proportion to the square of the meter size.*

*For example, with a 20mm meter being adopted as the "normal" size for a service, a property with a 100mm service would pay 25 times the basic access charge (ie \$8250 per year instead of \$330 per year on current charges.)*

*It does not seem reasonable to charge more for a larger meter that may have been installed to meet fire service requirements but may never be used for that purpose.*

13. Appropriate Non-residential Charges (Sge)

*Council does not comply. To comply with this requirement, charges would have to be set for each non-residential property based on the volume, and potential volume, discharged to the sewer system from the property. The logistics of setting these charges would not justify the variations which might result.*

*Council does have in place non-residential charges for its motels, hotels, club, caravan parks and nursing homes. Outside of these businesses, most other local businesses would not discharge a greater volume to the sewer system than a residential property.*

14. Appropriate Trade Waste Fees and Charges.

*Council only partly complies having Liquid Trade Waste Charges for Trade Waste actually collected from premises, but it does not have on-going charges based on actual discharges to the Sewerage System. Council may impose these Charges in the future if there are significant discharges introduced by existing or new developments.*

15. Development Servicing Plan (DSP) with Commercial Developer Charges (WS)

*Council complies.*

16. Development Servicing Plan (DSP) with Commercial Developer Charges (Sge).

*Council complies.*

17. Liquid Trade Waste Policy and Approvals

*Council complies.*

18. Report by September 15 each year (WS)

*Council complies.*

19. Report by September 15 each year (Sge)

*Council complies.*

## **WATER FUND – PERFORMANCE AGAINST THE FRAMEWORK**

The review of the Water Fund included consideration of the Water Infrastructure 20 year Asset Management Plan, the Long Term Financial Plan, the Strategic Business Plan, Council's progress in the implementation of the requirements of the NSW Best Practice Management of Water Supply and Sewerage Guidelines and the completion of a SWOT Analysis of the Fund.

Council noted that it is its belief that the Water Fund has strong "Scale and Capacity" as demonstrated by the Funds continuing assessed performance, the overall high quality of the Funds Assets, the capacity of the Fund to meet Community needs on a continuing basis and the fact that no Infrastructure Backlog exists in the Fund.

In respect of the overarching objectives and the associated performance indicators of the NSW Best Practice Management of Water Supply and Sewerage Guidelines and Council's performance against the Framework, Council advises the following:

**1) Effective and efficient delivery of water supply:**

Pricing:

<u>Residential Bill – (Key Performance Measure)</u>	<u>2012/13</u>	<u>2013/14</u>
Typical Residential Bill NSW	\$ 540.00	\$550.00
Typical Residential Bill Councils 3,000 to 10,000 properties	\$ 637.00	\$617.00
Inverell Typical Residential Bill	<b>\$ 547.00</b>	<b>\$548.00</b>

(Note: Benchmarks have not been provided to Council for Non-residential pricing).

Charges for the last Office of Water Benchmark Report:

Inverell Access Charge all Consumers	\$ 310.00	\$320.00
Inverell Water Consumption Charge Residential/Business	\$1.20/KL	\$1.25/KL
Inverell Residential Stepped Tariff over 500KL p.a.	\$1.40/KL	\$1.50/KL
Abattoirs (800 Employees) 500,000 – 600,000KL p.a	\$0.65/KL	\$0.67/KL

Water Sales to Guyra Shire Council – Tingha 70,000KL p.a      \$1.267/KL      \$1.267/KL  
 (This Guyra Shire Council charge represents a 38% discount on the rate determined by NSW Public Works Formula for water sales to Guyra Shire Council at the Shire Boundary).

In respect of the Guidelines as noted above, Council does not levy the Access Charge based on water meter size. While 119 premises have a meter size of greater than the standard 20mm, these are largely provided to commercial properties to comply with Planning requirements in respect of Fire Fighting capacity. Council has undertaken Financial Modelling which indicates that there would be only a very limited financial gain from implementing a Water Access Charge Structure based on water meter size, which would need to be offset against the very significant cost of setting up dual meter systems to these properties (one meter for everyday supply and a larger fire fighting service). There is also a community goodwill element associated with this matter, noting that excluding the Bindaree Beef Abattoir very few of the premises involved use any significant quantity of water.

In its Review Council considered that in it being assessed as complying to the Guidelines to only 70% that the NSW Best Practice Management of Water Supply and Sewerage Guidelines seek to apply a "one-size" fits all approach to Water and Sewerage Supply undertakings who operate in vastly different environments and climates.

Inverell for example has typically wet summers which impact water sales to the extent that Council needs to recover a greater than the 25% proportion stated in the Guidelines for Residential Water Charges from the fixed component of the charge. It was also considered that the Inverell Water Supply Scheme cross-subsidises the smaller Ashford, Yetman, Graman and Bonshaw Village Supply Schemes which adds to the overall costs of the Water Fund (lower economies of scale are able to be achieved from the operation of small stand alone schemes spread across the Shires 8,600 square kilometre area). In providing this cross-subsidisation to the smaller Schemes and also water at a subsidised rate to Guyra Shire Council, Council has taken into consideration the issues of social equity, social disadvantage and capacity to pay.

#### System and Other Performance Indicators:

Council's ongoing sound performance as measured by the NSW Office of Water against the Framework is noted.

	Economic Real Rate of Return	Operating Cost per property	Water Main Breaks per 100km of Main	Unplanned Interruptions to Supply
<b>2013/2014 NSW Benchmarking Report</b> <b>Source: NSW Office of Water</b>				
NSW	0.9	\$ 512.00	12	16
LWU's 3,000 to 10,000 Properties	1.0	\$ 551.00	14	19
Inverell Shire Council	<b>1.0</b>	<b>\$ 547.00</b>	<b>3</b>	<b>2</b>
Inverell Shire - Ranking (Ranking 1-5, where 1 = best result)			<b>1</b>	<b>1</b>

	Real Loss Litres per day per connection	Water Quality Complaints per 1,000 consumers	Water Service Complaints per 1,000 consumers	% Population with micro compliance
<b>2013/2014 NSW Benchmarking Report</b> <b>Source: NSW Office of Water</b>				
NSW	80	3	13	100
LWU's 3,000 to 10,000 Properties	90	2	17	100
Inverell Shire Council	<b>50</b>	<b>0.5</b>	<b>1</b>	<b>100</b>
Inverell Shire - Ranking (Ranking 1-5, where 1 = best result)	<b>1</b>	<b>2</b>	<b>1</b>	

As demonstrated by the abovementioned Performance Indicators, Council is in fact achieving the objectives and performance required by the Guidelines and is providing a safe, secure, cost effective, efficient and environmentally sustainable Water Supply to its Community, despite currently being assessed as being only 70% compliant with the Guidelines.

Infrastructure Condition and Performance:

Council advises that it does not have an Infrastructure Backlog in its Water Fund. Further the Funds assets are of an overall high standard. Funding is available on a continuing basis to address the Infrastructure maintenance and renewal needs of the Fund.

Council in its February 2015 Review highlighted its ongoing philosophy of providing high quality Water Infrastructure which is “fit for purpose”, right sized to meet current and expected future demand and which is cost effective and efficient to operate and renew.

Council is currently providing a new Ashford Water Treatment Plant (\$4.6M) from its own source revenues and loans. Council was successful in achieving Interest Rate subsidies under the LIRS Scheme for this project. Council does not envisage requiring Grant Funding for any future project. That said Council will take advantage of any Grant Funding opportunities which may arise.

Noting that Council does not have an Infrastructure Backlog in its Water Fund, and its continuing sound levels of performance, efficiency and effectiveness, Council cannot foresee any potential future price shocks for either its residential or business Water Consumers. This includes the pricing for Water Sales to Guyra Shire Council to supply water to the Lower Socio-economic disadvantaged Community of Tingha.

**2) Promote sustainable water conservation practices and water demand management throughout NSW**

Residential Water Usage	2012/13	2013/14
NSW Median Annual Consumption	199 KL	N/A
NSW Median Inland Annual Consumption	257 KL	N/A
NSW Median Consumption 3,000 to 10,000 properties	240 KL	N/A
Inverell Median Consumption	183 KL	181 KL

(Note: Figures have not been published by the Office of Water yet for 2013/2014)

Council, in its Review and considering the abovementioned performance indicators, noted that its current pricing structure meets the objectives of the NSW Best Practice Management of Water Supply and Sewerage Guidelines of providing strong price signals to its community to encourage water conservation practices to be adopted. Council has and continues to promote “Waterwise Initiatives” and has on an ongoing basis sought to work with large industrial water consumers, particularly Bindaree Beef which utilises 500,000 – 600,000 Kilolitres per annum in its production. Bindaree Beef’s water consumption has remained relative stable over the last 10 years despite a substantial increase in their production. Bindaree Beef has been estimated to provide economic activity to the value of \$350M into the Inverell Shire economy.

Council has adopted water efficiency measures and practices in respect of Council’s facilities.

In respect of Council’s Water Supply Schemes it is noted that Council has not, to this point of time, had to impose water restrictions on its community, which is an issue that many communities struggle with.

### **SEWER FUND – PERFORMANCE AGAINST THE FRAMEWORK**

The review of the Sewer Fund included consideration of the Sewer Infrastructure 20 year Asset Management Plan, the Long Term Financial Plan, the Strategic Business Plan, Council’s progress in the implementation of the requirements of the NSW Best Practice Management of Water Supply and Sewerage Guidelines and the completion of a SWOT Analysis of the Fund.

Council noted that it is its belief that the Sewer Fund has strong “Scale and Capacity” as demonstrated by the Funds continuing assessed performance, the overall high quality of the Funds Assets, the capacity of the Fund to meet Community needs on a continuing basis and the fact that no Infrastructure Backlog exists in the Fund.

In respect of the overarching objectives and the associated performance indicators of the NSW Best Practice Management of Water Supply and Sewerage Guidelines and Council’s performance against the Framework, Council advises the following:

**1) Effective and efficient delivery of sewerage services:**

Pricing:

Residential Bill – (Key Performance Measure)	2012/13	2013/14
Typical Residential Bill NSW	\$ 650.00	\$625.00
Typical Residential Bill Councils 3,000 to 10,000 properties	\$ 566.00	\$588.00
Inverell Typical Residential Bill	<b>\$ 427.00</b>	<b>\$440.00</b>

As shown, Council’s performance is 30% better than the NSW average.

