



Lithgow City Council

Fit for the Future Submission to NSW State Government

Council Improvement Proposal

(Template 2)

Template 2



Council name: Lithgow City Council

Date of Council resolution endorsing this submission: 29 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 Lithgow City Council:

“Council in Central West JO”

Therefore it is considered that the Panel believes that Lithgow City Council already has the scale and capacity. Lithgow City Council has also assessed and presents its track record of strategic capacity against the elements proposed by the Review Panel.

Added to this during 2014 Council’s Mayor, Deputy Mayor and General Manager met with representatives from the surrounding and nearby councils of Bathurst, Blayney and Oberon to discuss options under the Fit for the Future proposals. The outcome of those discussions was that the councils considered that mergers were not considered appropriate for their council areas. Given this Council’s submission has therefore been prepared on the basis of a “stand alone” Council.

In addition to having scale and capacity as recommended by the Independent Local Government Review Panel (ILGRP), Lithgow City Council meets several of the Fit for the Future criteria that have been set by the NSW Government for its financial sustainability over the next five years in respect of sustainability, infrastructure and service management and efficiency.

In addition:

- TCorp assessed Council as being financially sustainable, with a ‘Sound’ financial sustainability rating

- Lithgow City Council was involved in an amalgamation process in 2004 where areas of the former Evans and Rylstone shires were included in the Lithgow LGA.
- Lithgow City Council has a long track record of operating under regional arrangements, including shared services and resource sharing through CENTROC and strategic alliances.
- Council is operating as per the Independent Review Panel Recommendation as a Council in a joint organisation
- Lithgow City Council is a strong performer in the delivery of large capital projects partnering with State and Federal Government funding bodies

1.2 Scale and Capacity

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

Yes

The Independent Local Government Review Panel (ILGRP) placed Lithgow City Council in:

Group G; Larger rural and regional councils (excluding Hunter, Central Coast and Illawarra)

The Option presented for Lithgow City Council was:

Council in Central West JO

The Local Government Independent Review Panel report describes councils that are “fit for the future” as being those with sufficient “scale and capacity” to deliver modern, efficient and sustainable services to local communities.

The starting point for scale and capacity according to the Office of Local Government, and more recently confirmed by the IPART Assessment Methodology, is to be the Local Government Independent Review Panel recommendation for each council.

Council further submits the following as demonstration of its scale and capacity:

1. Council has demonstrated a commitment to performance, best practice and efficiency improvements over time, as evidenced by the following:
 - a. Council has been assessed by TCorp as being 'sound' financially.
 - b. Council has implemented all recommendations from the 2007 Office of Local Government Promoting Better Practice Review, indicating that it is operating at best practice across all its operations

- c. Council participates in the NSW Local Government Professionals *Operational and Management Effectiveness Survey* demonstrating Council's commitment to benchmarking performance and enabling management decisions to improve its performance
 - d. Council was given a rating of 'moderate' in the OLG Infrastructure Audit demonstrating its performance in managing infrastructure
2. Lithgow City 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.
 3. Lithgow City Council has not only ensured that it is effective in delivering quality services and infrastructure to the community, but it has also demonstrated that it is building significant social and economic capacity into the community.
 4. Lithgow City Council is already an active participant in regional collaboration and resource sharing through CENTROC

