

# Template 2

Fit for the Future

## Council Improvement Proposal

(Existing structure)



Office of  
Local Government

# 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:** Tenterfield Shire Council

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**Date of Council resolution endorsing this submission:** 24 June 2015 (185/15)

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**Note:** The supporting evidence/documents are identified as **A1 to A23**.

## 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.

Tenterfield Shire Council was identified as a stand-alone Council, with the inclusion into the New England JO by the Independent Review Panel. Council has however, resolved to belong to the Northern Rivers JO due to the alignment of communities of interest to the North East, and alignment with the NSW seat of Lismore which covers Tenterfield Shire **(A1)**.

Council has demonstrated that it will meet/ improve in all the benchmark ratios in accordance with the IPART Assessment Methodology. This is primarily due to the already adopted financial strategies as a result of the Tcorp report in March 2013 **(A2)**.

The integration of the Tcorp recommendations into the IP&R documentation has ensured that Council's strategic goal - Population Growth – has been pursued in line with these recommendations and through the Community Strategic Plan's key actions of a Council that is "open for business" (LEP), economic development and tourism as well as a focus on roads infrastructure and the Tenterfield Main street beautification project.

We have also managed to maintain a high level of community satisfaction for our key social capital assets and services including parks and gardens, library services, School of Arts (including Cinema), community halls and cemeteries (Customer Satisfaction survey 2015 **(A3)**). In addition, Council has during this period also conducted extensive remediation of landfills and introduced recycling with a 40% less to landfill over a period of less than 10 months.

As a result of the Tcorp recommendation to increase revenue and/or decrease expenditure, Council received approval for a SRV over four (4) years of 15%, 10%, 10%,10%. A total of 45% accumulative resulting in an additional revenue of \$10 million (over 10 yrs) to be used for roads infrastructure renewal and building renewal (A4). This SRV will assist with freeing up operational expenditure for asset maintenance over time and positively impact on Council's achievement of the Asset Renewal Ratio and Infrastructure Backlog Ratio. However, this SRV is not enough to meet the Operating Performance Ratio (A5) and Council has resolved for an additional 3% SRV each year over 7 years from 2018/19 resulting in a surplus by 2021/22 (A6).

Council has been successful in obtaining significant grant funding for roads infrastructure to the amount of \$5M in 2014/15 (\$1.5M to be spent in 2015/16). Further, Council gained RMS grant funding for the Tenterfield Main street beautification project (\$500,000) and in addition obtained a LIRS loan for the remainder of this project (\$1.2M).

Operational Expenditure has been addressed through successive "Zero" budgeting processes, Organisational Structural review, obtaining services levels in consultation with the community to address depreciation expenses, review of property assets, implementation of a Continuous Improvement Plan to achieve productivity and efficiencies across the organisation, and the implementation of a new Integrated Business Software system resulting in efficiencies and savings (A7).

This Fit For the Future (FFF) proposal confirms significant improvements that ratifies the Independent Panel's assessment of Tenterfield Shire Council being a stand-alone Council in respect to having scale and capacity.

## 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**

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).

## 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.*

Tenterfield Shire Council has a population of close to 7,000 (6,973 ABS 2013) and spans an area of 7,300 square kms bordering Queensland to the North and North West, Kyogle and Clarence Valley to the East, Glen Innes Severn to the South and Inverell to the South West. Around 50% of Tenterfield's population lives in the town of Tenterfield with the remaining 50% in rural areas and in the villages of Jennings, Legume and Liston (located on the border to QLD), Drake, Torrington and finally Urbenville which is located only 150 kilometres from Brisbane.

The long border to Queensland has resulted in a Memorandum of Understanding with Southern Downs Regional Council, and Tenterfield is also facilitating a Section 355 Committee of Councils in Queensland and NSW in relation to a regional road that we all are dependent on. The Committee members are Scenic Rim and Southern Downs Regional Councils in Queensland, Lismore City Council, Kyogle and Richmond Valley Councils in NSW. The Committee has State and Federal members attending the meetings as well as attendance by officers from the RMS Regional Office in Grafton.

