Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)

NSW GOVERNMENT

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: Cooma-Monaro Shire Council

Date of Council resolution endorsing this submission: 22 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.

Cooma-Monaro Shire is proud to present its Council Improvement Process which outlines its path to becoming Fit for the Future. Like many smaller rural Councils Cooma-Monaro has been reporting operating deficits since the revaluation of roads in 2009/2010. This deficit is solely driven by the large depreciation expense reported. The challenge now is to return Council to a surplus position utilising the measures outlined below. In doing so the necessary funds will be available to ensure we are able to maintain services and assets and renew assets when they are due for renewal. This ultimately benefits all rate payers and the economy and attractiveness of the Shire.

The key features of our proposal are a special rate variation over nine years to increase rates revenue, the creation of the High Plains Alliance Shared Service model to formally work together with Bombala Council and Snowy River Shire and the use of loans to fund the current infrastructure backlog.

A special rate variation of 4% for two years and 3% for seven years commencing in the 2016/17 financial year will increase our rates revenue from $6.2M in 2013/14 to $10.9M in 2024/25 and turn our operating deficits into a surplus by 2023/24. The preference for a longer time frame was chosen to reduce the burden on our rate payers and allow people time to adjust to a higher rates bill.

The creation of the High Plains Alliance Shared Service model is viewed as a viable alternative to a merger. Cooma-Monaro Shire is committed to the project and has resolved to contribute $50,000 to the cost of employing an Executive Officer. Working better in partnership with other Councils is seen by this Council as the way forward in driving efficiencies and cost savings as well as providing better services to the public. Feedback from our public consultation process showed that community members also saw this as a viable alternative to a merger.

Finally the use of debt to fund our current infrastructure backlog will allow us to eliminate the backlog over the next three years. Once this has been reduced the focus will be ensuring assets and infrastructure are maintained and renewed into the future. The use of debt will be considered into the future for the funding of key assets to help spread cash flows and introduce some intergenerational funding for long term infrastructure assets.

On top of these key features Council will continue to ensure it operates as efficiently as possible and seek new methods and technologies to assist. Continual improvement of everything we do has long been part of our culture and will continue to do so.

With the implementation of the above strategies Council is aim to return to surplus by the 2024/25 financial year and reduce its current infrastructure backlog to zero. Our current forecasts show we have the capacity report a surplus in 2023/24 providing our assumptions hold true. With the use of debt our infrastructure backlog can be reduced to zero by 2017/18 and remain close to zero.

Council understands there will be challenges ahead in meeting its goal but is committed to taking the necessary steps to do so over the coming years. As detailed in the action plan steps will be implemented to ensure we are able to quickly identify issues if and when they arise and take the necessary steps to resolve them with as little impact as possible.

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 (see attached examples of scale and capacity)

As a group D council Cooma-Monaro Shire was slated as a possible merger partner with Bombala Council as well as Snowy River Shire. The three Councils engaged KPMG to undertake a merger business case looking at the viability of the merger option. As the business case did not provide significant benefit it was decided by all three councils that this option not be pursued. A copy of the KPMG report is included as part of this submission.

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.

Cooma-Monaro Shire has a population of 10,216 (Australian Bureau of Statistics 2014 ERP) and is situated in the Monaro Region of NSW. The town of Cooma is the commercial and social hub of the Monaro and Snowy Mountains region.
The Shire has a total land area of 5,229 km^2 which includes national parks, nature reserves, agricultural land, forests, villages, and the town of Cooma. The Shire has seen variations in population due to changes in industry and the activities of major employers such as "The Snowy" and the State Government.

Industry in the Shire consists of agriculture, some horticulture (including grapes, olives, vegetables and lavender) with the addition of tourism and retail services along with light industrial activities at Polo Flat. Snowy Hydro Limited and Snowy Mountains Engineering Corporation are also located in Cooma. Compared to many similar rural areas the Shire is lucky to have a diversified economy which is reflective of it being the "Capital of the Snowy Mountains".