(Note: Benchmarks have not been provided to Council for Non-residential pricing).

Charges for the last Office of Water Benchmark Report:

Residential Access Charge - Occupied	\$ 427.45	\$ 440.30
Residential Access Charge – Unoccupied	\$ 267.80	\$ 275.80
Residential Access Charge – Flats/Units	\$ 267.80	\$ 275.80
Sewerage Access Charge Nursing Homes (Not for Profit)	\$2,002.30	\$2,062.40
Sewerage Access Charge – Hotels/Licenced Clubs	\$1,282.35	\$1,320.80
Sewerage Access Charge – Motel Residence	\$ 427.45	\$ 440.30
Sewerage Access Charge – Motel Restaurant	\$ 427.45	\$ 440.30
Sewerage Access Charge – Motel Ensuite	\$ 133.90	\$ 137.90
Sewerage Access Charge – Caravan Park Residence	\$ 427.45	\$ 440.30
Sewerage Access Charge – Caravan Park Amenities Block	\$1,282.35	\$1,320.80
Sewerage Access Charge – Caravan Park Ensuite Cabins	\$ 133.90	\$ 137.90
Sewerage Non-rateable Land Schools – WCs per receptacle	\$ 61.80	\$ 63.70
Sewerage Non-rateable Other – WCs per receptacle	\$ 103.00	\$ 106.10
Sewerage Non-rateable Urinals - per receptacle	\$ 61.80	\$ 63.70

In addition to these Charges, Council also levies Trade Waste Charges for the Disposal of Liquid Trade Waste (Oil, Grease Trap Waste, Effluent etc) from Non-residential properties. This charge is \$0.20 per litre with a minimum charge of \$50.00 applying.

In respect of the Guidelines, Council does not levy the Sewer Access Charge based on water meter size for non-residential properties. While 101 premises have a meter size of greater than the standard 20mm, as noted above these are largely provided to commercial properties to comply with planning requirements in respect of Fire Fighting capacity. Council noted that it currently levies higher Load Based Sewer Access Charges on Hotels, Motels, Caravan Parks and Nursing Homes, in addition to Non-ratable Land Multiple Services Charges on Schools Hospitals etc. Council has undertaken Financial Modelling which indicates that there would be only a very limited financial gain from implementing a Sewer Access Charge Structure based on water meter size for non-residential properties, which would need to be offset against the very significant cost of setting up dual supply systems to these properties. There is also a community goodwill element associated with this matter, noting that very few of the non-residential properties either use any significant quantity of water or discharge any significant volumes to the sewerage system.

System and Other Performance Indicators:

Council's ongoing sound performance as measured by the NSW Office of Water against the Framework is noted.

	Economic Real Rate of Return	Operating Cost per property	Sewer Main Breaks per 100km of Main	Water Infiltration ML per 100 km of Mains
<b>2013/2014 NSW Benchmarking Report</b> <b>Source: NSW Office of Water</b>				
NSW	1.5	\$ 430.00	37	62
LWU's 3,000 to 10,000 Properties	1.4	\$ 418.00	36	41
Inverell Shire Council	0.6	\$ 272.00	36	57
Inverell Shire - Ranking (Ranking 1-5, where 1 = best result)			3	4

In respect of the Economic Real Rate of Return Indicator, Council's 2015/2016 Budget includes a 5.0% increase in all Sewerage Charges which will result in an Indicator of > 1.0.

	Sewer Overflows per 100km of mains	Sewerage Service Complaints per 1,000 consumers	% Sewerage treated that was complaint	Sewerage odour complaints
<b>2013/2014 NSW Benchmarking Report</b> <b>Source: NSW Office of Water</b>				
NSW	13	13	100	1
LWU's 3,000 to 10,000 Properties	8	13	99	1
Inverell Shire Council	2	11	99	0
Inverell Shire - Ranking (Ranking 1-5, where 1 = best result)	3	3	3	1

It is noted that Council's Sewer Mains Breaks and Water Infiltration Performance Indicators are heavily impacted by the presence of "Highly Reactive Soils" in the Shire which cause significant movement in Council's Mains. Council will be undertaking a Water Infiltration Study over the next two (2) years for its Sewerage System. The current major Capital Works Projects being undertaken in the Sewer Fund will address the % Sewerage treated that was compliant Benchmark. That said Council's performance is sound when measured against the NSW Median and LWU's 3,000 to 10,000 properties Median Benchmarks.

As demonstrated by the abovementioned Performance Indicators, Council is in fact achieving the objectives and performance required by the Guidelines and providing a safe, secure, cost effective, efficient and environmentally sustainable Sewerage Service to its Community, despite currently being assessed as being only 67% compliant with the Guidelines.

**2) Promote sustainable water conservation practices and water demand management throughout NSW**

While this matter has only limited impact on the Sewer Fund, Council notes that the 600 – 700 Megalitres per annum of treated effluent being discharged into the MacIntyre River from the Inverell Sewerage Treatment Plant is seen by the community as being critical to maintaining healthy river flows and the environment.

Council has met with community opposition on each occasion where it has considered alternate uses for the Inverell Sewerage Treatment Works outflows. This is despite the fact that the Inverell Water Supply is sourced from Copeton Dam on the Gwydir River Catchment and not from the MacIntyre River Catchment.

**Infrastructure Condition and Performance:**

Council advises that it does not have an Infrastructure Backlog in its Sewer Fund. Further the Funds assets are of an overall high standard. Funding is available on a continuing basis to address the Infrastructure maintenance and renewal needs of the Fund.

Council, in its February 2015 Review, highlighted its ongoing philosophy of providing high quality Sewerage Infrastructure which is “fit for purpose”, right sized to meet current and expected future demand and which is cost effective and efficient to operate and renew.

Council is currently undertaking the Inverell Sewerage Treatment Plant Asset Renewal and Upgrade Project (\$3.6M) from own source revenues and loans. Council was successful in achieving an Interest Rate subsidy under the LIRS Scheme for this project. This Project provides for the medium to long term growth needs of Inverell.

**WATER AND SEWER FUND – FIT FOR THE FUTURE BENCHMARKS**

The Consolidated Fund of Council being the General, Water and Sewerage Funds achieve the following Fit for the Future Benchmarks which warrant consideration in Council's Fit for the Future Roadmap and Improvement Proposal:

Sustainability Indicators:

<b>OPERATING PERFORMANCE RESULT</b>			
Benchmark: - Greater or equal to break even average over 3 years			
		CONSOLIDATED FUNDS	
2011-12	2,415	=	0.07
	33,962		
2012-13	1,844	=	0.06
	33,395		
2013-14	-129	=	0.00
	32,174		
2014-15	-2,391	=	-0.08
	30,551		
2015-16	-1,196	=	-0.04
	30,635		
2016-17	-1,052	=	-0.03
	31,434		
2017-18	-552	=	-0.02
	32,567		
2018-19	117	=	0.00
	34,005		
2019-20	929	=	0.03
	35,514		
Average 2011-12 to 2013-14		✓	0.041
Average 2014-15 to 2016-17		✗	-0.050
Average 2017-18 to 2019-20		✓	0.004

<b>OWN SOURCE REVENUE - AUSPICED SERVICES INCLUDED</b>			
Benchmark: - Greater than 60% average over 3 years			
CONSOLIDATED FUNDS			
2011-12	21,889	=	60.2%
	36,356	=	
2012-13	23,161	=	65.3%
	35,483	=	
2013-14	24,345	=	68.7%
	35,411	=	
2014-15	21,448	=	70.2%
	30,551	=	
2015-16	21,856	=	61.3%
	35,670	=	
2016-17	22,584	=	65.3%
	34,574	=	
2017-18	23,594	=	66.0%
	35,745	=	
2018-19	24,867	=	66.8%
	37,221	=	
2019-20	26,238	=	67.6%
	38,807	=	
Average 2011-12 to 2013-14		✓	64.7%
Average 2014-15 to 2016-17		✓	65.6%
Average 2017-18 to 2019-20		✓	66.8%

<b>BUILDING &amp; INFRASTRUCTURE ASSET RENEWAL RESULT</b>			
Benchmark: - Greater than 100% average over 3 years			
CONSOLIDATED FUNDS			
2011-12	5,258	=	83.8%
	6,272	=	
2012-13	4,221	=	63.8%
	6,618	=	
2013-14	7,896	=	106.1%
	7,440	=	
2014-15	8,032	=	142.0%
	5,655	=	
2015-16	12,480	=	215.0%
	5,804	=	
2016-17	6,827	=	115.7%
	5,899	=	
2017-18	7,288	=	123.0%
	5,927	=	
2018-19	8,030	=	134.6%
	5,966	=	
2019-20	8,913	=	148.0%
	6,021	=	
Average 2011-12 to 2013-14		✗	84.6%
Average 2014-15 to 2016-17		✓	157.6%
Average 2017-18 to 2019-20		✓	135.2%

### DEBT SERVICE RESULT

Benchmark: - Greater than 0% and less than or equal to 20% average over 3 years

	CONSOLIDATED FUNDS		
2011-12	0	=	0.00%
	28,276		
2012-13	0	=	0.00%
	27,560		
2013-14	0	=	0.00%
	24,973		
2014-15	0	=	0.00%
	23,867		
2015-16	751	=	2.45%
	30,635		
2016-17	763	=	2.43%
	31,434		
2017-18	773	=	2.37%
	32,567		
2018-19	786	=	2.31%
	34,005		
2019-20	428	=	1.21%
	35,514		
Average 2011-12 to 2013-14		✗	0.00%
Average 2014-15 to 2016-17		✓	1.63%
Average 2017-18 to 2019-20		✓	1.96%

#### Infrastructure and Service Management Indicators:

### ASSET MAINTENANCE RESULT

Benchmark: - Greater than 100% average over 3 years

	CONSOLIDATED FUNDS		
2011-12	7,268	=	91.3%
	7,957		
2012-13	6,863	=	101.7%
	6,749		
2013-14	6,748	=	103.0%
	6,554		
2014-15	6,883	=	102.5%
	6,718		
2015-16	6,986	=	102.3%
	6,832		
2016-17	7,056	=	102.8%
	6,866		
2017-18	7,283	=	101.7%
	7,158		
2018-19	7,528	=	101.5%
	7,416		
2019-20	7,790	=	101.5%
	7,676		
Average 2011-12 to 2013-14		✗	98.7%
Average 2014-15 to 2016-17		✓	102.5%
Average 2017-18 to 2019-20		✓	101.4%