Heritage is critical to Tenterfield Shire: social, environmental and physical. Tenterfield was first inhabited by the Jukembal people. The Tenterfield township was gazetted on October 7, 1851 with the Municipality of Tenterfield being incorporated on November 22, 1871. The most momentous event in the history of Tenterfield was the 'Federation Speech' by the then NSW Premier, Sir Henry Parkes in October 1889, which led to Federation of the Australian states on January 1, 1901 and gave Tenterfield the name of 'birthplace of a nation'. Prime Minister Tony Abbott held the (White Paper) Federation Speech at the same venue 125 years later in October 2014.

Council's Community Strategic Plan 2013-2023 reflects the community's priorities and aspirations. Each year the Operational Plan addresses the progress of activities and these are directly linked to staff KPIs. Council will continue to meet the needs and aspirations of the Tenterfield Shire community by encouraging:

- Population growth;
- Prospering business district;
- Prospering economic development across the Shire;
- Prospering tourism industry.

By providing in partnership with the community:

- Well maintained roads, parks and gardens;
- Best practice water and sewer services;
- Balance of heritage, environmental constraints and development.

In partnership with the community and state agencies we will have:

- A community built on friendliness, culture and lifestyle;
- Adequate health, transport and community services;
- Waste to land fill will be reduced by 40%.

Financial sustainability is fundamental and Council is committed to ensure sound financial responsibility that is shared respectfully across the Shire and amongst the community. The 10 year Financial Plan is linked to Asset Management Plans and updated annually to ensure that we are on target. Special rates variations and loan funding will also be required to meet financial sustainability into the future.

The challenge into the future is how our Shire in partnership with the community, will use our combined strength to remain a unique place and therefore be sustainable for generations to come (A8).

## 2.2 Key challenges and opportunities

Council conducted community SWOT analysis workshops in eight (8) locations across the Shire and also with all staff and the Councillors. The summary can be seen below and further details in attachment (A9).

<b>Strengths</b>	<b>Weaknesses</b>
<p>Multi-skilled staff - United Councillors - Water resource availability – Geographic proximity/position – Talented staff team – Shire on the intersection of several national and state transport routes – Unique environment (4 seasons) – Teamwork – Transparency – Council manages within its means – Affordable housing – Low staff turnover– Outcomes focused – Ability to move forward – Strong strategic planning and decision making – Strong capacity to gain grants –Strong Volunteering – Strong community of interest – Organisational structure has been rationalised – Partnerships with adjoining Councils, Border alliances and relationships with State Government – Strong Strategic Direction – Local Employer – Strong self-sufficient communities.</p>	<p>Not currently meeting all the Fit for the Future financial ratios – Large geographical area to govern – Low rate base for own source revenue – High asset base with aged assets – Resource hungry asset base – Isolation of communities resulting in higher costs for servicing - Amount of non-rateable lands (National Parks) – Distance from Sydney – Large geographical areas to manage with small staff numbers –Staff resources tied up in state regulation and reporting requirements.</p>
<b>Opportunities</b>	<b>Threats</b>
<p>Our LEP (facilitating economic development, employment and population growth) – Water resources – Tourism and our unique attractions – Town Bypass (heavy vehicle detour) – Industrial estate (facilitating population growth and employment) – Affordability (housing, lands, rates) – Our communities – Northern Growth Corridor).</p> <p>Review organisation for further efficiencies – Review services that can be sourced to a JO — Empower communities further to take ownership of assets and functions, work with Council to achieve local outcomes – Critical Asset Review – Review service levels across assets and functions.</p>	<p>Amalgamations/Mergers – Privatisation of utilities -Increased regulation and reporting by state government - Vegetation Act (tying up resources and affecting employment) – Increasing red and green tape. Aging population, loss of industry and jobs, loss of funding.</p>



## 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)	-0.405	No	-0.069	No
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	64.9%	Yes	67.0%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	91.52%	No	135.2%	Yes

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.*

### Operating Performance Ratio

Tenterfield Shire Council has historically had a low rating structure and in the past 10 years (with previous Councillors and GMs), has reduced the Business rate once and the Farmland Rate three (3) times (A10). This means that we have had to apply for extensive Special Rates Variations immediately in response to the Tcorp findings. However the initial special rates variations are

not adequate to meet the Operating Performance Ratio and a further special rates variation of 3% per annum for 7 years is planned to break even. To minimise the financial impact on the community, Council has resolved to implement the additional SRV over 7 years.