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

| Key Elements of Strategic Capacity | |
|---|--|
| More robust revenue base and increased discretionary spending | <ul style="list-style-type: none"> • Council's own source revenue ratio is forecast to remain over the benchmark of 60% from 2014/2015 onwards • Council has been very active, and successful, in seeking out grants over the past 6-8 years |
| Scope to undertake new functions and major projects | <ul style="list-style-type: none"> • Council has delivered significant capital projects in the past six years including: <ul style="list-style-type: none"> - Water supply and sewerage projects \$42.88M - General fund projects \$47.66M • New capital projects already programmed \$29.64M to the end of 2016/17 • Council is committed to delivering best practice water and sewerage services |
| Ability to employ wider range of skilled staff | <ul style="list-style-type: none"> • Proximity to Sydney and Bathurst assists in the attraction and retention of skilled staff • Resource sharing through CENTROC delivers capacity in this area • Council has demonstrated commitment to local employment and building local skills through its apprenticeships and traineeships program • Flexibility has been built through multiskilling staff across business units and operational areas |
| Knowledge, creativity and innovation | <ul style="list-style-type: none"> • Water supply and sewerage scheme projects are delivering modern quality services • Council has adopted many new and improved technologies, e.g. provision of iPads to councillors, online tracking of development applications, mobile inspection program for staff using iPads |

Key Elements of Strategic Capacity

| | |
|---|---|
| | <ul style="list-style-type: none"> • Council has demonstrated its ability to manage and complete major projects, including multi-million dollar projects • Council has a project management framework in place |
| <p>Effective regional collaboration</p> | <ul style="list-style-type: none"> • Council is an active member of the CENTROC group of councils, now the trial Joint Organisation for the Central West. The ROC to this point has been very successful in its endeavours and considered to be one of the leading ROCs. • Council has been a member of the Blue Mountains Oberon and Lithgow Regional Tourism Organisation (BMLOT). This is currently being reviewed • CENTROC is a Joint Organisation pilot project, therefore Lithgow City 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 in CENTROC including ARC Blue Procurement, internal audit, telephony and regional training programs • Council continues to be a member of LGNSW • Council staff are members of their respective professional associations, e.g. LG Professionals |
| <p>Credibility for more effective advocacy</p> | <ul style="list-style-type: none"> • In line with its track record for effective regional collaboration, Council has been an effective advocate for its LGA and the broader region through collaboration, successful grant funding and regional leadership • Council is a member of CENTROC. Council is presently represented on the Executive of CENTROC and Council's former Mayor was the Chairperson • The Lithgow City Council General Manager is a member of the CENTROC General Managers Advisory Committee (GMAC) and has also held the position of Executive General Manager/Secretary/Treasurer of the ROC, he has also held a position on the Regional Development Australia – Central West (RDACW) and positions with other organisations. |
| <p>Advanced skills in strategic planning and policy development</p> | <ul style="list-style-type: none"> • Council's Integrated Planning and Reporting documents meet legislative requirements • The LTFP meets legislative requirements • Council has introduced a new LEP for the area • Council's governance framework facilitates effective policy development and continuous review • Longer term plans have been prepared for a number of areas of both strategic and financial in nature |

Key Elements of Strategic Capacity

| | |
|---|--|
| | <ul style="list-style-type: none"> • Council completed the Promoting Better Practice Review from 2007 |
| <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 • Significant funding that Council has received has included funding the Lithgow Sewerage Treatment Plant (\$21M); Wallerawang STP (\$8.5M); Portland STP (Est \$15M); Clarence Water Transfer Scheme (\$4M); • Council has also partnered with the State Government and Emirates in the construction upgrade of the Wolgan Road at a cost of \$4.5M and also with the Commonwealth under the RLCIP Program for the Tony Luchetti Sportsground Precinct upgrade of \$4M and also with both the State and Federal Governments for the Farmers Creek Flood Mitigation Program, Stages 1 & 2, \$7M along with Stages 1-4 of the Lithgow Aquatic Centre upgrade \$8M |
| <p>Resources to cope with complex and unexpected change</p> | <ul style="list-style-type: none"> • Council has demonstrated this capacity in recent years and managed a number of large projects that have come its way • Council has a solid revenue base and has own source revenue currently near the benchmark and forecast to be at this benchmark. • 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 situations including: <ul style="list-style-type: none"> - Natural Disaster Relief and Recovery Arrangements program responses to major flooding events in 2010 and 2012 - Section 44 Bushfire event in 2012 (State Mine Fire) |
| <p>High quality political and managerial leadership</p> | <ul style="list-style-type: none"> • Lithgow City Council enjoys a stable and cohesive elected council. Council's current Mayor has been in the position for 3 years (Statham) and prior to that mayors holding the position for consecutive periods of 13 years (Castle) and 10 years (Martin) • Council's General Manager has been in the position for almost seven years as well as holding general manager positions at other councils for over eight years making a total of 15 years, and has driven the efficiencies and cost savings • Council has a highly qualified, experienced and stable managerial team • 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 |