### INFRASTRUCTURE BACKLOG RESULT

Benchmark: - < 2%

	CONSOLIDATED FUNDS		
2013-14	25,747	=	6.21%
	414,351		
2014-15	5,611	=	1.33%
	421,150		
2015-16	5,611	=	1.32%
	426,626		
2016-17	5,611	=	1.32%
	426,354		
2017-18	5,211	=	1.22%
	426,515		
2018-19	4,361	=	1.02%
	427,379		
2019-20	2,861	=	0.67%
	429,070		

Efficiency Indicator:

### REAL OPERATING EXPENDITURE PER CAPITA RESULT

Benchmark: - A Decrease in Real Operating Expenditure per capita over time

	CONSOLIDATED FUNDS		
2009-10	25,072	=	1.529
	16,398		
2010-11	27,750	=	1.679
	16,530		
2011-12	29,149	=	1.753
	16,631		
2012-13	28,162	=	1.686
	16,703		
2013-14	27,766	=	1.660
	16,727		
2014-15	27,616	=	1.639
	16,846		
2015-16	25,884	=	1.527
	16,951		
2016-17	25,624	=	1.502
	17,057		
2017-18	25,340	=	1.474
	17,193		
2018-19	25,150	=	1.451
	17,331		
2019-20	24,898	=	1.425
	17,470		
Decrease over time		✓	6.8%

Assumption : LG Cost Index 14/15 - 2.47%, 15/16 - 2.5%. 16/17 - 3%, 17/18 - 3%, 18/19 3%, 19/20 3% Figures are \$'000

Population Growth of 0.624% - Based on last 5 years actual growth rate

**HOW MUCH IS YOUR COUNCIL'S CURRENT (2013/2014) WATER AND SEWERAGE INFRASTRUCTURE BACKLOG?**

Nil – there is no Infrastructure Backlog in the Water or Sewerage Funds.

**IDENTIFY ANY SIGNIFICANT CAPITAL WORKS (>\$1M) PROPOSED BY YOUR COUNCIL'S WATER AND SEWER OPERATIONS DURING 2016/2017 TO 2019/2020 AND ANY KNOWN GRANTS OR EXTERNAL FUNDING TO SUPPORT THESE WORKS.**

- Renew Sewerage Pump Station Number 1, including relocation out of flood zone.

Plan 2015/2016, Deliver 2018/2019, Cost \$2.1M, Grants or External Funding – Nil.

- Inverell Water Treatment Plant Asset Renewal and Upgrade Project (Filter Galleries and Sedimentation Tanks)

Plan 2016/2017, Deliver 2017/2018, Cost \$1.2M, Grants or External Funding – Nil.

- Construction of two additional Water Reservoirs to provide security of Inverell Water Supply and to support major business.

Plan 2018/2019, Deliver 2019/2020, Cost \$2.6M, Grants or External Funding – Nil.

**DOES YOUR COUNCIL CURRENTLY MANAGE ITS WATER AND SEWERAGE OPERATIONS ON AT LEAST A BREAK-EVEN BASIS?**

YES.

**IDENTIFY SOME OF YOUR COUNCIL'S STRATEGIES TO IMPROVE THE PERFORMANCE OF ITS WATER AND SEWER OPERATIONS IN 2016/2017 TO 2019/2020.**

- Council will continue to review its performance against the NSW Benchmarks

Timeframe – Ongoing

Anticipated Outcome – Continued achievement of performance better than NSW Benchmarks and at a lower cost to the Community.

- Investigate installation of Solar Energy Systems at the Water and Sewerage Plants and Pump Stations.

Timeframe – 2016/2017

Anticipated Outcome – 50% saving in energy costs on a continuing basis, representing annual cost savings of up to \$0.4M.

- Undertake a Stormwater Infiltration Study for the Sewerage System.

Timeframe – 2016/2017

Anticipated Outcome – 50% reduction in Water infiltration into the sewerage system and subsequent decrease in the quantity of sewerage to be treated and environmental compliance costs.

- Upgrade the small Village Water Supply Schemes for Bonshaw and Graman.

Timeframe – 2018/2019

Anticipated Outcome – Provision of low cost potable water supply.

**SECTION 3****HOW WILL YOUR COUNCIL BECOME/REMAIN FIT FOR THE FUTURE?**

**SUMMARISE YOUR COUNCIL'S KEY STRATEGIES TO IMPROVE PERFORMANCE AGAINST THE SUSTAINABILITY BENCHMARKS IN THE 2016-20 PERIOD, INCLUDING THE OUTCOMES YOU EXPECT TO ACHIEVE. (EXPLAIN YOUR KEY ASSUMPTIONS THAT UNDERPIN YOUR STRATEGIES AND EXPECTED OUTCOMES).**

**3.1 SUSTAINABILITY****Objective 1****Achieve an Operating Performance Ratio of >0% over a three year period by 2019/2020.**

(To achieve this outcome Council needs to further reduce operating costs on top of the very substantial gains already made, increase revenues or a combination of the two strategies).

Strategy:

- a) Continue Operational Efficiency/Effectiveness Program to achieve an annual 0.5% operational cost saving to help offset above Rate Peg Increases in fixed operating (See 2015/2016 Draft Operational Plan Page 43 – shortfall in Rate Peg to cover increases in Council's fixed costs total \$109K for 2015/2016).
- b) Solar Energy Systems to Inverell Swimming Pool Complex and SES Buildings saving \$36K p.a. in Electricity Costs (funded from Internally Restricted Assets – this will bring Council's total electricity cost savings to over \$365K p.a. across the combined fund).
- c) Special Rate Variation (permanent variation) commencing in 2017/2018 (for 3 years delivering a 14.25% rate increase above the Rate Peg generating an additional \$1.85M in own source revenue p.a. by 2019/2020).
- d) Undertake a further review of Council's fees and charges to generate additional Own Source Revenues.
- e) Complete installation of GPS Tracking devices in all of Council's Plant Fleet over 2016/2017 expected to generate an additional operating cost saving of \$50K p.a. on top of the \$180K p.a. savings already realised.

Assumptions:

- i) The IPART determined Rate Peg amount will cover increases in Council's fixed costs and will not continue to be discounted for efficiency gains (these are already built into Council's Budget) as this will erode any additional gains made from Council's ongoing Operational Efficiency/Effectiveness Program.
- ii) Resumption of Finance and Assistance Grant Indexation in 2017/2018 by the Federal Government.
- iii) Special Rate Variation of 14.25% (permanent) above the Rate Peg will be approved.
- iv) A small Increase in Own Source Revenues from Fees and Charges to offset smaller cost increases can be achieved (note: being a Rural Council encompassing a number of severely disadvantaged lower socio-economically disadvantaged communities Council has limited scope to increase its fees and charges. Council has the three lowest income localities in Australia within its area – ATO Taxation Statistics 2012-2013 Report).
- v) Auspiced Community Services funded by the State and Federal Government continuing to have a neutral effect on Council's reported operating costs with Grant Funding matching Expenditures.(Note: These programs would cease if grant funding is not provided and any assets acquired remain the property of the funding provider as do any residual funds).

Key Milestones:

- 1) Review of Fees and Charges completed in 2015/2016

- 2) Solar Energy Systems installed at Inverell Pool and SES Facilities in 2016/2017 or earlier.
- 3) Special Rate Variation prepared 2016/2017 and approved to commence in 2017/2018
- 4) GPS Tracking devices installed in the remainder of Council's Plant Fleet by the end of 2016/2017 (Council notes that it has not increased its Internal Plant Hire Charges to its operations for six years due to operational and procurement efficiencies).

Outcome:

**Operating Performance Ratio of Breakeven (0.0003) and improving achieved for the three years ending 2019/2020**

Impact on Other Measures:

The strategies included for this Benchmark also assist Council in meeting the required Own Source Revenue Benchmark.

<b>OPERATING PERFORMANCE RESULT</b>			
Benchmark: - Greater or equal to break even average over 3 years			
	GENERAL FUND		
2011-12	2,666	=	0.094
	28,276		
2012-13	1,977	=	0.072
	27,560		
2013-14	-1,189	=	-0.048
	24,973		
2014-15	-2,134	=	-0.089
	23,867		
2015-16	-1,250	=	-0.052
	23,914		
2016-17	-1,219	=	-0.050
	24,389		
2017-18	-672	=	-0.028
	24,413		
2018-19	-48	=	0.002
	-27,448		
2019-20	745	=	0.027
	27,926		
Average 2011-12 to 2013-14		✓	0.039
Average 2014-15 to 2016-17		✗	- 0.0639
Average 2017-18 to 2019-20		✓	0.0003

NOTE: Council notes that this ratio fails to consider that a significant proportion of the Capital Grants and Contributions received by Council on a recurrent basis are utilised for asset renewal and the execution of Council's infrastructure plans. Council has on a continuing basis sought to minimise its infrastructure and continuing operational costs by refurbishing and upgrading its existing assets, and providing multi purpose/use assets, rather than duplicating or providing new higher cost stand alone assets which are beyond the communities capacity to pay. This strategy continues to work well for Council and its Community (note Council's Infrastructure Backlog is <2%).

Council notes that any IPR supported Service Level increases required by and provided for the community, for example an increase in Road Maintenance/Road Construction activities above those provided for in the Forward Budgets will

negatively impact this Benchmark unless this is matched by an equivalent further increase in Own Source Revenues. Council's Strategy in respect of meeting the requirements of this Benchmark will, however, provide additional revenues to consider increases in Community demanded service levels from 2020/2021 after the bulk of the remaining Infrastructure Backlog is addressed. The issue of extending Council's Sealed Road network to better cater for modern Heavy Transport Higher Mass Limit vehicles with significant efficiency and social benefits flowing to its rural ratepayers and the regional economy is noted.

