

Council Improvement Proposal

(Existing structure)



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.

Council name: Upper Lachlan Shire Council

Date of Council resolution endorsing this submission: 18 June 2015

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.

The Local Government Independent Review Panel made the following recommendation for Upper Lachlan Shire Council:- "Council in Tablelands Joint Organisation or merger with Goulburn-Mulwaree"

The Local Government Review Panel did not specify a preference between these options. Upper Lachlan Shire Council has scale and capacity under either option and proposes to maintain its current status as a Standalone Council and member of a Joint Organisation. Council has assessed and presents its track record of strategic capacity against the elements proposed by the Review Panel. Council has also developed a long term Action Plan in conjunction with local government industry specialists, Morrison Low and Jeff Roorda and Associates.

In addition to having scale and capacity as recommended by the Independent Local Government Review Panel, Upper Lachlan Shire Council met 5 of the benchmarks in 2013/2014 and will meet all 7 benchmarks in the Fit for the Future criteria that have been set by the NSW Government for its financial sustainability over the next ten years in respect of sustainability, infrastructure and service management, and efficiency.

Upper Lachlan Shire Council can demonstrate its scale and capacity and financial sustainability as follows:-

- Treasury Corporation (TCorp) in 2013 assessed Council as being financially sustainable, with a "Sound" financial sustainability rating with a "Neutral" outlook. The Office of Local Government (OLG) infrastructure audit in 2013 gave Upper Lachlan a rating as "Strong";
- A OLG presentation to Crowe Horwath Finance Conference stated in 2013/2014 only 40 Councils had an operating surplus (before capital grants and contributions) out of 152 Councils. Also in the past 5 financial years a maximum of 60 Councils had an operating surplus (before capital grants and contributions) in any given year. Upper Lachlan has had an operating surplus for the past 6 financial years;
- In addition to maintaining an operating surplus for the past six years, Council has a diverse revenue base through its private works, significant Roads and Maritime Services (RMS) state road contract, and Council's business units. Recent information from the OLG indicates that the majority of councils in NSW have had operating deficits over that period;
- Upper Lachlan Shire Council was amalgamated in 2004. This community has already borne the cost of amalgamation, and the organisation has already driven efficiency by reversing large operating deficits that resulted from the transition to a merged entity;
- Upper Lachlan Shire Council has a long track record of operating under regional arrangements, including shared services, resource sharing, strategic alliances and advocacy through the Canberra Region Joint Organisation (CBRJO formerly SEROC) and CENTROC. This means that Council is already operating as per the Independent Review Panel recommendation as a Council in a Joint Organisation;
- Council is a strong performer in the delivery of large infrastructure projects partnering with State and Federal Government funding bodies; i.e. recently constructed water supply and sewerage schemes; and
- Upper Lachlan Shire Council has demonstrated its ability to lead and drive the development of social and economic capacity within its community through the facilitation and provision of a range of non-core local government services to its rural communities and the upgrade of key transport routes through its LGA.

The Upper Lachlan community has directed that Upper Lachlan Shire Council remain as per the Independent Review Panel Recommendation as a Standalone Council in a Joint Organisation (see 2015 Community Survey).

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

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).

The Independent Review Panel recommendation was that Upper Lachlan Shire Council be a "Council in the Tablelands Joint Organisation or merge with Goulburn-Mulwaree". Council has proven sufficient scale and capacity to be a Standalone Council. Upper Lachlan Shire Council submit the following as further demonstration of its scale and capacity:-

1. Upper Lachlan Shire Council has already achieved increased scale and capacity through the 2004 amalgamation of Crookwell and parts of former Gunning and Mulwaree Council LGAs. The community has borne the transition costs of local government structural reform, and is only starting to experience the benefits or returns on this investment. Realisation of benefits was particularly challenging given the proclamation requirement with the need to retain both rural core employee numbers and Council Offices and Works Depots in both Crookwell and Gunning and the resulting high IT and employee costs incurred.

2. Council has demonstrated a strong commitment to performance, best practice and efficiency improvements over time, as evidenced by the following:-
 - a. Council has implemented all recommendations from the 2012 Office of Local Government Promoting Better Practice Review, indicating that it is operating at best practice across all its operations;
 - b. Council has fully implemented the OLG integrated planning and reporting requirements; and
 - c. Council was given a rating of 'Strong' in the OLG Infrastructure Audit demonstrating its performance in managing infrastructure.
3. Upper Lachlan Shire Council has built scale and capacity into its organisation over a long period of time as demonstrated by being financially sustainable and meeting the Fit for the Future benchmarks. Its history of operating surpluses, and forecasts of continuation of these, mean that the organisation has financial scale and capacity to meet the changing and growing needs of its community over time.
4. Upper Lachlan Shire Council has not only ensured its organisation is effective and delivering quality services and infrastructure to its community, it has also demonstrated that it is building significant social and economic capacity.
5. The Australia Centre for Excellence for Local Government's report *Consolidation in Local Government: A Fresh Look* made it clear that strategic capacity can be increased both by creating larger units of local government and through regional collaboration and resource sharing¹. As a merged entity, Upper Lachlan Shire Council is already a larger unit of local government and an active participant in regional collaboration and resource sharing through CENTROC and the CBRJO.

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

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

Elements of Strategic Capacity

<p>More robust revenue base and increased discretionary spending</p>	<ul style="list-style-type: none"> • Council's own source revenue ratio is forecast to remain over the benchmark of 60% • Council's significant private works have diversified its income base, with an additional \$8.3m generated in the past five years • Council has significant RMS state road contracts, to the value of \$9.5m income over the past five years • Increasing rate base from actual and projected growth in population • Council operates four business units: water supply, sewerage, domestic waste management and plant mechanical services. These business units return profits annually
<p>Scope to undertake new functions and major projects</p>	<ul style="list-style-type: none"> • Council has delivered significant capital projects in the past eight years including:- <ul style="list-style-type: none"> - Water supply and sewerage projects (\$20.7m) - General fund projects (\$63.3m) • Council is delivering best practice water and sewerage services providing a quality water supply at an affordable price • Council's operating surplus means that it is able to continue to deliver its diverse range of services to the community, which includes services outside of local government's core duties, including facilitation of health services, an Australia Post Office and an RMS Motor Registry Agency, keeping these services available in rural towns
<p>Ability to employ wider range of skilled staff</p>	<ul style="list-style-type: none"> • Proximity to Sydney, Canberra and Goulburn means attraction and retention of skilled staff is not the same problematic issue that other rural councils face • Resource sharing through CENTROC and CBRJO delivers capacity in this area • Council has demonstrated commitment to local employment and building local skills through its apprenticeships and traineeships program