Meeting the goals from our first Community Strategic Plan has been an ongoing work in progress and will continue to be. The major themes and goals from the CSP are:

- **Community life** – Create a caring and cohesive community
- **Environment for living** – The objective is to conserve and enhance the significant natural environment and cultural heritage

- **A prosperous Shire** – To promote regional sustainable economic prosperity, business diversification and development
- **Community connections** – To ensure urban and rural infrastructure provides for a connected region
- **Functional and attractive places** – To provide attractive places and spaces
- **Civic leadership** – Council will provide a strong representative voice for the community and be a responsible financial manager of community assets and resources in its role as civic leader.

The growth and development of the Shire will ultimately assist Council in meeting its fit for the future benchmarks and ensure there is a robust and healthy local economy. The new “So much to Love” campaign is a key element of our economic development strategy and will continue to be so into the future. Council partnered with Snowy Hydro in the development of the Cooma University Centre aimed at enabling local students to undertake tertiary studies without the need to travel away.

Ensuring Council as an organisation remains capable of delivering its services in a cost effective manner and is recognised as a worthy leader within the community is another priority. Cooma-Monaro Shire has lead the way on matters such as asset management, waste and recycling services and asbestos management compared to other similar sized Councils.

Ensuring our ongoing financial sustainability will be a key challenge for Council into the future. As the third tier of Government in Australia we are not always masters of our own destiny which can place undue pressure on sustainability. Recent examples include the indexation freeze on the Financial Assistance Grants by the Federal. Within NSW cost shifting and the impact of rate pegging have been well documented over many years. Without a change in attitude by other levels of government, local government through no fault of its own could still face an uncertain future. While we currently face the challenges of infrastructure and asset replacements our Fit for the Future proposal looks at addressing these over time.

2.2 Key challenges and opportunities

Strengths	Weaknesses
• Skilled workforce • Local availability of expertise • Diverse local economy • Regional centre with a number of major employers • Strong asset management capability • Ability to deliver key projects eg CBD upgrade, Lake Wallace, Marketing strategy • Strong alliances with Government agencies and other partners for the delivery of specific projects eg CMA / LLS projects, Waste initiatives • Strong relationships through CBR partnerships • Tourism events and development with Tourism Snowy Mountains • Secure water supply with existing water allocations capable of accommodating population and industry growth • Modern sewerage treatment facility with capability for population and industry growth • Proximity to Canberra and Queanbeyan as larger commercial areas and pools of expertise • An expanding Cooma University Centre catering for local and regional tertiary education • A TAFE College incorporating new apprentice training schemes • Strong commerce links with Canberra through CBRJO • High level of aged care, medical support and hospital services	• Infrastructure backlog • Current operating deficits • Current long term forecasts in deficit without additional rate increases • Large shire area to maintain services over in a cost efficient manner • Ageing population • Inadequate youth facilities • No air transport services • As referenced in the KPMG Shared Service report, a historical lack of trust between Cooma Monaro Shire and Snowy River Shire has inhibited the development of shared service agreements

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Strong service clubs and volunteer support
Snowy Hydro Scheme headquarters

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<tr><th>Opportunities</th><th>Threats</th></tr>
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Growth in the local economy through So much to Love campaign
Proximity to Canberra to capture population spread
Alliances to other Councils to further efficiency gains
Elimination of infrastructure backlog through debt
Elimination of operating deficits through Special Rate Variation over ten years
Better regional advocacy through the new Joint Organisation
Development of high tech projects such as wind farms and other renewables
Availability of commercial and residential land
Value adding existing improvements by further collaboration and partnerships
Grant success with government agencies

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Federal Government policy changes eg. Indexation freeze on Financial Assistance Grants, non-indexation of R2R
State Government attitude towards local government eg payment of s44 funds by RFS, rate pegging and cost shifting
Potential negative impacts of privatisation of Snowy Hydro generators and water supplies
Decentralisation policies bypassing Shire strengths and developments
Working population diminishing
Uncertainty of how Local Government fits in the overall structure of government in Australia

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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)	-0.25	No	-0.19	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	55.61%	No	62.23%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	37.52%	No	49.92% (57.95%)	No (No)

Note: the bracketed figure in the Building and Infrastructure Asset renewal shows how this ratio would look when it includes the predicted transfer to reserve on top of actual expenditure. We believe this is a better measure of our ability to fund our infrastructure renewals given the long life of these assets.