## **Objective 2**

### **Meet Own Source Revenue Benchmark**

Strategy:

- a) Increase Own Source Revenues by way of a permanent Special Rate Variation – being 4.75% in 2017/2018, 4.75% in 2018/2019 and 4.75% in 2019/2020 (permanent variation) in addition to the IPART determined annual Rate Peg amounts.  
(Council has not previously sought a Special Rate Variation)

Assumptions:

- i) Rate base growth over the period estimated at 0.25% p.a.
- ii) 2.5% Rate Peg in 2016/2017 and that the IPART approves the full Special Rate Variation. The Special Rate Variation achieves the following improvements in Council's Own Source Revenues to achieve this Benchmark within the IPART required five (5) year period:

2017/2018	\$ 513,722
2018/2019	\$ 1,099,695
2019/2020	\$ 1,853,290

Note: This is the minimum amount of a Special Rate Variation that can be applied, for Council to achieve all seven (7) of the Fit for the Future Benchmarks in the 2016 - 2020 period and in subsequent periods. These Benchmarks apply a higher standard to Council's operations than that which previously applied.

The average increase in the General Rates payable for each property in the various rating categories resulting from the Special Rate Variation would be as follows:

• Inverell Residential	\$ 131.66
• Residential General	\$ 79.44
• Residential Ashford	\$ 63.61
• Residential Delungra	\$ 66.17
• Residential Gilgai	\$ 75.20
• Residential Yetman	\$ 63.27
• Residential Rural	\$ 121.37
• Farmland	\$ 359.49
• Business Industrial/Commercial	\$ 667.19
• Business Other	\$ 187.32

Note: In applying a Special Rate Variation Council will take into consideration the increase in the total Rate Bill payable by its residents and pursue strategies to minimise the impact of the increase on its residents. This would substantially lessen the percentage terms increase in the Total Rate Bill.

- iii) IPART recognise that State and Federal Government Grant Funded auspiced Community Service Programs are removed from the Benchmark calculation. Council notes that any assets acquired by these Community Services or residual program

funding remain the property of the related State or Federal Government Department. These programs cease if the Grant funding is not forthcoming. Should this not occur Council will need to increase the Special Rate Variation to a minimum of 33.25% placing a substantial, unfair and unwarranted rate funding burden on the Community, especially the significant number of lower socio-economic disadvantaged households. With the move to the NDIS it is estimated that Government Funding for Connections Disability Services may increase to \$2.5M p.a. in the short term.

Key Milestones:

Special Rate Variation prepared 2016/2017 and approved to commence in 2017/2018.

Outcome:

**Own Source Revenue Ratio of 59.5% achieved, being 60.6% Council Own Source Revenue after State and Federal Government Funded auspiced community service programs are removed from the calculation (being Connections and Linking Together Centre). This will provide Council with an enhanced revenue base, further scope to consider new functions/services and programs, and the enhanced capacity to cope with complex and unexpected change.**

Impact on Other Measures:

The strategies included for this Benchmark also assist Council in meeting the required Operating Performance, Building and Infrastructure Renewal, Infrastructure Backlog and Asset Maintenance Benchmarks.

<b>OWN SOURCE REVENUE - AUSPICED SERVICES INCLUDED</b>			
Benchmark: - Greater than 60% average over 3 years			
GENERAL FUND			
2011-12	16,330	=	53.7%
	30,424	=	
2012-13	17,471	=	59.7%
	29,241	=	
2013-14	17,361	=	62.1%
	27,972	=	
2014-15	15,471	=	57.6%
	26,872	=	
2015-16	15,340	=	53.3%
	28,781	=	
2016-17	15,714	=	57.4%
	27,360	=	
2017-18	16,594	=	58.4%
	28,419	=	
2018-19	17,639	=	59.4%
	29,671	=	
2019-20	18,785	=	60.5%
	31,043	=	
Average 2011-12 to 2013-14		✗	58.5%
Average 2014-15 to 2016-17		✗	56.1%
Average 2017-18 to 2019-20		✗	59.5%

<b>OWN SOURCE REVENUE - AUSPICED SERVICES REMOVED</b>			
benchmark: - Greater than 60% average over 3 years			
<b>GENERAL FUND</b>			
2011-12	16,330 29,417	=	55.5%
2012-13	17,471 27,978	=	62.4%
2013-14	17,361 26,259	=	66.1%
2014-15	15,471 25,610	=	60.4%
2015-16	15,180 26,939	=	56.3%
2016-17	15,070 26,098	=	57.7%
2017-18	16,347 27,277	=	59.9%
2018-19	17,229 28,529	=	60.4%
2019-20	18,397 29,901	=	61.5%
Average 2011-12 to 2013-14	Average 2011-12 to 2013-14	✓	61.4%
Average 2014-15 to 2016-17	Average 2014-15 to 2016-17	✗	58.2%
Average 2017-18 to 2019-20	Average 2017-18 to 2019-20	✓	60.6%

NOTE: This assumes that there will not be a significant increase in the quantum of Council's substantial Grant Funded Capital Programs, including its auspiced Community Services Programs. That said Council does have an ongoing strategy in place to rigorously pursue grant funding opportunities for the benefit of its Community and the Region, and has been very successful in this area on a continuing basis. Council is aware that this ongoing strategy will have a negative impact on this Benchmark.

Council's Long Term Financial Plan has consistently indicated over the last 5 years that a 5% Special rate Variation would be required to cover increases in Council's costs above the Rate Peg amount and which could not be covered from Council's ongoing efficiency program savings. This has compounded to the 14.25% as a result of the three year freeze on the indexation of the Finance and Assistance Grants (cost in 2016/2017 and each year thereafter will be \$431K being equivalent to a 4.1% rate increase), and by the reduction in interest on investment income (equivalent to a 5.15% rate increase) flowing from the record low interest rates which are expected to continue in the medium term and the subsequent draw down of investments to fund the Special Road Renewal Infrastructure Backlog Program and other major capital projects.

### **Objective 3**

**Maintain Building and Infrastructure Renewal Ratio at greater than 100% average over three years.**

Strategy:

- a) Continue existing Building and Infrastructure Renewal Programs over the 2016 to 2020 period and supplement with additional Own Source Revenues, and a Special Road Infrastructure Renewal Program – \$6M in 2015/2016.
- b) Continue Council's program of encouraging creativity and innovation in service and infrastructure delivery to achieve industry Best Practice and lower overall Service and Infrastructure costs.

Assumptions:

- i) 2.5% Rate Peg in 2016/2017 and that the IPART approves the full 14.25% Special Rate Variation. The following amounts to be allocated from the Special Rate Variation to Infrastructure Renewal and the Road Asset Infrastructure Backlog on the Shire Rural Road Network:

#### SHIRE RURAL ROAD ASSET INFRASTRUCTURE BACKLOG:

2017/2018	\$ 400,000
2018/2019	\$ 850,000
2019/2020	\$ 1,500,000

#### SHIRE ROAD NETWORK ASSET RENEWALS TO PREVENT BACKLOG FROM RE-OCCURRING:

2018/2019	\$ 100,000
2019/2020	\$ 100,000

- ii) Road Infrastructure Residual Values Brought to Account and Road Assets independently assessed by independent Industry Specialists as at 30/06/15 significantly reducing Road Infrastructure Depreciation Expense from 2015/2016.
- iii) Inverell Swimming Pool Asset Renewal Project 2017/2018 fully funded from Internally Restricted Assets and new loans.

Key Milestones:

- 1) Special Road Renewal Infrastructure Backlog Program implemented in 2015/2016 - \$6M and all works completed by 30 June 2017.
- 2) Inverell Swimming Pool Asset Renewal Project completed by 30 June 2018.

Outcome:

**Building and Infrastructure Renewal Ratio for 2014/2015 to 2016/2017 of 174.2% and 2017/2018 to 2019/2020 of 151.4% substantially reducing the Infrastructure Backlog and preventing it from escalating in future periods (The Backlog should reduce to 0.0% by 2025)**

Impact on Other Measures:

The strategy included in this Benchmark assists Council in meeting and maintaining the required Infrastructure Backlog Benchmark in the short, medium and long term.

<b>BUILDING &amp; INFRASTRUCTURE ASSET RENEWAL RESULT</b>			
Benchmark: - Greater than 100% average over 3 years			
GENERAL FUND			
2011-12	3,851	=	76.6%
	5,029		
2012-13	3,707	=	71.8%
	5,165		
2013-14	7,285	=	122.1%
	5,964		
2014-15	8,032	=	142.0%
	5,655		
2015-16	11,123	=	257.5%
	4,319		
2016-17	5,328	=	123.0%
	4,333		
2017-18	5,882	=	135.5%
	4,342		
2018-19	6,513	=	149.8%
	4,347		
2019-20	7,351	=	168.9%
	4,352		
Average 2011-12 to 2013-14		✗	90.2%
Average 2014-15 to 2016-17		✓	174.2%
Average 2017-18 to 2019-20		✓	151.4%

### **3.2 INFRASTRUCTURE AND SERVICE MANAGEMENT**

#### **Objective 1**

**Maintain Infrastructure Backlog <2% for the period 2016 to 2020, and remove by 2025**

Strategy:

- a) Continue existing Building and Infrastructure Renewal Programs over the 2016 to 2020 period and supplement a Special Road Infrastructure Renewal Program - \$6M in 2015/2016.
- b) Allocate the Special Rate Variation to Infrastructure Renewal with the remainder of the funds to be directed to Asset Maintenance to extend Asset Useful Lives, and a small amount to discretionary expenditures to meet community needs:

#### **SHIRE RURAL ROAD ASSET INFRASTRUCTURE BACKLOG:**

2017/2018	\$ 400,000
2018/2019	\$ 850,000
2019/2020	\$ 1,500,000

**SHIRE ROAD NETWORK ASSET RENEWALS TO PREVENT BACKLOG FROM RE-OCCURRING – Bitumen Reseals and Gravel Resheeting:**

2018/2019	\$ 100,000
2019/2020	\$ 100,000

**SHIRE ROADS MAINTENANCE**

2017/2018	\$ 86,000
2018/2019	\$ 136,000
2019/2020	\$ 186,000

**DISCRETIONARY PROGRAMS – COMMUNITY NEEDS DRIVEN:**

2017/2018	\$ 27,722
2018/2019	\$ 13,695
2019/2020	\$ 67,290

- c) Lobby for an increase in the Regional Roads Block Grant and Repair Program noting that the majority of the Road Asset Infrastructure backlog is on the Regional Road Network that was transferred from the State Government to Council without adequate compensation. Council had the greatest length of Regional Road transferred to it by the State Government of any NSW Council.