**Own Source Revenue**

Council meets its own source funding ratio with the Financial Assistance Grant included in the calculations.

**Building and Infrastructure Asset Renewal**

Council is meeting this benchmark ratio in 2016/17.

## 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%)	23%	No	5.08%	No
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	82%	No	110.00%	Yes

**Debt Service Ratio**

(Greater than 0% and less than or equal to 20% average over 3 years)%

5.54%

Yes

3.94%

Yes

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

**Infrastructure Backlog Ratio**

Council is working consistently to reduce its infrastructure backlog with success in funding applications (Fixing Country Roads, Blackspot, Bridge funding) and special grants for roads and bridges and through lobbying State and Federal Government resulting in additional funds of \$4.13M in 2014/15 alone for Mt Lindesay Road, a road specifically mentioned by Tcorp as being in need of attention (A11).

Council was also successful in gaining \$500,000 for its main street upgrade from RMS and also with a LIRS loan of \$1.2M to complete this project. All these additional funding streams have been allocated to address the infrastructure backlog. Further, the current SRV will provide \$10m over 10 years and this additional funding will be spent on Infrastructure Assets which will also assist with reducing the Infrastructure Backlog. Council will continue to make improvements in this area each year.

This Ratio will be improved over time and therefore Council is meeting the assessment criteria as set by IPART.

**Asset Maintenance Ratio**

Council has revised its asset service levels through consultations with the community, including surveys. These service levels are reflected in the relevant asset management plans with funding provided at 10% more than assessed requirement (to allow for contingency and unplanned maintenance) to meet the agreed service levels. The forecast is therefore 110% each year with further community engagement in regards to Service Levels planned for 2016/17.

## 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> <small>A decrease in Real Operating Expenditure per capita over time</small>	1.87	Yes	1.78	Yes

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

N/A

## 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?

**No**

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

Council meets all Best Practice Criteria except the requirement to achieve 50% of residential revenue from usage charges. Hydrosphere Consulting are currently preparing 30 year strategic business plans for water and sewerage which will use best practice compliant pricing tariffs.

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

Water \$3,195,000 and Sewerage \$640,000.

## 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.

Capital works			
Proposed works	Timeframe	Cost	Grants or external funding
Safety upgrade to Tenterfield dam wall	Design complete Oct 2015. Construction Sep 2016 – Jun 2017.	\$7.0m	50% Grant 50% Loan
Tenterfield water treatment plant upgrade or replacement	Design 2018-19	\$1.0m	50% Grant
Tenterfield water treatment plant upgrade or replacement	Construction 2019-2021	\$4.5m	50% Grant 50% Loan

## 2.4 Water utility performance

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

**No**

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

Water - Depreciation represents 29% of operating expenses; recovery has not been reflected sufficiently in the pricing structure. Council has been increasing service availability and usage charges by 5% per annum and plans to achieve an operating surplus before capital items in 2020/21.

Sewerage - Depreciation represents 38% of operating expenses; recovery has not been reflected sufficiently in the pricing structure. Council has been increasing service availability and usage charges by 3% per annum and plans to achieve an operating surplus before capital items in 2020/21.

## 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. Replacement of 80 year old cast iron pipes in Tenterfield reticulation system.	2015/16 to 2024/25	Cleaner water, better flow, reduction of rust in system
2. Relining of sewer reticulation pipes to reduce incidents of blockages and stormwater ingress.	2014/15 to 2024/25	Less blockages and less stormwater ingress
3. Air scour water mains	2016/17, 2019/20	Remove manganese, iron and dirt build-up from pipes. Cleaner water.



## 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.

In summary, Council will focus on sourcing additional grants, increase its own source revenue through increased fees and charges and SRV, Council will keep expenditure as low as possible whilst spending more on roads infrastructure. At the same time, we will grow the Shire through a focus on Economic Development and Tourism and keep our heritage and environmental assets to a satisfactory standard at a low cost to the community. Volunteering and Progress Associations assist Council, and in the villages volunteers contribute with parks and gardens activities as well as looking after community halls and thereby building of social capital.