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

Operating Performance Ratio – Council's current operating result has been in a deficit position since the initial revaluation of the road assets in the 2009/2010 financial year. Prior to that Council typically recorded operating surpluses. The 2013/2014 result saw a deficit of $6,542K before Grants and Contributions for Capital. This was impacted by the adjustment to the Financial Assistance Grant payments and again driven largely by $7,093K in depreciation expense. The forecast deficit for the 2014/2015 year currently sits around $4,376K again driven by depreciation of $6,770K. Given the current size of the deficit, achieving this benchmark by the 2016/2017 financial year without significant above rate pegging variations is not possible. Our current forecast shows a reduction in the deficit to $2,994K by 2016/2017 and to be in a break even position by the 2023/2024 financial year. Council does not wish to impose large rate increases on the population, preferring a smaller increase over a larger time period.

Own source revenue – Council currently meets this benchmark and will continue to do so in the future.

Building and Infrastructure Asset Renewal – current forecasts have Council sitting at 40.92% for this benchmark by the 2016/2017 financial year. With the aim of reducing the infrastructure backlog to zero by the 2017/2018 financial year through borrowings there will be an increase in the level of spending on asset renewals. We have modified this benchmark slightly to include the anticipated transfer to reserves of surplus cash which will ultimately be set aside for these renewals. With the inclusion of this we will be meeting this target by the 2024/2025 financial year and be in a position to maintain this going forward. Given the life of infrastructure assets can be up to 80 years we would not necessarily need to renew assets over this 10 year forecast. For this reason we believe the inclusion of the reserve transfer gives a better picture of our real position and ability to fund renewals.

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%)	1.14%	Yes	0.61%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	94.05%	No	99.33%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.00%	No	1.04%	Yes

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

Infrastructure backlog ratio – Will be met by 2016/2017 **Asset maintenance ratio** – It is forecast that 100% of required asset maintenance will be achieved in the 16/17 financial year and beyond. Given the above measures are over a three year period it is still showing as not met as a three year rolling average. **Debt service ratio** – Will be met by 2016/2017

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	Increasing	No	Decreasing	Yes

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

Real Operating Expenditure per Capita – Will be met by 2016/2017

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?

In part, Water supply Yes, Wastewater No.

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

Council only partially meets NSW Government Best Practise management for Water Supply framework. At this point in time Council's Wastewater charging 'formula' is not completely in accordance with NSW Office of Water Best Practise. A review of the Wastewater fees and charges will be undertaken during the period 2016 to 2020 with a view to meeting Best Practise in a staged and timely way, without putting undue pressure on the community.

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

$34,835,000 This figure is currently under review as current discussion would suggest this is not reflective of actual current backlog. The expectation is that this would reduce.

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
Investigation/Construction of off-stream storage facilities for Cooma	2019	$1.5M	None
Construction of a water storage reservoir to replace an old reservoir that is at the end of it's design life	2020	$4.0M	None

2.4 Water utility performance

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

Yes

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. Operations staff restructure	2015/16	Improved system performance & level of service with improved efficiency & value for money
2.Ongoing asset & equipment renewal program	2016/2020	Reduced system failures & lifecycle operating costs. Improved environmental performance.
3.Ongoing staff training & development	2016/2020	Improved operational capability & reduced reliance on external providers. Improved staff retention & in-

		house knowledge base. Improved operational efficiency.

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.

Operating performance ratio – The key strategy to improve our operating performance will be the introduction of a Special Rate Variation (SRV) over a period of nine years. Our plan is to apply for two years at 4% above rate pegging and seven years at 3% above rate pegging. Our preference for this time frame is to allow the community to time to adjust to higher rates. While we could have applied for a higher SRV we felt this could adversely impact on residents and business alike. Other revenue items will largely increase per CPI and we have assumed that there will be no further indexation freezes on the Financial Assistance Grants (FAG) beyond the current freeze. We are aware that there is a review of the distribution of the FAG which could possibly see an increase to rural councils but have forecast based on current levels. Should we receive more in the future we would review our SRV and possibly reduce it downwards if possible.