Key Elements of Strategic Capacity

the Future benchmarks

- Council has demonstrated a long track record of regional collaboration and leadership
- Council has demonstrated its preparedness to deal with poor councilor behavior and misconduct to ensure that leadership is sound.

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.

The Lithgow Local Government Area (LGA) has a relatively large geographical area of 4,551 sq km, located about 140 kilometres west of the Sydney CBD and within the eastern part of the Central West Region. On the western fringe of the Blue Mountains, just two hours from Sydney and at the gateway to the Central West, the Lithgow area is the perfect getaway. The Lithgow LGA lies almost wholly within the Wiradjuri Aboriginal nation, with the Gundungurra nation situated to the south and the Darug nation to the east. The Lithgow LGA is made up of one large urban centre, Lithgow, two townships, Portland and Wallerawang, and numerous villages, hamlets and rural localities of varying proximity to Lithgow. The residential population for the 2011 census was recorded as 20,161.

Within minutes of the city itself, you can be walking through historic villages, visiting spectacular lookouts, sitting beside clear flowing creeks or discovering the many beautiful valleys that dominate the region.

Lithgow is best known for its strong industrial heritage with coal mines, steel manufacturing and power generation, but it also has an exquisitely beautiful area boasting six national parks and rare flora and fauna.

Current and future population

- The usual resident population on census night (2011) was 20,161
- The estimated resident population of Lithgow City Council at June 2014 was 21,249 (source ABS Regional Population Growth dated 31 March 2015)

| | 1996 | 2001 | 2006 | 2011 | 2014 | Change 1996-2014 as a percentage |
|--------------|--------|--------|--------|--------|--------|---|
| Lithgow City | 19,248 | 19,332 | 19,760 | 20,161 | 21,249 | 10.4% |

2014 NSW Population Projections prepared by NSW Planning and Environment

| | 2011 | 2016 | 2021 | 2026 | 2031 | Total % Change |
|--------------|--------|--------|--------|--------|--------|-------------------|
| Lithgow City | 20,850 | 21,000 | 21,000 | 20,900 | 20,600 | -1.2% |

Community Demographics

Current predictions by the Department of Planning and Environment and NSW Department of Health state that although there will be slight population growth in the Lithgow area until 2017, the Lithgow population is expected to progressively decline with no population growth until the year 2036. Furthermore, the area is expected to age at a higher rate than other NSW populations.

In 2011, the median age of the Lithgow population was 42 years and it is projected to rise to 51 years by 2036 should current trends continue. The Economic Development Strategy identifies that there is a high proportion of in-migration or return to the area by residents between the ages of 40-54 years of age and a decline in the number of young adults of child-bearing age between 25-39 years.

Although the LGA has a higher percentage of students completing year 10 than the rest of the central west, students going on to complete year 12 is lower. Furthermore the decline in the number of young adults in the area suggests that young people are leaving school and seeking employment or education elsewhere due to a lack of tertiary education facilities and limited job opportunities within the area. The Technical and Further Educational Institute (TAFE) in Lithgow does have a higher percentage of enrolments than in the Central West and NSW as a whole at 9% compared to 8% and 7.7%. This can be attributed to the availability of a variety of certificate courses including metal trades, hospitality, early childhood and business administration.