The key strategies to improve performance are addressed in line with the actions in the IP&R documentation:

- Land and property assets review for properties owned by Council that could be sold or leased;
- Identifying assets (e.g. vehicles, plant and buildings) which should not be replaced as there is no efficient use for them;
- Identifying new savings through more organisational restructuring and more efficient work practices;
- Further increasing expenditure on roads and bridges infrastructure each year through grant funding;
- Improving the efficiency of our capital and maintenance works through improved work practices and supervision (A12).

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.*

### **Operating Performance Ratio**

Council will meet this ratio in 2021/22. To meet this ratio over time the assumptions are as follows:

- Revenue increase through special rates variation over time;
- Operating Expenditure, except Award salary and wages increases, are kept to CPI increases (2.5%) each year;
- Increased revenue through higher liquidity;
- Operational Expenditure will be kept at a minimum with efficiency gains in work practices and productivity, and through Council's adopted Continuous Improvement Plan (A13).

### **Own Source Revenue**

Council meets this ratio. The assumption is that the FAGs Grant remains steady and increases with 2.5% each year. Further Council's approved and planned special rates variations have been included in the assumptions.

### **Building and Infrastructure Asset Renewal Benchmark**

Council successfully demonstrates an improvement in this ratio by 2019/20.

Assumptions: Asset Infrastructure backlog will be addressed through Council's Special Rates Variation that will drive the additional infrastructure renewal for this period 2015/16 to 2019/20. With successful special grant funding for Mount Lindesay Road, bridge funding and black spot funding, Council will continue to address this benchmark which will be fully met by 2024/25.

Long Term Financial Plan assumptions (A14).

## 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. Operating Performance Ratio met and own source revenue increased	<ul style="list-style-type: none"> <li>a) Special Rates Variation 10% 2015/16</li> <li>b) SRV 10% 2016/17</li> <li>c) SRV 10% 2017/18</li> <li>d) SRV 3% each year 2018/19 to 2024/25</li> </ul>	Increased revenue	Meet Operating Performance Ratio 2021/22	
2. Asset Infrastructure Renewal attended to according to Asset Management Plans	<ul style="list-style-type: none"> <li>a) Implement the special rates variations projects according to plan</li> <li>b) Secure funding for Mt Lindesay Road of \$2.5 million per annum</li> </ul>	<ul style="list-style-type: none"> <li>a) Report to Council in February 2016, Annual Report for 2015/16</li> <li>b) Funding secured each year over 4 years</li> </ul>	Continue to meet the ratio	Potential impact on the Depreciation expense that then could negatively impact on the Operating Performance Ratio

## 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.

- Completion of the Tenterfield Main Street project including Bruxner Park using the LIRS loan;
- Asset Management Plans will be further refined and continue to be linked to the Long Term Financial Plan;
- Revaluations of assets have resulted in a reduction in depreciation and further revaluations will occur and depreciation will be adjusted as maintenance is carried out;
- Continued focus on roads maintenance and renewal across the Shire in a planned way;
- Established and successfully facilitated the Audit Committee of Council, including specific audits conducted for various aspect of Council's administration – Audit planned for in 2016/17 for the Review of Asset Management Strategies and long term financial implications;
- Commenced business improvement practices that will be further developed and implemented in 2015/16.

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

Assumptions: Asset Management Plans will be updated on a regular basis; service levels will not identify increased community expectations; Internal Audit endorses Asset Management Strategies and long term financial implications; business improvement practices will systematically be implemented.

Long Term Financial Plan assumptions (A14).