	<ul style="list-style-type: none"> Flexibility has been built through multiskilling staff across business units and operational areas
<p>Knowledge, creativity and innovation</p>	<ul style="list-style-type: none"> Water supply and sewerage scheme projects are delivering quality services without increased price for end users Council's investment in plant and fleet has built capacity for private works and state road contracts which return a profit to the organisation, diversifying the revenue base and contributing to positive operating performance. In addition this has built Council's capacity to deliver services in other Local Government Areas Council has demonstrated significant innovation in its management of wind farm developments in the Shire: with its Wind Farms DCP, private works, Community Enhancement Programs and Voluntary Planning Agreements. As a result, Council has built knowledge and expertise in this area and is looked on as a leader and provides advice to other councils Council has innovatively secured a range of social and economic services that are typically outside local government responsibility, for example health services at Crookwell Health Centre and Gunning and District Health Service, Taraiga Post Office and the RMS Motor Registry in Crookwell Upper Lachlan Shire Council was runner up in the prestigious Local Government Bluett Award in 2013 and 2014 Council won the 2009 R H Dougherty Award for leading practice in communications for "The Voice" newspaper which is mailed to every ratepayer quarterly
<p>Effective regional collaboration</p>	<ul style="list-style-type: none"> Council is an active member of both CENTROC and CBRJO CENTROC is a Joint Organisation pilot project, therefore Upper Lachlan Shire Council is already operating under the proposed ILGRP model as a Council in a JO Council is already achieving savings and efficiencies through regional collaborations and resourcing sharing initiatives as a member of CENTROC including ARC Blue

	<p>Procurement, internal audit, telephony and regional online training programs</p> <ul style="list-style-type: none"> • Council is a member of the Southern Tablelands Library Cooperative (STLC) in conjunction with Yass Valley and Goulburn – Mulwaree Councils • Council is an active participant in a number of regional collaborations regarding transport infrastructure including the Goulburn Crookwell Rail Trail Project, high speed rail project, international flights for Canberra Airport, and the SEATS group
<p>Credibility for more effective advocacy</p>	<ul style="list-style-type: none"> • Council has addressed the NSW 2021 Plan goals and targets within the Delivery Program • In line with its track record for effective regional collaboration, Council has been an effective advocate for its Shire and the broader region through collaboration, successful grant funding and regional leadership • Council's Mayor is the Chairperson of CBRJO • Council's General Manager is the Chairperson of the CBRJO General Managers Advisory Committee (GMAC) and is an Executive Member of the Regional Development Australia – Southern Inland Committee (RDASI) • Council is a member of Local Government NSW who is a strong advocate to all levels of government
<p>Advanced skills in strategic planning and policy development</p>	<ul style="list-style-type: none"> • "Council's Integrated Planning and Reporting documents meets legislative requirements and include some good practice elements", OLG Promoting Better Practice Review • The "LTFP meets legislative requirements and is informative and easy to read", OLG Promoting Better Practice Review • Council's governance framework facilitates effective policy development and continuous review • Council's approach to wind farm developments within its LGA demonstrates

	<p>advanced skills in strategic planning in an area that very few councils are faced with, and on which Council has regularly provided advice to other councils. This includes a Wind Farm DCP, Community Enhancement Programs and Voluntary Planning Agreements</p>
<p>Capable partner for state and federal agencies</p>	<ul style="list-style-type: none"> • Council has partnered effectively with State and Federal agencies and this is demonstrated through securing significant state and federal funding for infrastructure projects • The Gunning/Dalton Water Security and Improvement Project (\$10.8m) is a key example of effective partnering on a capital project, as is the Taralga sewerage scheme construction (\$8m) and Taralga water supply augmentation (\$1.8m) • The Auslink Federal Government road reconstruction project partnership (\$4.7m) of Boorowa to Crookwell Road • Council is an RMS Motor Registry Agency • Council has significant state road contracts with the RMS RMCC; note additional \$10m road reconstruction contract for State Road MR54 over next four years • Council provides Australia Post services through the Taralga Post Office
<p>Resources to cope with complex and unexpected change</p>	<ul style="list-style-type: none"> • Council has had an operating surplus for the past 6 years which provides resources to leverage potential opportunities for new infrastructure projects • Council has a diverse revenue base, profitable private works and state road contracts and business units, and has own source revenue over the benchmark. When the Federal Financial Assistance Grants are accounted for in their own source revenue, the ratio is over 80% which is relatively high for a rural council • Council has built a multi-skilled workforce which operates across its business units and functions providing a robust employee resource base • Council has demonstrated its capacity to deal with complex and unexpected

	<p>situations including:</p> <ul style="list-style-type: none"> - Managing the 2004 merger and realizing potential efficiencies and reversing significant operating deficits which resulted in the early years - Natural Disaster Relief and Recovery Arrangements program responses to major flooding events in 2010 and 2012, including \$7.9 million emergency response and road restoration works completed by Council workforce. - Section 44 Bushfire event in 2014
<p>High quality political and managerial leadership</p>	<ul style="list-style-type: none"> • Upper Lachlan Shire Council enjoys a stable and cohesive elected council. Council's current Mayor has been in the position for 9 years • There has been zero Code of Conduct complaints in past 11 years • Council's General Manager has been in the position for 11 years, and guided the Council through the 2004 merger and has driven the efficiencies and cost savings as described throughout this submission • Council has a highly qualified and experienced managerial team who hold professional memberships; i.e. CPA • Continued professional development by Councillors and staff • Council has demonstrated sound financial and infrastructure management as evidenced by its positive operating performance, TCorp and OLG Audit results, and performance against the Fit for the Future benchmarks • Council has demonstrated a long track record of regional collaboration and leadership. Council's Mayor is currently the Chair of the CBRJO • The Upper Lachlan Shire Council General Manager is the Chair of the CBRJO General Managers Advisory Committee (GMAC) and is an Executive Member of the Regional Development Australia – Southern Inland Committee (RDASI) • Sound management of investment portfolio throughout the Global Financial Crisis with no \$ principal amounts forfeited

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.

Upper Lachlan Shire Council is located on the Southern Tablelands 50 kilometres west of Goulburn, 100 kilometres north of Canberra and 130 kilometres south-east of Bathurst. Upper Lachlan covers an area of 7,243 square kilometres.

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

Current and future population

- The estimated resident population of Upper Lachlan Shire Council at June 2014 is 7,761 (source ABS Regional Population Growth dated 31 March 2015):-

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

- Upper Lachlan Shire had the fastest rate of growth in the South East and Tablelands in 2013/2014;
- The usual resident population on census night (2011) was 7,193;
- Resident population of 2,507 people live in the major centre of Crookwell;
- Actual population growth between 2011 and 2014 is higher than that projected by the NSW Department of Planning and Environment. The table below shows Department of Planning and Environment projected population growth:-

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

Community Demographics

Demographics (Source: ABS Census 2011 and Economic Portrait of Upper Lachlan April 2013)

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

- 34% of the adult population have completed Year 12 of school.
- The average weekly family income in Upper Lachlan Shire was around \$1,429; this is lower than the New South Wales average of \$1,769.