Council has been able to establish a university presence in the area and this will also build on local industry requirements. The recent development of a Rural Medical School Campus by Notre Dame University as part of the Lithgow Hospital is a step forward in furthering Lithgow's reputation as a 'learning city' and enhances our capacity to grow the Health Services Sector. Added to this is the presence of the

University of Western Sydney (UWS) which is working in a partnership with Lithgow City Council. Although the Lithgow Region lies predominately in Wiradjuri country we recognise the strong connection to the area of the Dharug and Gundungurra peoples. In 2006, 605 persons (3.1% of the population) were of aboriginal and/or Torres Strait Islander descent.

The Lithgow LGA's multicultural community is diverse with the top 10 nationalities from the United Kingdom, New Zealand, Germany, Philippines, Netherlands, China, Italy, Ireland, USA and Poland. This equates to 8.7% (1,717 persons) of our population having been born overseas with 3.8% (757 persons) being from non-English speaking countries. The majority of the community resides within the urban centres of Lithgow, Wallerawang and Portland, 21.83% of the population resides in rural localities and villages within Lithgow region.

Demographics (2011 ABS Census)

- The median age of residents of Lithgow City is 42 years; 4 years older than the median age for New South Wales as a whole
- Compared with New South Wales as a whole Lithgow City has relatively more people aged 45 years+ and relatively fewer people aged 20-44 years old
- 85% of Lithgow City residents were born in Australia and 9% were born overseas; the most common countries of birth other than Australia were UK, New Zealand and Germany
- 91% of residents of Lithgow City speak English at home
- The majority of households, in Lithgow City, are family households couples with children (25%), couples with no children (27%), one parent families (11%) and lone person households (30%)
- Of the families in Lithgow City, the majority were couples with or without children (52%)
- Education background – i.e. 26% of the adult population have completed Year 12 of school etc
- The median weekly household income in Lithgow City was \$896; this is lower than the New South Wales average of \$1,237

Housing (2011 ABS Census)

- In 2011 there were 8115 occupied private dwellings in Lithgow City and 89% of all dwellings were detached dwellings
- Overall, 39% of occupied private dwellings in Lithgow City were fully owned, 30% were being purchased with a mortgage and 23% were rented

Local Economy and Employment (2011ABS Census)

- Of the Lithgow population aged 15+ those with Post School Qualifications:
 - Bachelor or Higher 7.5% (up 1% since 2006 census) compared to NSW 19.9%
 - Advanced diploma/diploma 5.3% (up 0.6% since 2006 census) compared to NSW 8.3%
 - Vocational Qualification 23.3% (up 2% since 2006 census) compared to NSW 17.7%
 - No qualification 49.7% (down 2.5% since 2006 census) compared to NSW 42.8%

- The labour force participation rate, amongst residents aged 15 years and over, was 53% compared to NSW 59.7%
- Unemployment in Lithgow was 7.2% compared to NSW 5.9%
- 33% of jobs in Lithgow City were part-time (NSW 31.8%) and 57% were full-time (NSW 60.2%)
- The most common occupations of employed residents in the Lithgow LGA, were:
 - Technicians and trades (18%, Machinery Operators and drivers 14%)
 - Clerical and Administration (13%)
 - Professional (12%)
- The industries of employment in the Lithgow LGA were:
 - Mining (12%)
 - Retail (10%)
 - Health care and social assistance (11%)

Our Community Vision, Aspirations and Priorities

The Lithgow Community Strategic Plan adopts the following visions for the Lithgow LGA:

Our vision

A centre of Regional excellence that:

- Encourages community growth and development
- Contributes to the efficient and effective management of the environment, community and economy for present and future generations

Vision Statements

The following vision statements have then been developed in collaboration with the community to guide the Community Strategic Plan.