Operating expenditures are forecast to be kept in check over the coming years. Wages growth has been forecast at slightly under the Award increases and will be achieved through tighter controls over overtime, casual labour and leave balances. The growth in our Materials and Contracts expenditure has been kept under CPI and will be achieved through tight budget control and prioritisation of works. A review of our depreciation expenditure has been undertaken and we are forecasting an $800K decrease in our Roads Depreciation. This is a result of better matching actual the life of assets with their depreciation useful lives and depreciation rates. Similar reviews will be undertaken on other asset classes over the coming years but they are not expected to have a material impact on our depreciation expense.

Our current forecast shows an Operating Surplus by the 2023/2024 financial year providing our assumptions hold true. We believe that through our participation in the JO and through the creation of the High Plains Alliance further savings could be realised which could improve our bottom line further.

Own source revenue – Council currently meets this benchmark and will continue to do so into the future. With the SRV outlined above our own source revenue will grow from around 62% this year to 68% in the 2024/2025 financial year. Council will continue to ensure it maximises income where it can through fees and charges.

Building and infrastructure asset renew ratio – with the improvements in the operating result over the coming years, surplus cash will be used to invest back into our infrastructure, either by direct spend or setting aside in an internally restricted reserve for use into the future. As many of our infrastructure assets have useful lives in excess of 80 years and will not be due for renewal over the life of this forecast we will not meet the ratio using the current formula. As such we have modified this ratio to include transfers to our infrastructure reserve as well as actual spending. Using this modified ratio we will achieve the benchmark in the 2024/2025 financial year for the single year and the year after that on a three year average. The modified ratio calculations are included in brackets in the tables.

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.

A document including all the key assumptions has been attached to the submission.

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. Elimination of operating deficits within 10 years	a) Introduction of long term Special Rate Variation (SRV)	Approval of SRV by IPART	Increased operating income growing rates revenue from $6.4M in 2014/2015 to $11M by 2024/2025	The elimination of the operating deficits will give Council a greater surplus of funds to invest back into infrastructure as well as making it less susceptible to future changes. This in turn will assist Council in meeting many of the other benchmark measures
	b) Tight budget control over operating expenditure	Meeting annual budget expenditure targets	Better efficiencies in operations ensuring funds are allocated to priorities.	
	c) Review of depreciation expense	Completion of review and acceptance of methodology by auditor	Depreciation expenditure reflective of what is happening on the ground. Ensuring this figure is accurate means the right amount of funds are set aside for future replacements	

	d) Creation of an alliance similar to the Wellington, Blayney, Cabonne(WBC) model	Set up of formal alliance structure and appointment of an Executive Officer	Working together with other Councils will ultimately eliminate duplication and drive efficiencies and cost savings over time. The WBC model has been able to realise savings of $5.7M in the 12 years it has been operating.	
2. Maintenance of own source revenue above the 60% benchmark	a) Introduction of long term Special Rate Variation (SRV) b) Ongoing review of other fees and charges ensuring maximisation of revenue	Approval of SRV by IPART Council controlled fees and charges set at levels reflective of service provision or legislative limits	Increased operating income growing rates revenue from $6.4M in 2014/2015 to $11M by 2024/2025 This in turn will ensure Council maintains its own sources of funding and does not become reliant on funds it has no control over.	Nil
3. Ability to fund infrastructure renewals as required	a) Set policy in place to set annual minimum reserve transfer amounts for infrastructure renewals	New policy adopted by Council	With Council's improving financial position over time it will be important to ensure surplus funds	It is anticipated that additional investment in our infrastructure and will provide a

			are set aside for infrastructure renewals on existing assets rather than being used to fund additional services or new assets.	reduction in annual asset maintenance over time. If these savings materialise it will reduce the required annual asset maintenance and potentially reduce the operating surplus sooner.
	b) Utilise debt for capital replacements where appropriate	Loan contract entered into and funds drawn down	To reduce the existing infrastructure backlog to zero through the use of debt. Once the infrastructure backlog has been reduced it will be important to maintain a low level. Future use of debt to fund such replacements should be seen as a consideration	
	c) Continue to invest in Asset Management staff and systems	Asset management plans updated to an “advanced” level per our Asset Management Strategy.	A strong asset management system ensures up to date and accurate information is available regarding	