## 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
<p>1. Retain Asset Maintenance Ratio each year and meet service levels as per community satisfaction</p>	<p>a) Survey and conduct community meetings to review service levels for asset maintenance and renewal</p> <p>b) Conduct regular asset inspections and condition assessments</p> <p>c) To ensure that Asset Maintenance Standards and Schedules are maintained.</p>	<p>a) Survey conducted for roads related infrastructure by June 2016</p> <p>b) Identification of assets that require attention and budget funds accordingly in the annual Operational Plan</p> <p>c) Asset Maintenance activities are carried out according to the program each year.</p>	<p>Continue to meet or exceed the Asset Maintenance Ratio</p>	<p>Positive Impact - Reducing the Infrastructure Backlog by ensuring that maintenance funds are correctly directed and asset conditions to not deteriorate to condition ratings 4 or 5.</p>

2. Reduce the Infrastructure Backlog

a) Review of Asset Management Strategies and long term financial implications (Tcorp review)

b) Use SRV funds to reduce the infrastructure backlog

c) Seeking additional Grant funds such as for Mt Lindesay Road

a) Review completed and linked to LTFP

b) Planned projects are completed on time

c) Grant funding secured and projects completed

Less infrastructure backlog and increased community satisfaction

Potential impact on the Depreciation expense that then could negatively impact on the Operating Performance Ratio

### 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.

Council's Community Strategic Plan has as its key focus "population growth". Therefore the strategies and activities in the IP&R target population growth with results being positive according to ABS statistics and the NSW Department of Planning projections (A 15).

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

Assumptions: Council has used ABS data to project future population growth according to the Fit for the Future criteria. Council is able to contain operating costs within CPI (2.5%) over time.

### 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. To increase the population in the Shire	a) Focus on Economic Development and Tourism as per the Community Strategic Plan	a) Successful activities reported to Council and the community quarterly and in the Annual Report.	Population Growth	
2. Keep operating expenditure within 2.5% increase each year (except salaries that are bound by the Award)	a) Review productivity and efficiencies across all staff functions	a) Budgets are on target in quarterly reviews and Financial Statements.	Decreased expenditure per capita each year	



## 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. Implement SRV 10%, seek additional grant funding of minimum \$2.5M 1.2 Expenditure kept within budget or below.	1.1 Increased Revenue 1.2 Budget expenditure met or reduced
2.1 and 2.2 Increased spending on infrastructure renewal including: <ul style="list-style-type: none"> <li>• Mt Lindesay Rd \$1.5M + anticipated additional funding of \$2.5M</li> <li>• Bookookoorara Bridge \$700,000</li> <li>• SRV projects \$500,000</li> <li>• Other Capital Works Projects using RTR, Block grant, Repair Grant and Council own source funds.</li> </ul>	2.1 Reduced Infrastructure Backlog 2.2 Continue to meet Building and Infrastructure Asset Renewal Ratio
<b>* Please attach detailed action plan and supporting financial modelling</b>	

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.*

Council's Operational Plan for 2015/16 (178/15) has incorporated the Improvement Actions required under the Fit for the Future benchmark ratios and the first year of our plan is therefore already integrated into our IP&R and does not have a separate action plan. Please see attached key strategies and detailed activities in attachment (A16). The draft Operational Plan was developed over the period February 2015 to May 2015, with the public exhibition period being 28 days.

Councillors, staff and the community have been involved in identifying the key needs in the Operational Plan actions for the next year. This included the need for increasing revenue to allow for more expenditure to occur on roads infrastructure across the Shire whilst also keeping the focus on economic development and tourism, parks and gardens, cultural activities and heritage (A17).

The asset management plans identify what asset class need attention and when. Each year the Operational Plan will be budgeted for accordingly and in line with the Long Term Financial Plan. Capital works program 2015/16 (A18).

Budget for 2015/16 (178/15) is attached as the financial modelling for the coming year (A19).

### 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.*

Council did consider the Rural Council Model however did not meet the criteria for this model (A20).

## 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?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	-0.072	-0.089	-0.069	-0.042	-0.031	-0.017	No
<b>Own Source Revenue</b> Ratio (Greater than 60% average over 3 years)	52.1%	55.6%	67%	67.9%	68.3%	78.5%	Yes
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)	272.5%	261.4%	135.2%	139.8%	129.4%	73.3%	Yes
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	5.84%	5.53%	5.08%	4.59%	4.19%	3.78%	Yes - Improved
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	110%	110%	110%	110%	110%	110%	Yes
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)	3.95%	4.67%	3.94%	3.24%	3.14%	3.05%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	Yes	No	Yes	Yes	Yes	No	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.