## Assumptions:

- i) IPART approves the full 14.25% Special Rate Variation to be delivered over three (3) years.
- ii) 30 June, 2020 Road Asset Valuation and Condition Rating Audit produces a Backlog Amount consistent with the results of the current Infrastructure Backlog Program, (Natural Disasters and severe weather events excluded).
- iii) Only limited asset renewals and upgrades to be completed over the 2016 – 2020 period outside of Council's Shire Road Infrastructure Asset Class and the Inverell Swimming Pool Project, noting that Council has already completed the renewal and upgrade of its major building and infrastructure assets.

## Key Milestones:

- 1) Special Road Renewal Infrastructure Backlog Program - \$6M completed by 30 June, 2017.
- 2) 14.25% Special Rate Variation in addition to the Rate Peg achieved and the following funds directed to the Road Asset Infrastructure Backlog and works completed in the year allocated:

2017/2018	\$ 400,000	Backlog reduces to \$ 5.21M
2018/2019	\$ 850,000	Backlog reduces to \$ 4.36M
2019/2020	\$ 1,500,000	Backlog reduces to \$ 2.86M

## Outcome:

**Infrastructure Backlog reduced to 0.94% by 30 June, 2020. Backlog then reduced to 0.0% by 30 June, 2025.**

## Impact on Other Measures:

The strategies included for this Benchmark will result in Council having a greater level of Financial flexibility in the medium to long term, providing it with a greater capacity to cope with complex and unexpected change, broaden its partnerships with the State and Federal Governments and to undertake new functions and programs.

This Roadmap provides Council with the capacity from 2020/2021 to consider the provision of significant new Infrastructure and Services, including matters such as the upgrade of Shire Gravel Roads to Bitumen standard to cater for Higher Mass Limits Heavy Vehicles and improve the economic viability of the rural sector.

<b>INFRASTRUCTURE BACKLOG RESULT</b>			
Benchmark: - < 2%			
GENERAL FUND			
2013-14	25,747	X	8.66%
	297,478		
2014-15	5,611	=	1.87%
	299,855		
2015-16	5,611	=	1.84%
	305,459		
2016-17	5,611	=	1.84%
	305,254		
2017-18	5,211	=	1.71%
	305,594		
2018-19	4,361	=	1.42%
	306,560		
2019-20	2,861	=	0.94%
	302,777		
		✓	0.94%

NOTE: The final outcome will be dependant on the absence of a deleterious effect of natural disasters and severe weather events on Council's Infrastructure Assets, particularly its Road Infrastructure Assets. That said the Special Rate Variation will better equip Council in future years to be able to cope with events of this nature.

## **Objective 2**

### **Maintain Asset maintenance Ratio at >100%**

Strategy:

- a) Continue to allocate the required funds to maintain Council's Assets at a high standard which maximises asset useful life including allocating the following amounts from the Special Rate Variation to asset maintenance:

2017/2018	\$	86,000
2018/2019	\$	136,000
2019/2020	\$	186,000

Assumptions:

- i) IPART provides for ongoing Rate Pegging amounts which reflect the true increase in Local Government Costs.
- ii) IPART approves the full 14.25% Special Rate Variation. Resumption of Finance and Assistance Grant Indexation in 2017/2018 by the Federal Government.
- iii) Only a limited range of new, relatively low cost, Assets will be added to Council's Asset Inventory over the 2016 – 2020 period outside of Council's Waste Services. Council's major focus will be on the maintenance and renewal of its existing assets, addressing the Infrastructure Backlog, an encouraging continued economic and industry development within the Shire and Region.

Key Milestones:

- 1) 2015/2016 Asset Maintenance Program fully funded and completed
- 2) 2016/2017 Asset Maintenance Program fully funded and completed

- 3) 2017/2018 Asset Maintenance Program fully funded and completed (Increase in Maintenance from Special Rate Variation of \$86K – Gravel/Bitumen Maintenance noting the need to ensure the Infrastructure Backlog does not re-emerge)
- 4) 2018/2019 Asset Maintenance Program fully funded and completed (Increase in Maintenance from Special Rate Variation of \$136K noting the need to ensure the Infrastructure Backlog does not re-emerge)
- 5) 2019/2020 Asset Maintenance Program fully funded and completed (Maintain additional \$186K asset maintenance allocation).

Outcome:

**Asset Maintenance Ratio for the period ending 2019/2020 of 100.7% achieved.**

Impact on Other Measures:

The Strategies for this Benchmark also have a significant impact on ensuring the Infrastructure Backlog Benchmark maintains its substantial downward trend and that the Building and Infrastructure Renewal Ratio is maintained at greater than 100% average over three years. These Benchmark requirements will not be met if sufficient funding is not available from Own Source Revenues to complete Council's Asset Maintenance and Renewal Programs.

<b>ASSET MAINTENANCE RESULT</b>			
Benchmark: - Greater than 100% average over 3 years			
GENERAL FUND			
2011-12	5,969	=	101.2%
	5,897		
2012-13	5,428	=	100.1%
	5,421		
2013-14	5,312	=	101.6%
	5,228		
2014-15	5,418	=	101.1%
	5,359		
2015-16	5,500	=	100.9%
	5,450		
2016-17	5,555	=	101.4%
	5,477		
2017-18	5,752	=	100.4%
	5,727		
2018-19	5,974	=	100.2%
	5,961		
2019-20	6,220	=	100.2%
	6,206		
Average 2011-12 to 2013-14		✓	101.0%
Average 2014-15 to 2016-17		✓	101.1%
Average 2017-18 to 2019-20		✓	100.7%

NOTE: Council has a strong focus on the maintenance of its assets to ensure strong service delivery capability to our community and to maximise asset useful lives. In 2010/2011 Council significantly increased its Maintenance Activities in a wide range of areas, however, this came at a direct cost to its funding for its Capital Improvement /Asset Renewal Programs. Noting Rate Pegging, substantial reductions in Interest Rates and the Indexation Freeze on the Finance and Assistance Grants, has resulted in it

becoming increasingly difficult to allocate sufficient funding to Asset Maintenance, despite Council's ongoing Operational Efficiency and Effectiveness Program and its low operational costs. This now requires that Council pursue significant additional Own Source Revenue not later than 2017/2018 to ensure that this required Benchmark is met on a continuing basis.

### **Objective 3**

#### **Maintain Debt Service Ratio at >0 but less than 20% average over three years.**

Strategy:

- a) Continue to use sustainable and equitable levels of debt for the provision of Long Term Infrastructure Assets which are appropriately sized and scoped to meet the current and estimated future needs of the community and undertaking a review of the Communities medium and long term new infrastructure needs in 2016/2017.
- b) Complete a review of the funding needs of the Inverell Pool Redevelopment Project, considering new loans as a funding source to supplement the Internally Restricted Asset.

Assumptions:

- i) Funds generated by the Special Rate Variation will increase Council's borrowing capacity in respect of providing funds for debt repayment. The Special Rate Variation provides Council with \$109K in discretionary funds over the 2018 – 2020 period and an annual amount of \$117K p.a. from 2019/2020 which could be utilised to service new loans.

Key Milestones:

- 1) Review of Council's Long Term new Infrastructure needs to support its growing community completed by 30 June 2017. (Water, Sewerage and Waste Infrastructure Reviews already completed).
- 2) Inverell Pool Redevelopment Project review completed by 30 June, 2017. Project to commence in 2017/2018 as noted in Strategic Plan Review.

Outcome:

**Debt Service Ratio > 0% over 3 years, being a minimum of 0.94% achieved for the period ending 2019/2020.**

Impact on Other Measures:

Increased levels of Debt and Debt Servicing costs negatively impact on the Operational Performance and Real Operating Expenditure Over Time Benchmarks (primarily through increased depreciation expenses). This is particularly evident for Council noting its low level of debt. That said Council accepts the principle of utilising debt to ensure intergenerational equity.

<b>DEBT SERVICE RESULT</b>			
Benchmark: - Greater than 0% and less than or equal to 20% average over 3 years			
GENERAL FUND			
2011-12	0	=	0.00%
	28,276	=	0.00%
2012-13	0	=	0.00%
	27,560	=	0.00%
2013-14	0	=	0.00%
	24,973	=	0.00%
2014-15	0	=	0.00%
	23,867	=	0.00%
2015-16	250	=	1.05%
	23,914	=	1.03%
2016-17	250	=	1.03%
	24,389	=	0.98%
2017-18	250	=	0.94%
	25,413	=	0.90%
2018-19	249	=	0.90%
	26,628	=	0.90%
2019-20	250	=	0.90%
	27,926	=	0.90%
Average 2011-12 to 2013-14		✗	0.00%
Average 2014-15 to 2016-17		✓	0.69%
Average 2017-18 to 2019-20		✓	0.94%

### **3.3 EFFICIENCY**

#### **Objective 1**

**Maintain decrease in Real Operating Expenditure over time, net of IPR supported service improvements and increases related to auspiced services.**

Strategy:

- a) Continue the Operational Efficiency/Effectiveness Program over the 2016 – 2020 period to deliver a total Real Operating Cost Per Capita Decrease of 26.7%. (Council has already achieved a 12.5% reduction in this benchmark to 20/06/2014)

Assumptions:

- i) Award Wage and Salary increases are maintained in the range of 2.5% to 3.0% over the 2016 - 2020 period.
- ii) Existing Service Levels are maintained, any increase in service levels will lead to increases and not the required Fit for the Future decreases in this result.
- iii) No growth in Auspiced Community Services funding has been provided for in these calculations. As noted above, Council is of the view that these State and Federal Government Services auspiced by Council (Connections and the Linking Together Centre) to deliver improved governance, efficiency and service effectiveness outcomes for the State and Federal Governments (up to \$6 of benefit for every \$1 invested) must be removed from the Fit for the Future Benchmarks. Council notes

that any assets acquired by these Community Services or residual program funding remain the property of the related State or Federal Government Department.

#### Key Milestones:

- 1) Annual Review of Operational Efficiency/Effectiveness Program conducted and results utilised in the preparation of subsequent years Operational Budget.

#### Outcomes:

**Real Operating Expenditure Per Capita continues to decrease in real terms to 1.120 in 2019/2020 (26.7% decrease over the 2009/2010 to 2019/2020 period) freeing up more funds for Asset renewal and new Assets and Community demanded services.**

#### Impact on Other Measures:

This Benchmark while not directly impacting the other Benchmarks, indicates that the Strategies outlined for the other six (6) Fit for the Future Benchmarks, including the proposed Special Rate Variation are sound and that Council is operating in an efficient and effective manner on a local and regional basis. It is noted that further efficiency gains over time after 2020 will be more difficult to achieve after gains of 26.7% are realised..