		Critical assets identified for all asset classes, and appropriate risk management strategies formulated Improved condition data quality that accurately reflect actual condition Strategies to manage risk associated with assets in poor and very poor condition.	our assets. This in turn feeds into forecasts and capital works planning which is crucial to long term success	

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.

Infrastructure backlog ratio – While Council currently meets this ratio our goal is to reduce our backlog to as close to zero as possible. The strategy employed to achieve this will be the use of debt to fund the current infrastructure backlog. Council's general fund currently has no debt and as such is in a position to service a loan. Given the availability of cheaper funding through the proposed Treasury Corp facility we see this as a sensible move. Once the initial hurdle of infrastructure backlog has been addressed we will be in a better position to manage this into the future with the additional surplus cash as a result of the SRV and other measures.

Asset maintenance ratio – in dollar terms Council needs to increase its expenditure on asset maintenance by around $150K per annum which we believe is more than achievable over the next couple of years. Our goal is to fund 100% of the required asset maintenance in the 2016/2017 financial year. This will be achieved through prioritisation and allocation of existing budget to asset maintenance rather than necessarily relying on additional income.

Debt service ratio – Council is proposing to utilise the low cost loan facilities announced as part of the Fit for the Future package. The strategy is to reduce our existing infrastructure backlog to close to zero by the end of the 2017/2018 financial year through the use of debt. It is anticipated that by investing in our assets and bringing the condition of them up to an acceptable standard there will be some reduction in annual maintenance. Due to time constraints we have not been able to complete this modelling for inclusion in this submission. While Council has historically steered away from the use of debt it needs to become a considered option into the future.

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

A document including all the key assumptions has been attached to the submission.

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. Reduction in current infrastructure backlog to zero	a) External loan to fund current infrastructure backlog	Loan agreement signed off and funds drawn down	Funds available to complete works on infrastructure backlog	
	b) Adequate funds set aside annually to provide for future infrastructure backlogs	New policy adopted by Council setting minimum annual amounts for transfer to reserves	An internally restricted reserve with sufficient funds to ensure assets are kept in a satisfactory condition into the future	
	c) Provide quality asset management data	Asset management plans updated to an “advanced” level per our Asset Management Strategy. Critical assets	A strong asset management system ensures up to date and accurate information is available regarding our assets. This in turn feeds into	

		identified for all asset classes, and appropriate risk management strategies formulated Improved condition data quality that accurately reflect actual condition Strategies to manage risk associated with assets in poor and very poor condition	forecasts and capital works planning which is crucial to long term success	
2. Sufficient annual asset maintenance expenditure	Review of existing budget allocations across Council to prioritise expenditure	Reduction of asset maintenance gap to zero	By properly maintaining our assets we will ensure that the expected life of the asset is reached or exceeded reducing the need for early replacement of assets.	
3. To maintain an acceptable level of debt for the purposes of funding	External loan to fund current infrastructure backlog	Loan agreement signed off and funds drawn down	Funds available to complete works on infrastructure backlog	

capital works to existing assets				

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.

Real operating expenditure per capita – tight control on expenditure through Council's budget process is our key strategy in meeting this target. Council implemented a new financial system in 2012 and over the ensuing years has utilised the software to better understand and forecast annual expenditure. While expenditure outside Council's control has been increased by CPI over the life of the forecast, other expenditure items are growing at less than CPI. Staff costs have been forecast to grow at slightly less than the Award increases. This will be achieved through less use of overtime and casual staff. Council will also focus on reducing the Employee Leave Entitlement liability which will also drive savings into the future.