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

Council is meeting all the Fit for the Future benchmarks in accordance with IPART's Methodology for Assessments, including the Operating Performance Ratio that will be met in year 2021/22 (A 21).

Council does meet the Infrastructure Backlog Ratio by showing **improvement over the years** in accordance with the Assessment Process Methodology (p 11 IPART), and by meeting the Ratio of less than 2% in year 2024/25 (0%).

**See attached Spreadsheets for financial modelling over 10 years (A 22).**

## 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.*

**Responsible Officer:** the General Manager.

The Improvement Action Plan is already part of Council's IP&R documentation and will be reported to Council on a quarterly basis, in the Annual Report and Financial Statements, in updates and reviews of the Asset Management Plans, Delivery Program and Work force Plan. Refinement in the Long Term Financial Plan takes place annually in line with the development of the Operational Plan and Asset Management Plans.

Council has been implementing the recommendations from Tcorp since 2013 and these are integral to Council's IP&R which has now been updated to include the FFTF benchmarks replacing Tcorp's benchmarks.

Please see Council's adopted Financial Strategies within the Long Term Financial Plan (179/15) below (A23):

### **Strategy 1**

#### **Achieve at least breakeven operating position.**

Council needs to achieve at least a breakeven operating position on an on-going basis.

The future sustainability of Council is dependent upon generating sufficient funds to meet the costs of maintaining and renewing assets to deliver services. *Result: Secured extensive funding for roads infrastructure \$2.38 million for Mt Lindesay Road.*

In consultation with the community Council needs to develop options for revenue increases, reductions in expenditure and reviews of existing service levels and standards. *Result: Special Rates Variation secured for 4 years commencing 2014/15 45% accumulative including rates peg)*

If Council desires to provide properly funded asset management programs, maintain an acceptable level of works and services and still be able to meet increasing costs associated in the form of meeting all statutory requirements and unfunded mandates, there is the need to increase the general purpose rating base and other revenue sources, or reduce recurrent service levels, or reduce operational costs, or any combination of these options. *Result: Special Rates Variation secured for 4 years commencing 2014/15 45% accumulative*

*(including rates peg) resulting in \$10 million additional funds over 10 years towards identified infrastructure projects. Additional SRV for 3% each year for 7 years 2018/19 – 2024/25 will be sought.*

Council must strategically insulate itself from any unhealthy reliance on uncertain non-rating income sources in order to meet its fundamental and core statutory commitments. The necessity to increase rate income as a percentage of total income is important if Council is to strategically and prudently place itself in a position of sustainable financial strength.

### **Strategy 2**

#### **Review depreciation rates, expenses and methodologies to ensure that assets are depreciated at the correct rate.**

The annual depreciation expense can have a major impact on the achievement of operating surpluses.

Depreciation as a proportion of infrastructure asset values needs to be analysed to ensure that Council is depreciating assets at the correct rate. *Result: Council conducted service level review with the community in 2013 resulting in more accurate and lower rates of depreciation on roads.*

Abnormalities such as accounting gains and losses when assets are replaced can also arise if incorrect depreciation rates are used.

### **Strategy 3**

#### **Continue to improve Councils Asset Management Planning to provide better integration between the Asset Management Plans and Long Term Financial Plan.**

It can take a number of iterations before a high level of certainty can be attached to the outputs of the Asset Management Plan. Council needs to continue to focus on the quality of its Asset Management Plans so that Council can accurately forecast its future funding requirements and put in place appropriate funding strategies. *Result: Revised asset management plans in 2013 and 2015 to be further aligned with the Long Term Financial Plan. These revisions have assisted in reducing Council's infrastructure backlog.*

### **Strategy 4**

#### **Ensure that rates and charges are consistent with the cost increases of delivering services.**

Future increases in rates and annual charges should be based on the underlying cost of delivering these services. The SRV (Special Rate Variation) methodology used by IPART (Independent Pricing & Regulatory Tribunal) allows Councils to seek rate increases over and above the rate peg increases granted each year. With the community consultation process, this provides an opportunity for constituents to determine their level of satisfactory service and their capacity to pay for this. *Result: Extensive community engagement has taken place every 6 months since May/June 2012 to keep the community informed as well as seeking their input.*

### **Strategy 5**

#### **Concentrate expenditure efforts upon capital renewal to meet industry benchmarks.**

There are two (2) dimensions to this strategy:

1. Spending more on capital renewal (particularly in roads, bridges, water and wastewater) and
2. Making sure that what is spent is done more cost-effectively.