Housing

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

Local Economy and Employment

- Around 51% of residents aged 15 years and over, had a post-school qualification.
- The labour force participation rate, amongst residents aged 15 years and over, was 61%
- 34% of jobs in Upper Lachlan were part-time and 66% were full-time.
- The most common occupations of employed residents, in Upper Lachlan Shire, were:-
 - Managers
 - Professionals
 - Technicians and trades workers
 - Administrative workers
- The industries of employment in Upper Lachlan Shire were:-
 - Rural production (39%)
 - Health and social care (9%)
 - Education and training (7%)
 - Retail trade (7%)

- Accommodation and food (6%)

Upper Lachlan Community Strategic Plan - Our Community Vision, Aspirations and Priorities

Our Vision

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

Our Mission Statement:

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

Our Aspirations:

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

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

2.2 Key challenges and opportunities

Council has categorised the SWOT Analysis to match the Fit for the Future benchmark criteria (S = sustainability, I = infrastructure and service management, and E = efficiency)

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Financially sustainable and fiscally responsible Council (reference TCorp Review 2013 included appendix in Council Long Term Financial Plan) - S 2. Strong advocate for investment into Council infrastructure asset renewal and enhancements – I 3. IPR documents meet the legislative requirements and include industry best practice requirements – S and E 4. Good working relationship with Government Agencies including RMS, NOW, (refer to. RMCC Performance Report 2015) – I and E 5. Close proximity to Sydney, Canberra, Wollongong, Bathurst and Orange - I 6. Close proximity to Illawarra and South Coast beach and holiday destinations - I 7. Wombeyan Caves and Grabine State Park are located in the Shire and are popular holiday, boating, and camping destinations - I 8. Country village lifestyle/liveability and attraction to tree changers - I 	<ol style="list-style-type: none"> 1. NBN broadband infrastructure not available - I 2. Mobile telephone black spots throughout the LGA - I 3. Television Reception is unreliable in a number of towns - I 4. Higher demand than supply of available motel accommodation and conference facilities - I 5. No TAFE or University in the Upper Lachlan LGA - I 6. No large retail shopping centre in the Upper Lachlan LGA - I 7. Limited recreational facilities for youth demographic - I

9. All main roads sealed, ease of access to various regional centres – I and E
10. Close proximity to major transport routes e.g. Hume and Federal Highways and main Southern Railway Line - I
11. Strong rural production industry based on livestock and horticulture (e.g. seed potatoes, fine wool, sheep, cattle, alpaca, poultry farm productions) - S
12. Healthcare facilities including hospital, ambulance and a number of doctors and health specialists – I and S
13. Education facilities (pre-school, primary and secondary schools) – I and S
14. Available serviced land for both urban commercial and residential purposes - I
15. Availability of major utility service infrastructure e.g. Moomba to Sydney gas pipeline, north south and east west high voltage transmission lines - I
16. Existing Alternate/Renewable energy industry i.e. several wind farm developments – S and E
17. Local democracy, stable elected representation, non political council - E
18. Accessibility of Councillors and staff to the public – strong community engagement - I
19. Upper Lachlan Shire Council is the largest employer and a major driver of the local economy

in LGA - I

20. Quality service provision – 2015 population survey show 68% were either satisfied or very satisfied with Council services – I and E
21. Assets infrastructure in good condition – 3 new town water facilities, 1 new town reticulated sewerage facility and sporting facilities. – I
22. Demonstrated capacity to deliver and compete for major infrastructure projects utilising Council's workforce – E and I

Opportunities

1. Further regional collaboration through the CBRJO – S and I
2. Burgeoning Alternate/Renewable energy industry - green shire and associated local employment opportunities – I and E
3. Further Voluntary Planning Agreements and Community Enhancement Program funds investment into local economy from alternative energy infrastructure projects – I
4. LEP has provision and capacity for economic growth - I
5. Affordable residential and commercial land costs relative to other similar regional centres - E
6. Continued expansion of tourism destination numbers to the LGA – increase of 15% anticipated

Threats

1. Resistance to change - potential conflict between rural lifestyle and further development – E and S
2. Noxious Weeds, pest control and environmental land degradation – possible loss of productive agricultural land - S
3. Potential merger of Council and associated effects loss of political representation, local identity, reduced level of services to towns and villages - I
4. Climate change e.g. increased natural disaster, flood and bushfire events - I
5. Ageing population – impact on community services – I and S
6. Youth retention - loss of youth and younger people population demographic to larger cities - S
7. Council land area is 7,243 square kilometres with

when final reconstruction and sealing of gravel portions of State Road MR54 Goulburn to Bathurst is complete in 2018 - I

7. Goulburn-Crookwell rail trail and cycling concept expected to incur 30,000 annual visitations - S
8. Residential housing demand due to location within Sydney-Canberra corridor - S
9. Industrial and transport industry development potential adjacent to major transport routes - S
10. Aged care facilities provision/development – I
11. The recent upgrades in the towns water supply infrastructure will adequately cater for future population growth – S and E

varying geography and terrain. Expensive to service far outreach locations – S and E

8. Freezing of Financial Assistance Grants by the Federal Government – S and I

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?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.046	Yes	0.010	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	67.1%	Yes	64.0%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	128.9%	Yes	125.6%	Yes

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

Financial modelling assumptions are provided in Council's Long Term Financial Plan 2015-2025 which is a separate attachment. Council prior years (2011 to 2014) actual financial results are included within the Long Term Financial Plan document.

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?
Infrastructure Backlog Ratio (Less than 2%)	5.61%	No	1.71%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	89.9%	No	111.3%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.36%	Yes	1.70%	Yes

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

Upper Lachlan Shire Council has addressed the Infrastructure Backlog and Asset Maintenance Ratios by utilising the services of asset specialists, Jeff Roorda and Associates (JRA) to further enhance Council's asset management planning and strategies long term. (see JRA report as an attachment)

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?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Decreasing	Yes	Decreasing	Yes

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

Population projections are from Australian Bureau of Statistics (ABS Regional Population Growth dated 31 March 2015) and Expenditure forecasts are outlined in Council's Long Term Financial Plan 2015-2025.

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

(In 2013/2014, Upper Lachlan Shire Council implemented 89% of the sewerage requirements and 90% of water supply requirements of the NSW Best-Practice Management Framework)

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

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

At 30 June 2014, Upper Lachlan Shire Council had an Infrastructure Backlog Ratio of 4.19% (\$880,000) for the Water Supply scheme and an Infrastructure Backlog Ratio of 1.11% (\$143,000) for the Sewerage network. This shows the majority of the infrastructure assets are in a satisfactory or better condition.