Managers were advised through the 2015/2016 budget process that there would be no additional funds available over what they were allocated in the 2014/2015 budget. This in effect was a real decrease in budgeted expenditure and has been achieved in terms of the budget. Managers will continue to focus on looking for efficiencies in their operations to help achieve savings.

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

A document including all the key assumptions has been attached to the submission.

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 control spending levels ensuring costs are contained	a) Management of annual budget allocations b) Tight budget control throughout the year c) Ongoing review of operational expenditure d) Implementation of monthly management reporting process	2015/2016 budget set with the Fit for the Future forecast parameters Annual budget met with no excess expenditure Key areas of Council reviewed Procedure prepared and implemented	The key outcome across all of the strategies is to ensure funds are allocated to the required areas of Councils and are spent accordingly. Moving to a monthly reporting regime ensures any issues are identified quickly and can be resolved with little or no impact on the overall budget.	This is key also to meeting our operational result benchmark. Without careful management of expenditure, additional revenue could easily be eroded by cost blow outs.

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. Establish the High Plains Alliance Shared Service model	Appointment of an Executive Officer by April 2016
2. Establish nine year SRV	Approval for SRV granted in time for 2016/17 implementation
3. Plan program of works for infrastructure backlog items completed to “shovel ready” status	All projects relating to infrastructure works identified, scoped, planned and costed by February 2016
4. Apply for loan through new TCorp facility for backlog projects	Application lodged by August 2016

5. Implement policy for use of surplus funds	Policy written and presented to Council for adoption by June 2016
6. Design and implement monthly management reporting system	New process and policy developed and adopted by Council by December 2015
7. Monitor the Fit for the Future benchmarks	Process for monitoring implemented by December 2015
8. Complete detailed works program for maintenance and capital works	Detailed long term plans available for maintenance and capital works by December 2015
9. Complete review of staff expenditure	Review completed by December 2015
10. Review fleet hire rates	Review of hire rates completed by September 2015
11. Review and update annual budget process	Budget process reviewed and updated by December 2015 ready for use in the 2016/17 budget process
12. Provide ongoing support to Councillors	Workshops held as necessary to keep

	Councillors up to date with Council's progress in meeting the Fit for the Future targets
13. Continue existing and investigate new partnerships with other organisations	Participation in existing partnerships maintained and new partnerships formed where possible
14. Undertake a service level review with the new Council	Service review completed by November 2016
*** Please attach detailed action plan and supporting financial modelling**	

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

Outlined below are the main tasks undertaken in the development of this submission. Works commenced upon release of the FFTF program last year and culminated in this submission. Council has kept an open mind throughout this process and has looked at the options of improvement, merger, resource sharing and alliances in parallel. Given the timetable it has not been able to fully explore some of the options but is more than comfortable with the decision that has been made.

Financial modelling – financial modelling of the improvement plan was undertaken in-house and has been developed over a number of months. It looked primarily at what Cooma-Monaro Shire needed to do to meet the FFTF benchmarks and what level of change was necessary. It was used as the basis for decisions around the 2015/2016 budget meaning we have taken the first steps in becoming FFTF. The model showed that with a relatively small SRV's over a long time period, coupled with cost restraint Council could meet all of the benchmarks within a ten year period.

Councillor workshops – a number of workshops were held with the Councillor to ensure they were involved in the process and to provide the opportunity for Senior Staff to present the various options to them and get their input and feedback. Workshops have provided a forum for education, discussion and decision making in relation to the FFTF process.

Senior staff meetings – The Senior Staff group consisting of the General Manager, Director of Corporate Services, Director of Environmental Services and Director of Engineering Services meet on a weekly basis and have discussed our FFTF strategy at these meetings since the reform program was announced last year. This group has had the primary responsibility of running the process and ensuring the submission is made on time. Additional meetings were scheduled as necessary throughout the process to ensure decisions were made and the process kept on track

High Plains forum meetings – The High Plains forum consists of Bombala, Cooma-Monaro and Snowy River Shires and has met on numerous occasions to discuss various ideas. These meetings have typically been attended by the Mayor, Deputy Mayor and General Manager of each Council. This group was responsible for the appointment of Ernst and Young and then KPMG for the Merger Business Case and then KPMG for the resource sharing business case. The group has also progressed the idea of forming an alliance similar to the Wellington, Blayney, Cabonne model.