The need to spend money on renewing infrastructure continues to grow. More and more into the future, Council will need to find ways of funding this burgeoning requirement through reduced operational costs and increased revenue (particularly user fees, government grants and developer contributions). *Result: Council received in 2013/14 \$500,000 from RMS for the Main Street beautification project (special grant). Council received in 2014/15 the following grants: \$2.38mil + \$250,000 for Mount Lindesay Road and \$300,000 for Plain Station Road. Further successful grant that will be spent in 2015/16: \$1.5mil Fixing Country Roads, 2 x Blackspot funding \$500,000, Bridge (Bookookoorara) funding \$700,000 for Mount Lindesay Road. All these funds are in addition to the Repair Program, RTR and the Block Grant.*

In relation to greater cost-effectiveness, emphasis is being placed upon the life cycle management of assets. Better managing and maintaining infrastructure is vital to ensuring optimum results from what is spent.

### **Strategy 6**

#### **Water and Sewer Funds should be self-sufficient and not incur financial deficits that undermine the overall position of Council.**

Water and sewer services need to be provided on the basis that they generate sufficient funds to meet ongoing operating and capital costs.

Water and sewerage services are trading operations that need to be self-sustaining. Grants for major infrastructure works may not be relied upon in the future. Funds for water and sewerage services need to be able to build cash reserves to fund future infrastructure investment. *Result: The Water and Sewer Funds will be in surplus by 2020/21.*

### **Strategy 7**

#### **Use borrowings where appropriate to address infrastructure backlogs and to share the burden of funding major capital projects among those who will receive the benefit in the future.**

The use of debt is an efficient means of addressing Backlog issues, enhancing intergenerational equity and improving asset quality and services. *Council has been successful in borrowing \$1.2million through the LIRS for the remainder of the Main Street Project including Bruxner Park. Interest on the loan over 10 years is \$42,000.*

Where financial analysis supports capacity to service additional debt then increased use of borrowings should be considered.



**Strategy 8****Improve management of liquidity.**

Council maintains a cash and property portfolio which generates income.

Like any investor, Council must carefully manage these investment assets to maximise returns within acceptable risk parameters and the contribution these assets make to funding works and services in the community.

*Council has an investment portfolio that varies between \$9M-\$12M and maintains adequate working funds for all the planned activities in the Operational Plan each year.*

**Strategy 9**

**Meet industry performance Benchmark Ratio's as determined by NSW Office of Local Government:**

<b>Ratio</b>	<b>Benchmark</b>	<b>2024/25</b>
<b>Operating Performance Ratio</b>	(Greater than or equal to break-even average over 3 years)>	0.054 (3 yrs average 0.043)
<b>Own Source Revenue</b>	Ratio (Greater than 60% average over 3 years)	80.8% (3yr average 80.4%)
<b>Building and Infrastructure Asset Renewal</b>	Ratio (Greater than 100% average over 3 years)	190.0% (3 year av. 111.2%)
<b>Infrastructure Backlog Ratio</b>	(Less than 2%)	0%
<b>Asset Maintenance Ratio</b>	(Greater than 100% average over 3 years)	110% (3 year average 110%)
<b>Debt Service Ratio</b>	(Greater than 0% and less than or equal to 20% average over 3 years)	1.80% (3 year av. 1.30%)
<b>Real Operating Expenditure per capita</b>	A decrease in Real Operating Expenditure per capita over time	Yes

In order to improve its performance against the performance indicators, Council needs to source additional funds and reduce expenses to return to a breakeven position. Council is very reliant on grants as a core source of revenue and for future capital expenditure. Council needs to find a way to increase its overall operating position either through increased revenue by way of an SRV or reduce expenses through cost cutting.