| | |
|------------------|---|
| Community | We retain, respect and strengthen both our overall sense of community, and the unique linked communities of groups, rural areas, villages and towns that make up the Lithgow LGA. |
| Transport | Providing a choice of effective public and private transport options for those who live, work and visit our community. |
| Employment | Developing and embracing diverse job opportunities for all ages and abilities. |
| Heritage | Celebrating, protecting and sustaining our unique industrial and natural heritage, its cultural landscapes and its built heritage. |
| Education | Progressing to a “learning city of excellence” with a broad range of formal and nonformal education services. |
| Health | Creating a healthy community providing opportunities and facilities for a healthy lifestyle. |
| Environment | Balancing, protecting and enhancing our diverse environmental elements, both natural and built, for the enjoyment and support of both current and future generations. |
| Arts and Culture | Supporting, celebrating and expanding a diversity of cultural and creative adventures that explore and discover the richness in our society. |

| | |
|-----------------------------------|--|
| Youth | Providing suitable entertainment and recreational facilities; education and employment opportunities and lifestyle choices for our valuable community of young people. |
| Growth | Providing for sustainable and planned growth, while enhancing the existing rural and village identity. |
| Governance & Administration | Developing community confidence in the organisation by the way it is directed, controlled and managed. |

2.2 Key challenges and opportunities

Lithgow City Council has identified the following challenges and opportunities for the community and organisation.

| Strengths | Weaknesses |
|--|--|
| <ol style="list-style-type: none"> 1. Close proximity to Sydney, Bathurst and Orange 2. Country/community lifestyle/liveability and attraction to tree changers 3. Close proximity to major transport routes e.g. Great Western Highway and the main East-West Railway Line 4. Healthcare facilities including hospital and a good number of doctors and health specialists 5. Education facilities (pre-school, primary and secondary schools along with a university presence) 6. Available serviced land for industrial, commercial and residential purposes 7. Availability of major utility service infrastructure e.g. power supply 8. Assets infrastructure in good condition – upgraded town water supply and two newly upgraded sewerage treatment plants and third plant currently under design 9. Demonstrated capacity to deliver and compete for major infrastructure projects 10. Good water supply - delivery of adequate quantity to meet demands and quality of water supplied meeting AWDG. 11. Modern sewerage treatment plants with capacity for growth 12. Tourism 13. Lithgow's light industry culture 14. Creative people and culture 15. Easy lifestyle 16. Property prices in and around the area 17. Electrified rail 18. Financially sound 19. Recreation facilities | <ol style="list-style-type: none"> 1. NBN broadband infrastructure not available 2. Mobile telephone black spots throughout the LGA 3. TV Reception is unreliable in a number of towns 4. Limited employment opportunities for school leavers 5. Long term availability of land for industrial park 6. External perceptions of Lithgow 7. Past lack of forward planning for commercial areas in Lithgow 8. Poor telecommunications/broadband outside Lithgow's CBD 9. Poor appearance of Lithgow's CBD 10. Youth leaving for education 11. Lack of employment opportunities 12. Great Western Highway – the need for a second major road crossing over Blue Mountains 13. Asset backlog |

| | |
|---|--|
| | |
| <p>Opportunities</p> <ol style="list-style-type: none"> 1. Affordable residential and commercial land costs relative to other similar regional centres and metropolitan centre 2. Continued expansion of tourism destination 3. Residential housing demand due to location to large population centres of the Sydney metropolitan area and Blue Mountains 4. Industrial and transport industry development potential adjacent to major transport routes 5. Growing aged care industry and facilities 6. The recent upgrades in water and sewerage infrastructure will adequately cater for potential future population growth 7. Grant funding 8. Local cultural industries 9. Marketing plan 10. Transform Lithgow's CBD into the 'hub' of the town 11. Development of a brand and identity. | <p>Threats</p> <ol style="list-style-type: none"> 1. Ageing population – impact on community services 2. Strong dependence on mining and power industries 3. Lack of marketing 4. Lack of proactive activities 5. Lack of clear identity 6. Cost shifting from other levels of government 7. Increasing community expectations on service provision 8. Increasing potential for natural disaster, e.g. bushfire events 9. Youth retention - loss of youth and younger people population demographic to larger cities |

Lithgow's Competitive Advantages

Overall, it is evident that Lithgow has many social, economic and environmental advantages that can provide the basis for future prosperity.