<b>REAL OPERATING EXPENDITURE PER CAPITA RESULT</b>			
Benchmark: - A Decrease in Real Operating Expenditure per capita over time			
GENERAL FUND			
2009-10	25,072	=	1.529
	16,398		
2010-11	27,608	=	1.670
	16,530		
2011-12	23,542	=	1.416
	16,631		
2012-13	22,718	=	1.360
	16,703		
2013-14	22,372	=	1.337
	16,727		
2014-15	22,025	=	1.307
	16,846		
2015-16	20,463	=	1.207
	16,951		
2016-17	20,199	=	1.184
	17,057		
2017-18	19,958	=	1.161
	17,193		
2018-19	19,798	=	1.142
	17,331		
2019-20	19,568	=	1.120
	17,470		
Decrease over time		✓	26.7%
<i>Assumption : LG Cost Index 14/15 - 2.47%, 15/16 - 2.5%. 16/17 - 3%, 17/18 - 3%, 18/19 3%, 19/20 3% Figures are \$'000</i>			
<i>Population Growth of 0.624% - Based on last 5 years actual growth rate</i>			

### **3.4 IMPROVEMENT ACTION PLAN**

**SUMMARISE THE KEY IMPROVEMENT ACTIONS THAT WILL BE ACHIEVED IN THE FIRST YEAR OF YOUR PLAN.**

#### **ACTION PLAN**

1. Review of Fees and Charges completed.
2. Solar Energy Systems installed at Inverell Pool and SES Facilities.
3. GPS Tracking devices installed in the remainder of Council's Plant Fleet.
4. Special Rate Variation Application prepared and approved to commence in 2017/2018.
5. Special Road Renewal Infrastructure Backlog Program completed.
6. Inverell Swimming Pool Asset Renewal Project planning completed.
7. Review of Council's Long Term new Infrastructure needs to support its growing community completed.
8. Annual Review of Operational Efficiency/Effectiveness Program conducted.

### **3.5 OTHER ACTIONS CONSIDERED**

**IN PREPARING YOUR ACTION PLAN, YOU MAY HAVE CONSIDERED OTHER STRATEGIES/ACTIONS BUT DECIDED NOT TO ADOPT THEM. PLEASE IDENTIFY WHAT THESE STRATEGIES/ACTIONS WERE AND EXPLAIN WHY YOU CHOSE NOT TO PURSUE THEM.**

**(For example, neighbouring Council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards)**

Council notes that it has considered its current funded service levels provided to the community and advises that is not prepared to pursue a decrease in these existing service levels. Such a strategy would have significant and lasting negative economic, environmental and social impacts on the Shire Community and the Region.

Council notes that the Strategies outlined in this plan will place Council in the position from 2020, where it will be able to consider real increases in service levels, including the extension of its Sealed Road Network to better cater for modern Heavy Transport Higher Mass Limit Vehicles with significant efficiency and social benefits also flowing to its rural ratepayers and the regional economy.

### **SECTION 4 HOW WILL YOUR PLAN IMPROVE PERFORMANCE?**

#### **4.1 EXPECTED IMPROVEMENT IN PERFORMANCE**

See Tables in Section 3.

**IF AFTER IMPLEMENTING THE PLAN, YOUR COUNCIL MAY STILL NOT ACHIEVE ALL OF THE FIT FOR THE FUTURE BENCHMARKS, PLEASE EXPLAIN THE LIKELY REASONS WHY**

Council's Plan achieves all the Fit for the Future Benchmarks in both the General Fund and the Combined Fund.

### **SECTION 5 PUTTING YOUR PLAN INTO ACTION**

#### **HOW WILL YOUR COUNCIL IMPLEMENT YOUR IMPROVEMENT ACTION PLAN?**

**For example who is responsible, how will the council monitor and report progress against achieving the key strategies listed under Section 3.**

### PLAN IMPLEMENTATION.

The Plan will be implemented by Council's Senior Management Team under the direction of the Council. This team has a proven record in strategy development, implementation and delivery and is supported by a wide range of highly skilled and qualified technical staff and service delivery staff. Council notes that it will seek to work with the newly formed New England Group of Councils on projects and initiatives which aid the delivery of this Plan and the Plans of the member Councils.

### MONITORING AND REPORTING COUNCIL'S PROGRESS AGAINST ACHIEVING THE KEY STRATEGIES LISTED UNDER SECTION 3.

Council's Audit and Risk Committee will be responsible for monitoring Council's progress against achieving the key strategies listed under Section 3 and reporting this progress to Council. The membership of the Committee will be expanded to include the Chairperson of Council's Civil and Environmental Services Committee. The Civil and Environmental Services Committee is charged with overseeing the effective and efficient delivery of Council's Annual Works Programs.

Council's strategies will be incorporated into its Integrated Planning and Reporting Documents and Procedures and reported on in Council's Annual Report. A newsletter will also be provided to the Community on a six monthly basis summarising Council's performance and achievements over the previous six month period.

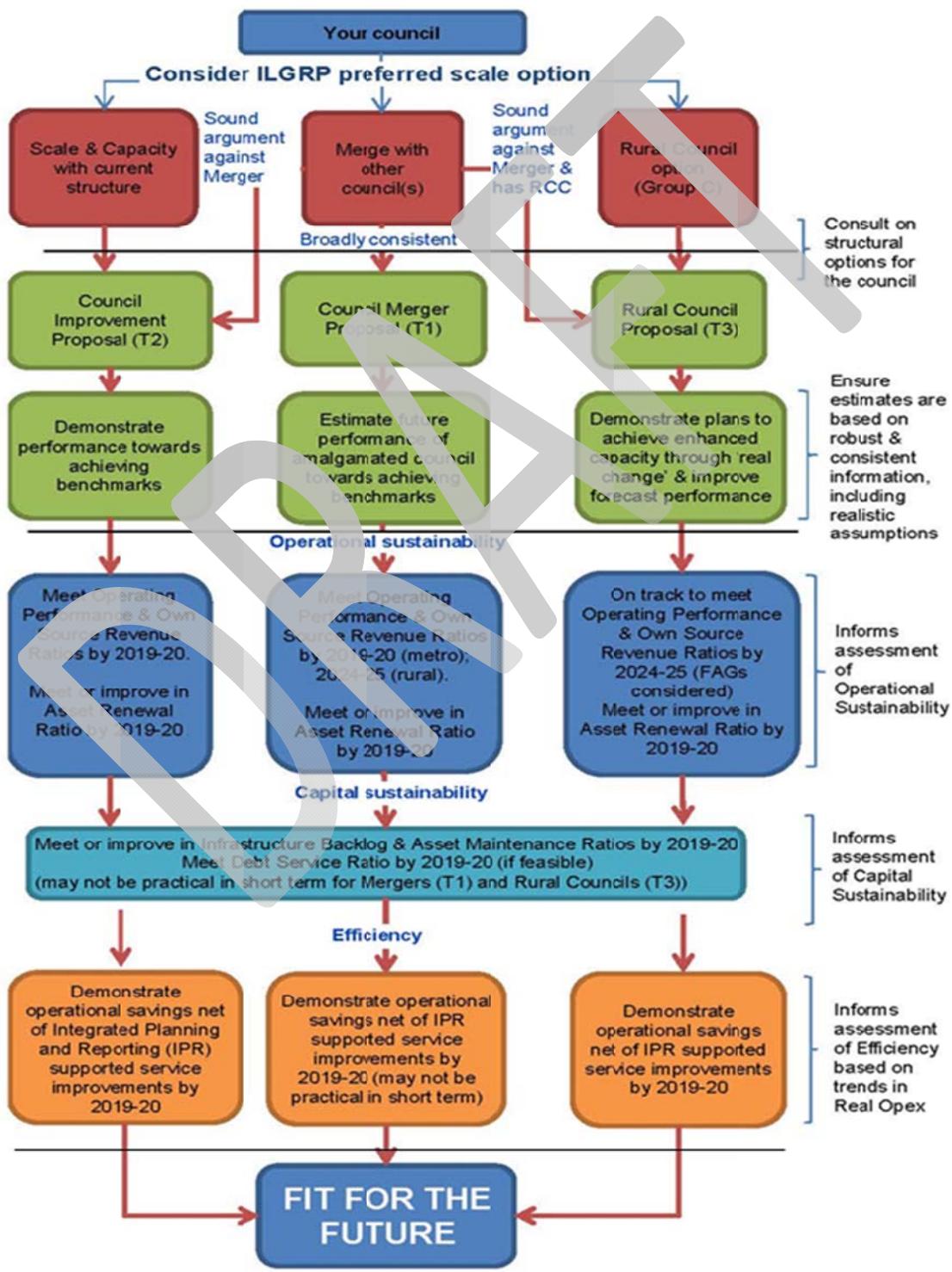
### **END OF ROADMAP**

## APPENDIX 1

## **IPART ASSESSMENT PROCESS**

IPART have advised that they propose to assess Plans on the following basis in determining whether or not a Council is Fit for the Future. (See IPART – Methodology for Assessment of Council Fit for the Future Proposal, Local Government Consultation Paper April 2015).

**Figure 1.1 Proposed assessment process for councils' FFTF proposals**



*To determine a rating, we propose to assess Councils' proposals as:*

**Fit – if the proposal satisfies the four (4) FFTF criteria overall, that is, if the proposal:**

1. *First, satisfies the **scale and capacity** criterion. We expect that proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion. Our approach to assessing proposals that do not align with ILGRP preferred options will take account of a number of factors as outlined further in section 3.2;*
2. *Second, satisfies overall the other criteria of **sustainability, effective infrastructure and service management, and efficiency**. Our proposed assessment methodology for these criteria requires councils to demonstrate how they either meet or seek to improve performance against specific benchmarks, outlined further in section 3.3.*

**Not Fit – if the proposal does not satisfy the scale and capacity criterion, or does not satisfy overall the other criteria based on our analysis; this rating which would be accompanied by our explanation and, potentially, a recommendation.**

**Not assessed, deemed Not Fit – if a council has not submitted a proposal for us to assess. Further, in undertaking our assessments, we propose to also consider other factors which may influence the results of the FFTF criteria, eg, the social and community context of the council, discussed further in section 4.**

IPART are also inviting written comment on the Consultation Paper and are encouraging all interested parties to provide submissions addressing the matters discussed by 25 May, 2015. The following information is provided:

#### SCALE AND CAPACITY ASSESSMENT CRITERIA:

##### **Box 3.1      Key elements of Strategic Capacity**

- ▼ More robust revenue base and increased discretionary spending
- ▼ Scope to undertake new functions and major projects
- ▼ Ability to employ wider range of skilled staff
- ▼ Knowledge, creativity and innovation
- ▼ Advanced skills in strategic planning and policy development
- ▼ Effective regional collaboration
- ▼ Credibility for more effective advocacy
- ▼ Capable partner for State and Federal agencies
- ▼ Resources to cope with complex and unexpected change
- ▼ High quality political and managerial leadership.