Upper Lachlan Shire Council has augmented water supplies in the towns of Crookwell, Gunning, Taralga and Dalton. Council has sewerage networks in the towns of Crookwell, Gunning and Taralga.

Council has ensured the efficient performance and productivity of water supply and sewerage operations and has completed a number of large scale asset replacement and renewal projects including the following:-

- Construction of the Gunning and Dalton water supply improvement project at a cost of \$10.8 million in 2012-2014;
- The Taralga water supply augmentation project of \$1.8 million in 2013-2014; and
- Construction of the new Taralga Sewerage filtration plant and mains network at a cost of \$7 million in 2008-2009.

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.

The 2014 'Strategic Business Plan for Water Supply and Sewerage Services – Upper Lachlan', on Pages 13 and 15, identify a number of key capital works projects to be carried out in the next thirty years. The works program recognises critical renewal upgrades in both the water supply and sewerage assets outlined in below table.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Crookwell Water Treatment Plant Replacement; includes raw water intake security and capacity upgrade	2015-2017	\$7 million	Funding application successful – Restart NSW for \$3 million; Funding application to National Stronger Regions Federal Government for \$3 million; Council borrowings of \$1 million from financial institution

Crookwell – Sewerage Treatment
Plant and sewage pumping station
upgrade

2018-2022

\$1 million

Section 64
development
contributions
and Council reserve
funds

2.4 Water utility performance

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

Yes

Council does manage its water supply and sewerage operations on a full cost recovery basis and generate surplus results each year. Council's water supply operations have generated a surplus operating result, before capital grants and contributions, in 2013/2014 and for the past 7 financial years. The Operating Performance Ratio for water supply operations in 2013/2014 is 5.26%.

Council's sewerage scheme has generated a surplus operating result, before capital grants and contributions, in 2013/2014. The Operating Performance Ratio for sewerage operations in 2013/2014 is 20.92%.

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. Review of 2014 Strategic Business Plan for water supply and Sewerage Services	2016/17 – 2019/20	Implementing the actions contained in the Council Strategic Business Plan
2. Implementation a 30-year capital works plan	2016/17 – 2019/20	Capital Works Program with full cost recovery
3. Implement Demand Management Plan	2017/18	Improve bulk water supply metering
4. Progressing renewal of the Crookwell Water Treatment	2015/16 – 2016/17	Drinking water fully compliant with

Plant				ADWG
5. Drinking Water Management System completed to meet Australian Drinking Water Guidelines (ADWG)	2017/18			Implementing improvement actions
6. Address Best Practice Management Framework requirement: - (2d) Appropriate trade waste fees and charges	2016/17			Fees and Charges levied
7. Water mains renewal and replacement	2016/17 – 2019/20			Renewed reticulation network
8. Sewerage mains renewal and replacement	2016/17 – 2019/20			Renewed sewer main network
9. Continue to operate as part of Joint Organisation Water Utilities Alliance (i.e. CENTROC) and to utilise resource sharing initiatives	2016/17 – 2019/20			Realisation of \$ savings and efficiencies

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.

Upper Lachlan Shire Council is sustainable and has the necessary scale and capacity to continue as a Standalone Council as evidenced by already meeting the three Sustainability benchmarks in 2013/2014 that have been set by the NSW Government. Also, financial projections show all three Sustainability benchmarks are maintained above the benchmark over the entire ten year period to 2025.

In April 2013 NSW Treasury Corporation (TCorp) provided Upper Lachlan Shire Council with a Financial Assessment, Sustainability and Benchmarking Report. TCorp's assessment of Council's Financial Sustainability Rating was that it was "Sound", with an outlook of "Neutral". Further, TCorp's report stated that "*the Council has been well managed over the review period.*" (TCorp report included as appendix to Long Term Financial Plan).

Council has achieved a surplus operating position (before capital grants and contributions) for the past six years and this is reflected in the positive Operating Performance Ratio meeting the required Sustainability benchmark.

Council's Own Source Revenue Ratio three year average is slightly below the benchmark, as a result of \$7.9 million natural disaster (NDRRA) external funding. In 2013/2014 Council meets the benchmark and it is forecast to remain above the benchmark to 2025.

Council's Building and Infrastructure Asset Renewal Ratio is above the benchmark of greater than 100% in all for the past three years and is forecast to remain above the benchmark to 2025.

The sustainability strategies are outlined in 3.1 and include the following:-

- Implement best practice in procurement to ensure that it is able to purchase goods and services at the best price, delivering savings to the organisation;
- Continue the Roads and Maritime Services Routine Maintenance Contract as a key income source for Council;
- Council will be applying for a special rate variation increase of 5% in 2020/2021. This will be used to fund infrastructure renewal of its road assets with a view to further reducing the infrastructure backlog ratio in line with its demonstrated commitment to effective asset management and provision of a quality road network.

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.

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

Key Assumptions (See Pages 14 to 26 of Upper Lachlan Long Term Financial Plan 2015-2025)

Council's financial decision making is based on a ten year Long Term Financial Plan 2015–2025. Council is conservative and realistic in its projections and no special rate variation income is included to 2019/2020.

Income Forecasts

Income Source

- General (Ordinary) Rates Income
- Domestic Waste Charges
- Sewerage Charges
- Water Supply Charges
- Water Supply User Pay Charges
- Interest Rate on Investments
- Interest Rate on Overdue Rates
- Operating General Purpose Grants
- Capital Grants
- Development Contributions
- Net Gain from Disposal of Assets
- Other Revenues
- User Charges and Fees
- Population Growth
- Service Levels

Projected Annual Increase

- 3%
- 3% - full cost recovery
- 2% - full cost recovery
- 4.50% - full cost recovery
- 5% - full cost recovery
- 4.50% return over 10 year period
- 9%
- 3.10%
- 2.50%
- 2.40%
- Variable % based on plant schedule
- 2.50%
- 2.50% - full cost recovery and within statutory limitations
- 2.30% to 2017, then 1% annually
- refer to Infrastructure Plan

Expenditure Forecasts

Expenditure Source

- Salaries and Wages
- Superannuation Guarantee Contribution
- SASS Defined Benefit Plan Contribution
- Workers Compensation
- Consumer Price Index

Projected Annual Increase

- 3.25%
- 0.50% increase from 2019 up to 12%
- Double contribution rate until 2018
- 3% from 2016
- 2.40%

- Interest Rate for Borrowings
- Depreciation Expense
- Insurances
- Electricity and Gas
- Materials and Contracts
- Major capital works projects