In summary, Lithgow:

- Is very well located with respect to its proximity to Sydney and major transport infrastructures as it is on a primary route between Sydney/Blue Mountains and the Central Western Region.
- Has a rich and proud cultural history.
- Has great physical charm, especially in terms of its heritage and environmental attractions which a both a sound base upon which to build lifestyle opportunities and tourism.
- Has an important cluster of engineering related companies, with potential to grow this sector.
- Has a strong industrial sector that has diversified from the original resource base into specialised machinery and equipment manufacturing, food processing and other sub-sectors.
- Has a unique climate which is attractive to certain niche industries.
- Has a low cost business environment compared with other neighbouring regions.
- Is supported by a strong skilled labour market.
- Has significant community services and facilities available which can be improved.
- Has an important role in delivering retail and business services to a wide regional catchment.

Lithgow's Competitive Disadvantages

Lithgow also has a range of competitive disadvantage such as:

- A lack of suitable land available for industrial and commercial purposes exacerbated by the geography of the Local Government Area.
- A lack of strategic marketing and consequent continuation of a highly negative external perception of the Lithgow Local Government Area that has existed for many years.
- Limited activities and educational opportunities for the youth of the area to access.
- Limited telecommunications/broadband available outside of Lithgow's CBD.
- Limited employment opportunities for resident workforce exacerbating issue of population decline.
- Forecast population declines and an increasing Ageing population placing pressure on local services and sustainability of the Local Government Area.
- Poor health ratings of local residents resulting in a range of social and economic issues in the Local Government Area.
- Socio-economic indices that list Lithgow as being within the lowest rankings of economic, educational and occupational disadvantage when compared to neighbouring municipalities.

2.3 Performance against the Fit for the Future benchmarks

| Sustainability | | | | | | | | |
|---|------------------------------------|---|------------------------------------|--------------------------------|--------------------------------|--------------------------------|------------|---|
| Measure/ benchmark | 2013 / 2014 performance | Achieves FFTF benchmark? | 2016 / 2017 performance | 2017/18 performance | 2018/19 performance | 2019/20 performance | Avg | Achieves FFTF benchmark? |
| Operating Performance Ratio (Greater than or equal to break-even average over 3 years) | -10.5% | No | -10.6% | -7% | -11% | -9% | -9% | No |
| Own Source Revenue Ratio (Greater than 60% average over 3 years) | 59.3% | No | 69% | 67% | 68% | 68% | 68% | Yes |
| Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years) | 134.9% | Yes | 54% | 62% | 68% | 90% | 69% | No |

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

Lithgow City is currently financially sustainable and Fit for the Future

Lithgow City Council is already fit for the future and meets the criteria that have been set by the NSW Government for its financial sustainability over the next five years and therefore has the capacity to continue in its current form, as detailed below.

In April 2013 NSW Treasury Corporation (TCorp) provided Lithgow City Council with a Financial Assessment, Sustainability and Benchmarking Report. TCorp's assessment of Council's Financial Sustainability Rating was that it was Sound, with a Negative outlook. Further, TCorp's report stated that "*The Council has been well managed over the review period.....*" Lithgow City also received a rating of 'Moderate' from the OLG Infrastructure Audit.

Operating Performance Ratio

This ratio does not reflect the contribution of grant funding. Council will strive to improve this.

Own Source Revenue

'Achieved'

Council has in the past been successful in applying for 'one off' major grant funding. This has affected this ratio but it is expected to be achieved in future years. It should also be noted that Council does not operate many non-core activities e.g. aged care, saleyards, child care etc which may impact on this ratio.

Building and Infrastructure Asset Renewal

'Achieved' for current period. This is forecast to decline during the 2016-20 period.