Workshop attendances – Senior staff members attended various workshops, webinars and information sessions arranged by the OLG and LGNSW to keep up to date with the process and to ensure Council was across the various issues being discussed.

Examples of these include Preparing your Council's Fit for the Future Proposal (November 2014) Regional Collaboration and Shared Services: What works? (April 2015), update on the JO pilots webinar (May 2015),

EY and KPMG meetings and reports – through the development of the merger business case and resource sharing options a number of meetings were held with the consultants. The first facilitated by Ernst and Young involved all Councillors and Senior staff from Bombala, Cooma-Monaro and Snowy River Shires and established the desire to progress with a merger business case. The second meeting with KPMG involved the Senior staff from the three Shires and commenced the merger business case process. There was a follow up meeting with KPMG to then discuss the first draft of their report. Through this process KPMG also met individually with each of the Councils to gather information. The General manager from Cooma-Monaro Shire co-ordinated this process on behalf of the three Shires and was the primary point of contact with EY and KPMG.

Community consultation – Community information session were held in the first week of June in Michelago, Bredbo, Nimmitabel and Cooma. A separate report outlining this process is attached to the submission.

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.

Merger business case with Snowy River Shire Council and Bombala Shire Council

The three Shires commissioned KPMG to present a business case on the benefits of merging the three Shires. A copy of that report is attached to this submission. The report showed that the net benefit of a new merged entity was only $3.71M over ten years in net present terms and would not meet four of the seven benchmarks. Adding in the $11M offer from the NSW Government saw the net present benefit rise to $13.76M.

While there is obviously some financial benefit in merging the three shires it is felt that these are not of sufficient size to progress this option any further. The report used the experience of Auckland Regional Council (New Zealand) and Toronto Council (Canada) as a starting point to estimate the potential cost reductions and efficiency gains that the merged entity could realise. Council felt that these examples bore absolutely no relevance to the three Monaro Councils and as such it is questionable whether the estimated benefits will eventuate at all. Council was able to find current reports on both the Auckland and Toronto mergers which suggested the actual outcome was far different to what had been envisaged at the planning stage.

Feedback from community members during public consultation did not support the idea of a merger. Residents like the fact that they are able to contact Council staff and Councillors and fear some of this could disappear if they had to deal with a larger Council. Residents of the smaller villages feared their voice would be lost under a merger and influencing Council for the betterment of their community would become even harder.

Resource sharing / Alliance options with Snowy River Shire Council and Bombala Council.

The three Shires also commissioned KPMG to present a report on the potential benefits of resource sharing. While the Shires have been working together over many years through the High Plains forum it is felt that there is opportunity to do more, potentially through a more formal arrangement. A copy of the report provided by KPMG is included.

At the time of writing discussions are still under way and will continue to explore the options possible. Current thinking is an alliance akin to the Wellington, Blayney Cabonne model which has been in existence for 12 years. A meeting of the High Plains Mayors, Deputy Mayors and General Managers saw unanimous agreement to proceed along these lines. Cooma-Monaro Shire has formally adopted the proposal and has further committed funding for the engagement of an Executive Officer and sees this model as being able to provide significant benefits. Cooma-Monaro Shire has formally resolved to pursue this option with the other two Council's as well contribute $50,000 to the funding of an executive officer for the alliance.

While Council will continue to move this idea forward over the coming months it will not take any major steps in the creation of the alliance until the NSW State Government announces it decision in October.