6.50%
 1.90% recurrent only
 5%
 2.40%
 4%
 refer to Infrastructure Plan

Outcomes expected

As a result of the strategies implemented to date and further strategies outlined in 3.1 to be implemented, Council will maintain a positive result in each of the Sustainability benchmark ratios for the term of the Long Term Financial Plan 2015-2025. Council expects to maintain or improve the current level of services being provided to the community.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Secure additional revenue to keep Council's operating performance ratio well above the benchmark and ensure funding for renewal of road network assets	<p>(a) Implement Special Rate Variation</p> <p>(b) Notify community of intention to apply for SRV</p> <p>(c) Community consultation and engagement</p> <p>(d) Notify IPART of intention to apply</p>	<p>Commencement in July 2019</p> <p>Community Engagement Strategy reviewed</p>	<p>Targeted local roads hierarchy established</p> <p>Effective asset management</p> <p>Further reducing the infrastructure backlog ratio</p>	<p>All three Sustainability Benchmarks will be enhanced</p>

<p>(e) Submit application to IPART</p> <p>(f) Fund infrastructure renewal of road network assets</p>		
<p>2. Drive cost savings through procurement</p>	<p>(a) Implementation of a Best Practice in Procurement Program</p> <p>(b) Procurement Roadmap - Arc Blue</p> <p>(c) Review Procurement Action Plan and policies</p>	<p>Commenced November 2014</p> <p>Development of \$ spend analysis completed June 2015</p> <p>Utilisation of LGP Tender Panel and TenderLink</p> <p>Realisation of actual \$189,000 savings to date. Achievement of 5% cost savings through amended procurement practices</p> <p>Internal efficiencies in a comprehensive contract management framework</p> <p>Operating Performance Ratio maintained above Benchmark</p>

<p>3. Maintain diverse income streams through state roads contract</p>	<p>(a) Retention and provision of Roads and Maritime Services (RMS) Routine Maintenance Council Contract (RMCC)</p> <p>(b) Maintain existing high standard rating for road works in Contractor Performance</p>	<p>RMCC Commenced in 2008</p> <p>Contracted project completion date of 2018 for \$10 million scope of road works</p>	<p>Service delivery to work schedule timeframes of RMS</p> <p>Project and risk management ensuring high standard of work deliverables</p> <p>Profit margin delivered within</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>
<p>Training needs analysis and up-skilling staff. 212 staff trained in specific courses in 2014/2015</p>	<p>Stores operation development strategy</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>	<p>Stores operation development strategy</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>

<p>Report</p>	<p>(c) RMCC Benchmarking</p>	<p>Existing workforce utilised and ensures staff retention</p>	<p>project plan</p>
<p>4. Maximise diverse income streams through private works</p>	<p>(a) Provision of road reconstruction contracted private works for renewable energy developments</p> <p>(b) Review pricing structures for private works which are in demand at profitable rates</p> <p>(c) Cost of service is transparent and in accordance with the National Competition Policy Guidelines</p>	<p>Remain competitive with the private sector and to secure contract works for road reconstruction</p>	<p>Ensure profitability of the business unit</p> <p>Sustainable business practices and best practice project management</p> <p>Annual review of workforce capacity to maintain the appropriate skill levels and meet contract conditions</p>
<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>	<p>Operating Performance Ratio and Own Source Revenue Ratio are maintained above Benchmark</p>

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.

Upper Lachlan Shire Council received a rating of 'Strong' from the OLG Infrastructure Audit in 2013. Council's strategy will involve the evaluation of asset utilisation and asset rationalisation to ensure core assets are maintained and non-core assets utilisation assessed. Council will continue to further utilise StateCover Best Practice Guidelines and achieve industry benchmarks for risk management practices related to all asset classes.

Upper Lachlan Shire Council did not achieve the Fit for the Future Benchmarks for Infrastructure Backlog Ratio and Asset Maintenance Ratio in 2013/2014. However, financial and asset modelling undertaken in conjunction with Jeff Roorda and Associates (JRA) has provided a transparent, accountable and evidence based methodology in relation to asset condition and bring to satisfactory standard. (see JRA Infrastructure Assessment Report June 2015)

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

Council has recently re-valued its asset classes including: roads, bridges, footpaths, stormwater and building assets, and is spending adequately to ensure its assets and infrastructure are effectively maintained to a

satisfactory standard. Council will continue to invest in additional works programs identified in the borrowings contained within the Long Term Financial Plan 2015-2025.

Council will implement the JRA Asset Management Improvement Program developed for Upper Lachlan Shire Council to ensure it manages its assets and infrastructure effectively. After refinement in asset condition modelling and BTS methodology Upper Lachlan will meet the Infrastructure Backlog Ratio and Asset Maintenance Ratio in future years for entire period to 2019/2020.

Upper Lachlan Shire Council will reduce its Infrastructure Backlog Ratio from 5.61% in 2013/2014 to below the benchmark of 2% and the Asset Maintenance Ratio will be above the 100% benchmark in all years. Section 4 demonstrates that Council meets the benchmarks.

Upper Lachlan Shire Council's Debt Service Ratio is well within the benchmark of between 0% and 20%. Council is achieving the Fit for the Future Sustainability Benchmarks of the Debt Service Ratio performance measure for the entire period. Council has capacity to borrow money as needed, which is one of the improvement strategies outlined in the following table 3.2. Council will utilise borrowing capacity to invest in infrastructure renewal projects such as the Timber Bridge Replacement Program.

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

Information contained within Upper Lachlan Shire Council's Infrastructure Plan (containing Asset Management Plan and strategies) provide financial commitments, determine service levels, asset lifecycle plan, and asset condition methodology that link with the Long Term Financial Plan. The Infrastructure Plan is a detailed document that underpins Council's future strategic planning.

In addition, Council has attached independent capacity assessment reports from JRA including "Infrastructure Assessment Report" and "Asset Revaluation Report" that contain asset methodology and details assumptions utilised to underpin the future asset management strategies.

Outcomes expected

As a result of the strategies implemented to date and further strategies outlined in 3.2, Council will maintain a positive result in each of the Infrastructure and Service Management benchmark ratios for the entire period to 2019/2020.

Council anticipates improvement in the current level of services being provided to the community through implementation of the Council strategic plans outlined above.