**Source:** ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 32.

**Table 3.1 Proposed approach to assess the scale and capacity criterion**

ILGRP preferred option	Our assessment approach
No change	Meets criterion
Merger	<p>1. Meets criterion if same proposal as preferred by the ILGRP.</p> <p>2. Does not meet criterion if it does not submit the same proposal as preferred by the ILGRP, unless it presents:</p> <ul style="list-style-type: none"> <li>▼ a sound argument (eg a business case) for 'no structural change' which clearly demonstrates why the option proposed is superior to the merger option and indicative of the features of strategic capacity in Box 3.1, or</li> <li>▼ a merger option broadly consistent with the objectives of the ILGRP preferred option, supported by a sound argument (eg, a business case) eg, this may include two or three, not a group of four councils preferred by the ILGRP, or</li> <li>▼ a 'Rural Council Proposal' which satisfies the Rural Council Characteristics developed by OLG, and the council: <ul style="list-style-type: none"> <li>– demonstrates that it considered the merger option but it was not a feasible option to pursue (eg, as supported by a business case)</li> <li>– clearly demonstrates the strategies it plans to undertake to achieve real change, indicative of the features of strategic capacity (as per Box 3.1).</li> </ul> </li> </ul>
Rural Council Proposal	Meets criterion where the council clearly demonstrates the strategies to enhance its capacity to a more sustainable level.

*In addition, we intend to examine the proposal's consistency with the broader regional and state-wide objectives of the ILGRP's preferred option, including economic, transport, regional planning and equity objectives.<sup>37</sup> As an example, we will consider the following ILGRP objectives:*

**For Metropolitan areas:**

- create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies
- establish a more equitable pattern of local government across the metropolitan area, taking into account planned development
- underpin Sydney's status as a global city
- support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.<sup>38</sup>

**For Regional or rural areas:**

- ensure that local government in these areas remains in place and is 'fit for purpose' and can maintain community life and identity to the maximum possible extent
- where possible, create a regional centre with the necessary scale and capacity to anchor a Joint Organisation
- where possible, ensure that there are close functional inter-relationships (eg, 'overspill' development, commuter catchments, service provision) between a regional centre and adjoining council areas, and
- address 'councils at risk' in regional areas through amalgamations with adjoining areas.<sup>39</sup>

**BENCHMARK ASSESSMENT CRITERIA:****Figure 3.1 Fit for the Future Criteria, Measures and Benchmarks**

Criteria/measure	Definition	Benchmark	OLG Guidance
<b>1. Sustainability</b>			
Operating performance	Net continuing operating result <sup>a</sup> (excl capital grants and contributions) Total continuing operating revenue <sup>a</sup> (excl capital grants and contributions)	>= to break-even average over 3 years	All measures, where applicable, should be consistent with the Accounting Code/TCorp measures. The measures should also be based on General Fund data and exclude Water and Sewer Funds.
Own source revenue	Total continuing operating revenue <sup>a</sup> (excl capital grants and contributions) Total continuing operating revenue <sup>a</sup> (incl capital grants and contributions)	> 60% average over 3 years	
Building and asset renewal	Asset renewals (building and infrastructure) Depreciation, amortisation and impairment (building and infrastructure)	>100% average over 3 years	
<b>2. Infrastructure and Service Management</b>			
Infrastructure backlog	Estimated cost to bring assets to satisfactory condition Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets	< 2%	(a) Where applicable, excludes fair value adjustments, reversal of revaluation decrements, net result on sale of assets and net share/loss of interests in joint ventures.
Asset maintenance	Actual asset maintenance Required asset maintenance	> 100% average over 3 years	(b) Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART.
Debt service	Cost of debt service (interest expense and principal repayments) Total continuing operating revenue <sup>a</sup> (excl capital grants and contributions)	0 to 20% average over 3 years	(c) ABS, Regional Population Growth, Australia. The data should be averaged over 2 calendar years, except for 2013-14, where the data for the 2013 calendar year should be used.
<b>3. Efficiency</b>			
Real operating expenditure (ROE) <sup>b</sup>	Operating expenditure <sup>a</sup> Population <sup>c</sup>	decrease in ROE per capita over time	

Source: OLG, *Completing Template 3: Rural Council Proposal*, January 2015, p 15.

**Table 3.2 Sustainability criterion – measures and definitions**

<b>Measure</b>	<b>Definition</b>
Operating Performance Ratio	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.
Own Source Revenue	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.
Building & Infrastructure Asset Renewal Ratio	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.

*Sustainability means that councils will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting process. We consider that ensuring councils are financially sustainable, and being able to show this will occur into the future, is fundamental to demonstrating a council is FFTF.*

*We consider that a council's operating performance ratio provides a key measure of financial sustainability and is a benchmark that FFTF councils should meet. Further, a council's ability to raise its own revenue insulates it from a fall in revenue from sources that are outside its control. External funding that does not eventuate may curtail a council's ability to provide services or invest in required infrastructure. Nevertheless, Financial Assistance Grants (FAGs), as an outside funding source, provide a stable income source for rural councils. Therefore, we will consider the impact of FAGs when assessing the sustainability criteria for rural councils, and in particular, the Own Source Revenue ratio.*

*Table 3.2 shows three performance measures the Expert Panel will consider in forming a judgement on the sustainability of councils.*

**Table 3.3 Proposed approach to assess the sustainability criterion**

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case <sup>a</sup>
Operating Performance Ratio	Greater than or equal to break-even average over 3 years	Must meet within 5 years	Plan to meet within 10 years	Must meet within 5 years for non-rural councils Plan to meet within 10 years for rural councils
Own Source Revenue	Greater than 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years & consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years & consideration of FAGs for rural councils
Building & Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	Meet or improve within 5 years	Meet or improve within 5 years	Meet or improve within 5 years

<sup>a</sup> For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

*Table 3.3 shows the benchmarks and targets we propose to use to consider how the council proposals satisfy each measure for the sustainability criteria. We propose that metropolitan and regional councils **must** be able to meet the proposed benchmarks within five years for operating performance and own source revenue, and at minimum, show improvement for the building and infrastructure renewal measure.*

**Table 3.4 Infrastructure and service management criterion – measures and definitions**

<b>Measure</b>	<b>Definition</b>
Infrastructure Backlog Ratio	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.
Asset Maintenance Ratio	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.
Debt Service Ratio	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases

Table 3.4 shows the three performance measures the Government requires to be considered in forming a judgement on infrastructure and service management by councils for the FFTF process.

We will be assessing these performance measures for infrastructure performance and debt in a holistic manner, that is, in the context of the council's overall capital sustainability as reflected by its Asset Management Plan (AMP). In addition, we consider there may be data consistency issues that need to be taken into account when interpreting a council's reported asset renewal, backlog and maintenance performance, as there is no current requirement for this data to be routinely audited.

We consider it is reasonable to expect that a council would meet the debt service ratio benchmark where it is feasible for the council to borrow and this is compatible with the council's AMP. A council that uses debt to finance long lived infrastructure is efficiently allocating costs between the present generation of ratepayers and future ratepayers, regardless of when the benefits accrue.

**Table 3.5 Proposed approach to assess the infrastructure and service management criterion**

<b>Performance measure</b>	<b>Benchmark</b>	<b>All councils (except rural councils)</b>	<b>Rural council (option)</b>	<b>Merger case<sup>a</sup></b>
Infrastructure Backlog	Less than 2%	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Debt Service	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years	Meet within 5 years	Meet within 5 years

Table 3.5 shows how we propose to assess the three effective infrastructure and service management criteria measures against the benchmarks. As is evident from Table 3.5, a FFTF council must meet the Debt Service Ratio measure within five years. The two other measures for this criterion provide more scope for councils to demonstrate improvement in the projected performance against the benchmark rather than being required to meet the benchmark.

We should note that the benchmark for the Asset Maintenance Ratio is based on the underlying assumption that previous underspending has occurred, which has resulted in the infrastructure backlog for councils being greater than 2%. This assumption is consistent with TCorp's analysis that one of the major drivers of the Infrastructure backlog is the underspending in the maintenance of assets. Should a council continuously exceed the Asset Maintenance target by spending more on maintenance than is required (ie, the ratio is >100%), this may also indicate the council is not efficiently managing its assets.

**Table 3.6 Efficiency criterion – measures and definitions**

Measure	Definition
Real Operating Expenditure	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

Table 3.7 shows how a council must demonstrate improvement in this measure to satisfy the criterion. Metropolitan, regional, and rural councils that propose to be stand-alone are required to demonstrate that operational savings will be achieved by 2019-20. Some discretion will apply to Merger Proposal councils in the short term as this measure may be affected by the transition to new arrangements that may require additional spending to achieve future efficiencies.

A FFTF council that meets the Efficiency criterion would seek to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers.

Table 3.6 shows that real operating expenditure is the benchmark we will consider when measuring the performance of councils for efficiency. We will consider service levels (consistent with community priorities identified in the Integrated Planning and Reporting (IPR) processes) when assessing a council's efficiency. In addition, we will consider the need for any structural adjustment (such as an amalgamation or merger) in assessing the scale and capacity criterion where efficiency gains are not practical in the short term.

**Table 3.7 Proposed approach to assess the efficiency criterion**

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
Real operating expenditure per capita	A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Demonstrate operational savings (net of IPR supported service improvements) over 5 years but may not be practical in short term

Table 3.7 shows how a council must demonstrate improvement in this measure to satisfy the criterion. Metropolitan, regional, and rural councils that propose to be stand-alone are required to demonstrate that operational savings will be achieved by 2019-20. Some discretion will apply to Merger Proposal councils in the short term as this measure may be affected by the transition to new arrangements that may require additional spending to achieve future efficiencies.