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)	-0.25	-0.25	-0.19	-0.16	-0.14	-0.11	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	60.39%	62.37%	62.23%	63.59%	64.51%	64.94%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	43.81%	44.09% (49.96%)	49.92% (57.95%)	53.70% (59.30%)	53.64% (62.28%)	44.59% (60.58%)	No No
Infrastructure Backlog Ratio (Less than 2%)	1.12%	1.18%	0.61%	0.07%	0.0%	0.00%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	95.55%	97.44%	99.33%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	0.0%	0.41%	1.04%	1.68%	1.88%	1.85%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	2.35	2.26	2.14	2.09	2.06	2.03	Yes

Note: the bracketed figure in the Building and Infrastructure Asset renewal includes the predicted transfer to reserve on top of actual expenditure.

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.

Operating performance ratio – In reducing Council's deficit operating results it has always been conscious of the impact of any changes on the rate payers. Therefore when looking at a Special Rate Variation Council made the decision to apply the increase over a longer time period. This way our ratepayers have time to make adjustments to their household or business budgets to take into account the higher rates. By 2019/20 the deficit will have more than halved since the 2014/15 budgeted result. By 2023/24 Council will be in a surplus position and be able to maintain that into the future.

Building and infrastructure asset renewal- meeting this benchmark in its current form will be difficult as we do not necessarily need to spend an equivalent to our depreciation expense each and every financial year. Our infrastructure assets can have a life span of up to 80 years and with sufficient ongoing maintenance useful lives of assets can be extended. When looking at this benchmark we introduced an extra element to it, namely projected transfers to reserve or monies set aside for future works. When the projected cash transfers are factored into this benchmark we meet it on an annual basis in 2024/25 and most likely by 2025/26 on a rolling three year basis. (although the forecast does not extend this far) We believe this amendment proves the point that we are spending sufficiently on renewing assets when they come to the end of the useful lives as well as putting sufficient cash aside to provide for future works and renewals.

Our forecasts have been very conservative in the estimation of capital grants we may receive. We have historically been successful in obtaining grants to complete capital works and would expect this to continue into the future. Additional grants will help in achieving this benchmark. Council also has the capacity to borrow further, again assisting with achieving this benchmark.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

There are two key items in our Improvement Action Plan for implementation, namely a Special Rate Variation and a loan to fund infrastructure backlog. Council is not looking to review or change its current service levels but will continue to seek cost savings and efficiencies as it currently does now. Council does not see the implementation of these actions to be significantly outside the norm of what it does each year anyway and as such will not be a large drain on resource.

There has been discussion that Council's deemed FFTF will be able to avail themselves of above rate pegging increases up to 5% outside the regular IPART SRV process. Cooma-Monaro Shire is currently operating under the assumption that it will not need to undertake the extensive process currently in place by IPART and will be able to undertake a more streamlined process. It will, however , take the necessary steps now to start the ball rolling for a SRV application should the streamlined process not eventuate.

The second key item in our plan is the use of debt to fund our current infrastructure backlog. Council does not see this as a significant undertaking in terms of time and resource to implement and will commence the application process once it has been deemed FFTF. Council will utilise the facility to be set up by NSW Treasury as discussed in the FFTF package.

The FFTF financial model was used to determine the allocation of budget to the difference programs for the 2015/2016 financial year. The key goal of not increasing the overall expenditure compared to the 2014/2015 financial year has been achieved. This long term financial model will remain a living forecast to ensure we meet the targets as we have currently planned to do. Further work will be undertaken to strengthen our budget management to ensure that variances are quickly identified and rectified where necessary before it is too late. As with any forecast there are always unforseen events that impact results and it is important we are able to absorb these with as little impact as possible on the overall goal.

While not directly impacting the financial aspect of the proposal, the establishment of the High Plains Alliance Shared Service model is also a key component of what Council will do. As outlined previously Council views this as a viable alternative to a merger of the three Councils and fully expects that cost savings, efficiency gains and improved services will result from the alliance. All three councils can draw on the experience of the Wellington, Blayney and Cabonne model and have already made contact with their Executive Officer with the view to seeking their assistance in the creation of our own alliance.

All staff across Council, including our Councillors will ultimately play a part in the implementation and success of the plan. The improvements will be driven by the Senior Staff team with implementation falling to all areas of Council.
Please also refer to our detailed action plan attached to the submission.