3.2 Infrastructure and Service Management

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. Implement best practice asset management practices	<p>a) JRA Asset Management Improvement Program Review</p> <p>b) Review Asset Management and Risk Plan, strategies and policies</p> <p>c) Review of Council Infrastructure Plan – define community</p>	<p>Commenced November 2014</p> <p>Asset Management Plans identify asset service standards</p> <p>Road and Transport asset classes valuation</p>	<p>The determination of satisfactory target service levels</p> <p>Special Schedule 7 - flows directly from the Delivery Program which defines performance indicators for</p>	<p>The Infrastructure Backlog Ratio and Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved</p>

service level for asset maintenance	at fair value	service levels
<p>2. Secure funding for asset renewals</p> <p>(a) Utilise borrowing capacity to invest in infrastructure renewal projects – Timber Bridge Replacement Program</p> <p>(b) Review Council Borrowings/Loans Policy</p> <p>(c) Council Long Term Financial Plan</p>	<p>Asset Register created – JRA Datashare</p> <p>Commencing August 2016 Loan financing arrangements with Financial Institutions</p> <p>Application for State Government Local Infrastructure Renewal Scheme (LIRS) funding</p>	<p>Annual maintenance program expense is increased at 5% per annum to ensure road condition standards are maintained</p> <p>Capital investment in asset renewal programme in accordance with JRA Asset Management Improvement Program</p> <p>\$ savings on interest proportion of new borrowings</p> <p>Debt Service Ratio is within benchmark level of 0 to 20%.</p> <p>The Infrastructure Backlog Ratio Benchmark will be reduced</p>

priority bridge replacement schedule

3 loans programmed to 2022/2023 totalling \$3.9 million to replace 7 timber bridges

3. Minimise potential public liability incidents

(a) Utilise Statecover Best Practice Guidelines and achieve industry benchmarks for risk management practices

Risk Management Action Plan (RAMP) approved and adopted by Council annually by June

Mitigation of public liability incidents and claims

Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved

Safe Work Method Statements reported to WH&S Committee every 6 months

(b) Review Risk Management Plan and Policy

(c) Review Safe Work Method Statements for high risk priorities

4. Maintain assets in satisfactory condition to meet community expectations	(a) Evaluation of asset utilisation and rationalisation (b) Review of Council Infrastructure Plan	Report to Council on strategies for Council owned buildings rationalisation by June 2016	Inform decision making on annual \$ spending on asset maintenance programs	The Infrastructure Backlog Ratio and Asset Maintenance Ratio - Infrastructure and Service Management Benchmarks will be achieved
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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.

Upper Lachlan Shire Council meets the Efficiency Benchmark of a decrease in real operating expenditure and realised cost savings over time in 2013/2014 to be fit for the future and continue as a Standalone Council. In 2013/2014 the performance ratio was 2.36% which was a decrease in real operating expenditure per capita over time in comparison to the 3 prior years.

Financial projections show the Real Operating Expenditure Per Capita Benchmark with a gradual decrease in the benchmark over the entire period to 2019/2020.

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

- Through the efficiency improvements by regional collaboration with a range of resource-sharing initiatives, already commenced in CENTROC and CBRJO, through being an active partner in a Joint Organisation;
- Benchmark Upper Lachlan Shire Council with other Councils and identify trend analysis of operational cost centres and functional service areas of Council;
- Undertake four year rolling program of service reviews as part of Council's Delivery Program;
- Improve efficiency through embracing technological advancement programs to drive cost savings and operational efficiencies.

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

The Table below outlines the key assumptions utilised for this Efficiency Benchmark. The Operating Expenditure is detailed in Council's Long Term Financial Plan 2015-2025 and is based on assumptions shown in 3.1 Sustainability criteria. A significant component of operating expenditure is RMS state road contract works.

The population projections utilised are based on the Population projections from Australian Bureau of Statistics (ABS Regional Population Growth for South East and Tablelands NSW dated 31 March 2015). Council then extrapolated forward the population projection increase by 1% annually.

Outcomes expected

As a result of the strategies implemented to date and further strategies outlined in 3.3, Council anticipates improvement in the service efficiencies provided to the community through implementation of stated strategies.

Year	Actual Operating Expenditure	Real Operating Expenditure (deflate by CPI and LGCI)	Population 2.3% growth per annum up to 2015/2016 then 0.99% annually	Real Operating Expenditure per Capita Ratio
2013/2014	20,252	17,928	7,586	2.36%
2014/2015	20,572	17,500	7,761	2.25%
2015/2016	21,419	17,771	7,940	2.24%
2016/2017	22,148	17,824	8,019	2.22%

2017/2018	22,812	17,808	8,099	2.20%
2018/2019	23,472	17,773	8,179	2.17%
2019/2020	24,208	17,781	8,260	2.15%

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Understand how the organisation is performing	<p>a) Benchmark Upper Lachlan with other Councils Local Government Professionals Australia (LGPA) - Operational and Management Effectiveness Report</p> <p>b) Identify trend analysis of operational cost centres and functional service</p>	<p>Completed 2012/2013 and 2013/2014</p> <p>Continue annual benchmarking for entire period to 2019/2020</p>	<p>Survey statistics to be utilised to drive cost savings and efficiencies within the organisation</p> <p>Effective tool for meaningful comparisons of Councils that focus on operational and management excellence</p>	<p>The Efficiency Benchmark will be achieved and enhanced</p>

<p>areas of Council</p>	<p>c) Utilise a performance tool for benchmarking by senior management of operational efficiencies of individual cost centres</p>		
<p>2. Continue to collaborate regionally</p>	<p>(a) Be an active partner in the Canberra Region Joint Organisation of Councils (CBRJO)</p> <p>(b) Development and implementation of a JO Management Plan</p> <p>(c) JO Strategic Plan aligned with Quadruple Bottom Line principles</p>	<p>Implementation after JO Pilots in 2016</p> <p>Formulation of an effective and efficient governance structure to oversee implementation, review and evaluation in CBR Region</p> <p>CBR branding established and</p>	<p>Operational support to member Councils</p> <p>Regional Leadership and Advocacy</p> <p>Regional Strategic Planning</p> <p>Resource sharing and economies of scale to deliver operational efficiencies, avoid duplication of</p>
			<p>The Efficiency Benchmark will be achieved and enhanced through regional collaboration</p>

<p>(d) Intergovernmental collaboration; i.e. ACT Government and State Government</p>	<p>support tourism and economic development throughout the region</p>	<p>services and realisation of \$ saving annually</p>
<p>3. Continuously improving the quality and efficiency of all of Council's services</p>	<p>(a) Undertake four year rolling program of service reviews as part of Council's Delivery Program</p> <p>(b) Develop four year program of service reviews, with a focus on those services of greatest cost to the organisation</p> <p>(c) Update the Four Year Delivery Program to</p>	<p>Program established and Delivery Program updated</p> <p>6 Monthly Delivery Program Report to include service review progress and outcomes</p> <p>Annual update of Council's Long Term Financial Plan</p> <p>Annual Review of Strategic Internal</p>
	<p>Regular review of services to ensure:</p> <ul style="list-style-type: none"> Ongoing alignment with community priorities Whether the services is delivering the outcomes it should, such as customer satisfaction, service levels 	<p>The Efficiency Benchmark will be achieved and enhanced through this program, with the potential for improving the Operating Performance Ratio over time</p>