We will base our assessment on the information provided in council proposals through the online portal using one of the templates OLG developed, 43 and any additional relevant information.

*This additional information may be provided by the council to support its proposal or may be otherwise gathered by, or provided to, us. Any proposal provided by the council should be supported by a sound argument with relevant documentation. We consider the TOR allows us to assess all information we consider relevant, and to make a judgement on the robustness of the argument, analysis and information used to support any position. Where we consider the position is not sufficiently supported, we may request the council to provide further supporting information.*

*Councils may also wish to support their proposals by using information sourced from:*

- NSW TCorp's Financial Sustainability assessments
- Integrated Planning and Reporting framework – including community strategic plan (and associated delivery program and operational plan) and resourcing strategy (ie, long term financial plan, workforce management plan and asset management plan)
- IPART decisions on s 508(2) or s 508A Special Rate Variations.<sup>44</sup>

*We consider these information sources may assist councils to support their proposals with robust and consistent data, which will assist us to make a recommendation based on the best available information.*

*Councils, for all proposal templates, are required to fill in their recent (2013-14) and projected performance (2016-17 to 2019-20) against the seven benchmarks to demonstrate how they are FFTF across the other criteria. In addition, a council lodging a Rural Council Proposal, ie, Template 3, is required to provide the history of its performance against the benchmarks from 2011-12 to 2013-14.*

*We consider councils should provide as much relevant information or data as is required to support their proposals. Therefore, we consider it would be helpful if a longer time series of data to include 2014-15 and 2015-16 is provided by all councils lodging proposals (no matter the type of proposal). We consider that the additional two years of data would provide us with a better picture of the trend in council performance relative to the benchmarks. The additional two years of data should be available from councils' annual reporting requirements and could be provided without imposing an unreasonable burden.*

*The proposal templates include performance indicators based on past data and forecasts into the future. In developing businesses cases in support of council proposals, we consider it is important that supporting information and any assumptions underpinning this information are based on robust and consistent data. We will also consider the rigour by which ILGRP preferred options for scale and capacity are explored by the council proposals.*

*Further, as councils' proposals require time series data for each benchmark, we will factor into our assessment the impact of positive or negative one-off performance issues (or adjustments) in the context of assessing long term trends. To assist us in understanding what these adjustments are and why they occurred, councils should explain the reason for any one-off adjustments, consistent with the guidance in OLG's templates.<sup>45</sup> As we are considering council sustainability, it is ongoing performance that is important.*

## **OTHER ASSESSMENT CRITERIA:**

In addition to these major areas, IPART have also noted in their Consultation Paper that they are prepared to consider other factors in assessing Council proposals and have advised the following in Section 4.1 of the paper:

### **4.1 Social and community context of the council**

*The Term of Reference ask us to consider the social and community context when assessing council FFTF proposals. This may include the demographics of an area, the community's social and economic needs and the sense of local identity. We consider these factors may be particularly relevant when considering the scale and capacity criterion.*

*The ILGRP identified that:*

- Local government boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; but instead should facilitate integrated planning, coordinated service delivery, and regional development. We will consider these aspects of a council's proposed scale and capacity as part of our assessment.
- Mechanisms such as Community Boards and new approaches to place management, community engagement and customer service make it possible to maintain local representation and identity within larger council areas.

Therefore, we will also consider how councils have considered these types of alternative mechanisms before developing proposals premised on the social and community context being an argument against the ILGRP's preferred option.

#### **4.2 Council consultation on FFTF proposals**

The Terms of Reference ask us to include an assessment of the consultation process undertaken by the council as part of our assessment of council FFTF proposals. The ILGRP considered that a policy on boundary changes based on evidence based assessments should include full community consultation.

OLG's FFTF guidance material also identifies how councils may use findings from community consultation to assist in identifying benefits and costs for proposals. In particular, OLG requires councils to provide evidence on community consultation regarding any proposed merger or new 'rural council' structures. In addition, evidence should be provided of council resolutions in support of merger proposals. OLG also suggested that councils exhibit proposals for mergers for at least 28 days as part of their community consultation.

We will assess a council's consultation process with reference to the OLG guidance materials. We will also consider how balanced was the information that is provided to the community. That is, whether it promoted only the benefits or only the costs of a particular option, or instead informed the community about both the costs and benefits of one or more options. We acknowledge that there are different ways that councils may capture community feedback or input, including:

- exhibiting options or proposals for comment;
- a mail-out to all ratepayers with a reply-paid survey;
- fact sheets and media releases;
- an online survey or a random survey of ratepayers, appropriately stratified to capture the population characteristics of the LGA; and
- public meetings, listening posts, or resident workshops.

We consider that councils should choose methods that reflect the issues that need to be consulted upon, eg, a Merger Proposal would likely require input from residents in multiple councils regarding the implications of change, whereas a Council Improvement Proposal, where the ILGRP recommended that a council already had sufficient scale and capacity, would require more limited consultation, if any. Generally, the nature and extent of the consultation should be commensurate with the significance of the changes involved in the proposal and the possible impacts on the community. We will also consider the resources of the council in assessing consultation.

#### **4.3 The impact of water utility performance**

Councils submitting either a Council Improvement or Rural Council proposal are required to separately report on their water utility performance, where these councils provide water and sewer services. All other sections in the templates require councils to report their General Fund performance which excludes the impact of water business funds. According to Local Government NSW (LGNSW), the activities of the water business may affect the General Fund, through dividend payments and through internal borrowings between the General and Water Funds. LGNSW also explains how the services of water businesses can contribute to the strategic capacity of a council through economies of scale and scope. We will assess scale and capacity against the ILGRP objectives and performance against the benchmarks (see Figure 3.1) based on General Fund data only, but will consider how the performance of the General Fund is affected by the water utility business as part of this assessment, as relevant.

*As part of this assessment, we will also consider cross-subsidisation issues if they arise, noting that cross-subsidisation between the General and Water and Sewer Funds for a council is unlikely to lead to efficient service provision.*

## **5 Monitoring and reporting future FFTF performance**

*Becoming a FFTF council is a process that will take time, particularly where structural change is proposed. There are also benefits from assessing council performance over time to ensure financial sustainability and effective and efficient service delivery. Therefore, we consider that councils should report against their FFTF proposals and be reassessed in the future.*

*The Government supported the ILGRP's recommendations to improve auditing practices for the local government sector.<sup>54</sup> It recognised the potential value in giving the Auditor General oversight of councils' financial audits to improve quality, consistency, timeliness and financial management more generally.*

*OLG expects to implement this new regime following further consultation with the local government sector and legislative change.*

*To monitor and report future FFTF performance of councils, we propose that:*

- *councils would report performance in their Annual Reports, and*
- *the Auditor General would reassess performance periodically as part of the Audit Office of NSW's new auditing role in the sector.*

## Template 2

# Council Improvement Proposal

(Existing structure)



Office of  
Local Government

Fit for the Future



# Getting started . . .

Before you commence this template, please check the following:



You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)



You have obtained a copy of the guidance material for Template 2 and instructions for completing each question



You have completed the self-assessment of your current performance, using the tool provided



You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.



Your Proposal has been endorsed by a resolution of your Council



1

## Council details

Council Name Select from the drop down list



Date of council resolution endorsing this submission

### 1.1 Executive summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.



See Guidance material Pg 9 for help completing this section

1

## 1.2 Scale and capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(ie, the Panel did not recommend your council needed to merge or become a Rural Council).

Yes/No



If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).



See Guidance material Pg 8 for help completing this section

2

## 2. Your council's current position

### 2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

*You should reference your Community Strategic Plan and any relevant demographic data for this section.*



*See Guidance material Pg 10 for help completing this section*

2

## 2.2 Key challenges and opportunities

Strengths

Weaknesses



Opportunities

Threats



See Guidance material Pg 10 for help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

### Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	Calculate using Self-Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)				
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)				

If the Fit for the Future benchmarks are not being achieved, please indicate why.

*For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.*



See Guidance material Pg 11 for help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

### Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	Calculate using Self Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)				
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)				

If the Fit for the Future benchmarks are not being achieved, please indicate why.



See Guidance material Pg 11 for  
help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

### Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b>  A decrease in Real Operating Expenditure per capita over time	Calculate using Self Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>

If the Fit for the Future benchmarks are not being achieved, please indicate why.



See Guidance material Pg 11 for  
help completing this section

## 2.4 Water utility performance

*NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management.*

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

Yes/No



If NO, please explain the factors that influence your performance against the Framework.

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

\$

## 2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

## 2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

Yes/No



If No, please explain the factors that influence your performance.

## 2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

### Improvement strategies

Strategy	Timeframe	Anticipated outcome
1.		

3

### 3. How will your council become/remain Fit for the Future?

#### 3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.



See Guidance material Pg 14 for help completing this section

Explain the key assumptions that underpin your strategies and expected outcomes.

*For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items*



See Guidance material Pg 14 for help completing this section

3

Outline your strategies and outcomes in the table below.

### 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

3

### 3.2 Infrastructure and service management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.



*See Guidance material Pg 14 for help completing this section*

Explain the key assumptions that underpin your strategies and expected outcomes.



*See Guidance material Pg 14 for help completing this section*

3

Outline your strategies and outcomes in the table below.

### 3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

3

### 3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.



*See Guidance material Pg 14 for help completing this section*

Explain the key assumptions that underpin your strategies and expected outcomes.



*See Guidance material Pg 14 for help completing this section*

3

Outline your strategies and outcomes in the table below.

### 3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

3

### 3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

#### Action plan

Actions	Milestones
1.	
* Please attach detailed action plan and supporting financial modelling	

Outline the process that underpinned the development of your Action Plan.

*For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.*



See Guidance material Pg 15 for help completing this section

3

### 3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

*For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards*



See Guidance material Pg 16 for help completing this section

## 4. How will your plan improve performance?

### 4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFT benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)					Yes/No <i>Automatic calculation</i>
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)					
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)					
<b>Infrastructure Backlog Ratio</b> (Less than 2%)					
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)					
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)					
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time					

## 4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

*For example, historical constraints, trade-offs between criteria, longer time required.*



See Guidance material Pg 17 for help completing this section

5

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

*For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.*