<p>incorporate the service review program</p> <p>(d) Implement program annually</p> <p>(e) Report outcomes through the 6 Month Delivery Program report and update Long Term Financial Plan annually to reflect any savings or changes</p>	<p>Audit Plan by Grant Thornton Australia</p>	<p>the most efficient way possible</p>
<p>4. Improve efficiency through technological advancement</p> <p>(a) Provide innovative and leading technology interface</p> <p>(b) Enhanced use of technology particularly in the area of staff remote</p>	<p>CBRJO Implementation of DA systems by December 2016</p> <p>CENTROC Request for Tender, tender specifications</p>	<ul style="list-style-type: none"> • Opportunities for improvements, alternate service delivery methods, or changes to service levels <p>Online DA Tracking system operational and utilised</p> <p>The Efficiency Benchmark will be achieved and enhanced through this program</p> <p>Integrated Unified Telecommunications System - reduction in costs and ability to streamline internal and external</p>

and on-line
customer access

(c) Implement a
Unified
Telecommunications
solution

prepared June 2015

Implementation of
Integrated United
Telecommunications
System March 2016

communications
with the latest
technology

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. Online Development Application (DA) Tracking system operational and utilised – CBRJO joint project	Implementation of DA systems by December 2016
2. Integrated Unified Telecommunications System implementation – CENTROC joint program with five other Councils	Tender prepared June 2015, March 2016 project completed
3. Review of Council Strategic Internal Audit Plan - Grant Thornton Australia	Completion by January 2016
4. Review, adopt and implement actions outlined in StateCover Mutual Risk Management Action Plan (RAMP) for Upper Lachlan Shire Council	Completed annually

- | | |
|---|---|
| 5. Benchmarking in Local Government Professionals Australia (LGPA) - Operational and Management Effectiveness Report | Completed annually |
| 6. JRA Asset Management Improvement Program – further asset utilisation analysis, asset management plans review and Special Schedule 7 refinement | Implemented by June 2016 |
| 7. Development and implementation of a Joint Organisation (preferably CBRJO) and associated Management Plan | Implementation after JO Pilots in 2016 |
| 8. Utilise borrowing capacity to invest in infrastructure. Crookwell Water Supply filtration and treatment plant construction project - \$7 million | Tenders in September 2016, 2 year project construction |
| 9. Roads and Maritime Services (RMS) Routine Maintenance Council Contract (RMCC) maintain satisfactory Contractor Performance Report and complete State Road MR54 road reconstruction of unsealed sections (8 km) | Completed annually, road construction project completed by 2018 |
| 10. Implementation of a Best Practice in Procurement Program - Procurement Roadmap by Arc Blue - CENTROC joint program with other Councils | Implemented by June 2016 |

*** Please attach detailed action plan and supporting financial modelling**

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

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

The integrated planning and reporting program implemented by Council and senior management was reviewed and enhanced by the OLG Promoting Better Practice Review undertaken in 2012. Since the initial development Council has further refined key performance measures and now has developed an updated Action Plan to further drive operational efficiencies for Council to remain financially sustainable.

Upper Lachlan Shire Council by being a member of both CENTROC and CBRJO have been proactive and committed to the development of an improvement Delivery Program which is an Action Plan to drive efficiencies and cost savings.

Upper Lachlan Shire Council is committed to engaging with our community which is displayed through the Community Outreach Meetings Policy of holding meetings in four towns in May each year to allow feedback and input into Council strategic decision making.

Council will biennially undertake independent community surveys to gauge community satisfaction levels with Council functional service centres.

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.

Upper Lachlan Shire Council met with Goulburn-Mulwaree Council in December 2014 to discuss the alternate recommendation by the Independent Review Panel for a merger between the two councils. No agreement was reached regarding benefits of a merger and neither Council favoured the merger option. Upper Lachlan Shire Council pursued the Independent Review Panel recommendation as a Standalone Council in a Tablelands Joint Organisation, in response to its community survey in March 2015 indicating majority (79%) community preference for this option (see Page 9 of Community Survey 2015) and community outreach meetings held in May 2015 (99%) preference to remain a Standalone Council (see minutes of community outreach meetings).

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

Benchmark	Upper Lachlan	Goulburn-Mulwaree
Operating Result Before Capital Income (\$'000) 2013/14	\$1,024	\$-6,832
General Fund Operating Performance Ratio 2013/14	5.26%	-27.03%
Depreciation as a % of OPEX 2013/14	21.6%	35.9%
TCorp Financial Sustainability Rating - 2013	Sound	Moderate
TCorp Outlook - 2013	Neutral	Negative
OLG Infrastructure Audit - 2013	Strong	Very Weak

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

Modelling by the Independent Parliamentary Budget Committee estimated the transition cost of the merger between these two organisations to be \$9.6 million. This falls short of the Government Assistance for voluntary mergers by \$4.6 million presumably justified by expected future cost savings.

Many metropolitan councils provide almost homogenous services to ratepayers with the same characteristics and needs making costs synergies upon merger realistic and achievable whereas the differences between Goulburn-Mulwaree Council and Upper Lachlan Shire Council are palpable. Goulburn-Mulwaree is predominantly urban with a large commercial sector and its workforce and plant are structured accordingly. The Upper Lachlan Shire Council is largely a rural sector with a vast network of unsealed roads which for example consequently requires significant gravel road plant with specialised operators and road maintenance crews. Duplication of functions between the two councils is limited meaning expectations of merger costs savings are at best optimistic but more likely unrealistic. Upper Lachlan has already managed through a merger in 2004 however that was with other like structured rural shires which ultimately benefited those constituents.

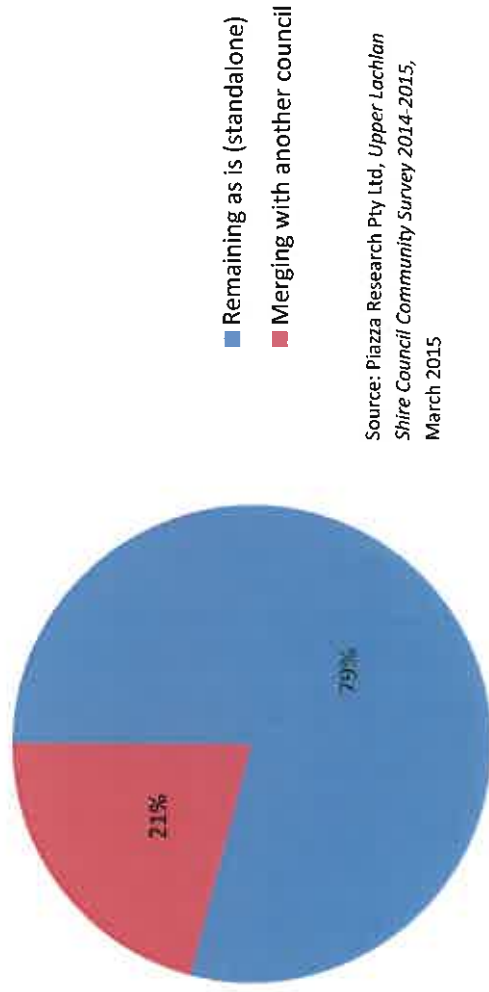
Upper Lachlan Shire Council undertook modelling of the impact of a merger on rates to give an indication of likely movements, utilising a scenario of changes to average rates using a base rate + ad valorem. This indicated that Upper Lachlan Shire residents would be worse off in the residential and business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

Upper Lachlan Community Opposes a Merger

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

as to their views on local government reform.

Views on Local Government Reform



Source: Piazza Research Pty Ltd, Upper Lachlan
Shire Council Community Survey 2014-2015,
March 2015

Council held community outreach meetings in four of its towns during May 2015. Attendees of the meetings were presented with Council's Fit for the Future current and forecast position, along with high level analysis of a potential merger with Goulburn-Mulwaree Council. The following results were derived from these meetings:-

Bigga Community Meeting - Number of Attendees:25

- Unanimous Consensus for Stand Alone proposal

Crookwell Community Meeting - Number of Attendees:52

- Unanimous Consensus for Stand Alone proposal

Gunning Community Meeting - Number of Attendees:21

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

Taralga Community Meeting - Number of Attendees:31

- Unanimous Consensus for Stand Alone proposal

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

Council has also consulted with the community through numerous media releases, fact sheets and articles in local newspapers (Goulburn Post and Crookwell Gazette), as well as Council newsletter “The Voice” and Gunning Lions Newsletter.

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

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

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

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

- With fewer elected councillors and a single Mayor for a larger area, communities tend to feel that the Mayor and councillors are less accessible because their constituency is larger, the scope and scale of their role is

greater and they are less able to spend time in the community. This may result in communities feeling that they have less access to the decision-makers;

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

Mergers or Amalgamations are Costly

Upper Lachlan Shire was formed in 2004 as an amalgamated entity and as a result the community has already borne the costs associated with merger. In the years following the amalgamation, the Council experienced large deficits due to the costs of transition, particularly around IT costs and the need to retain core staff numbers in the rural centres. Council worked hard to reverse these operating deficits through a range of efficiency measures implemented over an extended period of time.

² Doing more with less: Tension and change at work in South Australian Local Government, Pocock, Sexton and Wilson, Centre for Labour Research, Adelaide University, 2001
³ Crossing boundaries: local government boundaries and inter-community relations in Buloke Shire, University of Melbourne, Alexander, 2008

Therefore, even a proportion of the \$9.6 million cost for an organisation and population the size of Upper Lachlan is a significant burden, particularly given that this community has already borne the transition costs of the 2004 merger and is only now realising the efficiency gains that the organisation has worked hard to deliver. This is demonstrated through the reversal of significant operating deficits in the years following the 2004 merger to the current operating position of surplus operating results.

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

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

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

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.005	0.051	0.010	0.010	0.021	0.020	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	62.2%	57.8%	64.0%	63.9%	63.6%	63.6%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	121.5%	159.3%	125.6%	128.4%	125.3%	134.7%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	1.87%	1.60%	1.71%	1.83%	1.94%	1.98%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	113.5%	108.5%	111.3%	102.4%	104.9%	107.5%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.48%	1.41%	1.70%	1.87%	1.82%	1.99%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	2.25%	2.24%	2.22%	2.20%	2.17%	2.15%	Yes

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.

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

- Council meets scale and capacity based on the ILGRP recommendation that Upper Lachlan remain a Standalone Council in a Joint Organisation.
- Council is forecast to meet all seven of the Fit for the Future sustainability, infrastructure and service management, and efficiency benchmarks over the life of the ten year Long Term Financial Plan and most importantly, the entire period of 2016/2017 to 2019/2020.

Fit for the Future Criteria

Meets in 2019/20

Scale and Capacity as per the ILGRP Recommendation	Yes
Operating Performance Ratio	Yes
Own Source Revenue Ratio	Yes
Buildings and Infrastructure Asset Renewal Ratio	Yes
Infrastructure Backlog Ratio	Yes

Asset Maintenance Ratio

Yes

Debt Service Ratio

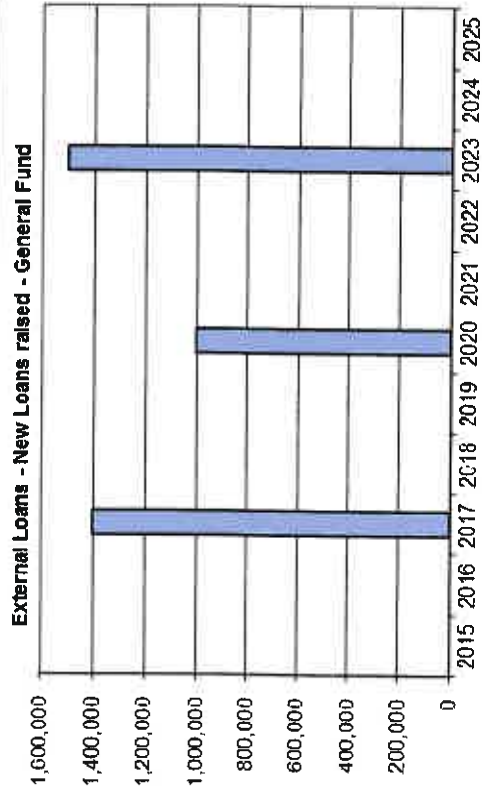
Yes

Real Operating Expenditure Per Capita

Yes

Upper Lachlan Shire Council will meet all the benchmarks from 2016/2017 to 2019/2020. However, Council is proposing a Special Rate Variation of 5% above rate cap limit to commence in 2020/2021 to allow additional local roads asset renewal capital works programs to ensure the Council roads infrastructure asset backlog continues to be adequately addressed to meet the community's expectations. A 5% increase in rates above the rate cap would increase Council's operating performance ratio by 1% annually.

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



5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Upper Lachlan Shire Council has inserted the key strategies and actions listed in Section 3 of this document into its four year Delivery Program (see attachment on Pages 44-51). It is the responsibility of Council's General Manager to ensure these actions are implemented.

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

Also, Upper Lachlan Shire Council will regularly review, monitor performance and report progress against key benchmarks as follows:-

- Long Term Financial Plan annually;
- Quarterly Budget Review Statements and quarterly Operational Plan KPIs;
- Asset Management Plans (Council Infrastructure Plan) annually;
- Delivery Program on a 6 monthly basis;
- Biennial surveys of the community will be undertaken;
- End of term review report on Community Strategic Plan strategies every 4 years;
- Council's Annual Report will report performance each year against the Improvement Action Plan.