2.3 Performance against the Fit for the Future benchmarks

| Infrastructure and service management | | | | | | | | |
|---|----------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|------|--------------------------------|
| Measure/ benchmark | 2013 / 2014 performance | Achieves FFTF benchmark? | 2016 / 2017 performance | 2017 / 2018 performance | 2018 / 2019 performance | 2019 / 2020 performance | Avg | Achieves FFTF benchmark? |
| Infrastructure Backlog Ratio (Less than 2%) | 5.45% | No | 4% | 3% | 2% | 1% | 2% | Yes |
| Asset Maintenance Ratio (Greater than 100% average over 3 years) | 81.18% | No | 106% | 110% | 115% | 120% | 113% | Yes |
| Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years) | 2.33% | Yes | 4% | 4% | 4% | 3% | 4% | Yes |

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

Infrastructure Backlog Ratio

'Achieved' - The information used here has in the last been estimated only and has not been audited. Council has set benchmark targets so as to achieve this ration by 2019/20.

Asset Maintenance Ratio

'Achieved' - Council has focused on some major asset upgrades and improvements over the past six years. This is evidenced by the Building and Infrastructure Renewal Ratio which has been:

Debt Service Ratio

'Achieved'

2.3 Performance against the Fit for the Future benchmarks

| Efficiency | | | | | | | |
|---|----------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| Measure/ benchmark | 2013 / 2014 performance | Achieves FFTF benchmark? | 2016 / 2017 performance | 2017 / 2018 performance | 2018 / 2019 performance | 2019 / 2020 performance | Achieves FFTF benchmark? |
| Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time | \$1.22 | No | \$1.36 | \$1.40 | \$1.43 | \$1.47 | No |

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

Council does not see this as a relevant benchmark in the circumstances when Council has been increasing the level of service in recent years. The level of service has also included a minor rate variation. All of these added costs therefore increase the operating expenditure per capita.

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.

Lithgow City Council operates a successful Water Supply and Sewerage network across the LGA within the NSW Government Best Practice Management (BPM) of Water Supply and Sewerage Framework.

Council achieved a 90% and 89% implementation of the NSW BPM requirements for Water and Sewer respectively in the 2013/2014 year. The areas not achieved relate to Integrated Water Cycle Management Plan and Developer Service Plan reviews. Noting that Council has completed the ICWM evaluation strategy.

As per the 'Strategic Business Plan for Water Supply and Sewerage Services' Council provides supporting information for Council's Integrated Planning and Reporting (IP&R) as well as satisfying compliance requirements for NSW Office of Water.

Council manages its water supply and sewerage operations on a full cost recovery basis each year. Council has augmented water supplies in the towns of Lithgow, Wallerawang and Portland as the villages of Lidsdale, Rydal, Cullen Bullen and Glen Davis. Council has sewerage network in the towns of Lithgow, Wallerawang and Portland and village of Lidsdale.

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 since 2008, including:

- Lithgow Sewerage Treatment Plant upgrade \$22.7M
- Wallerawang Sewerage Treatment Plant upgrade \$8.4M
- South Littleton and South Bowenfels pump station upgrades and pipelines \$3.4M
- Clarence Water Transfer Scheme upgrade \$4.1M
- Construction of the Goulds Hill Reservoir \$1M

Council presently has under design the Portland Sewerage Treatment Plant upgrade. This is a project estimated to cost \$15M.

Council's water supply operations have generated a positive return. The Operating Performance Ratio for water supply operations in 2013/2014 is 7.01%.

Council's sewerage operations have generated a surplus operating result before capital grants and contributions in 2013/2014. The Operating Performance Ratio for sewerage operations in 2013/2014 is 10.78%. Council has achieved an operating surplus result in three of the past five financial years.

Historically Council has a strong performing water supply and sewerage network with the combined operating performance above zero. This positive performance is set to continue. By having a strong operating performance ratio, it gives a good indication of Council's ability to fund renewals and improvement opportunities for each of the networks.

The backlog of 22% (\$6.6M) and 28% (\$17.5M) for water supply and sewerage network respectively, show the majority of the infrastructure assets are in a satisfactory condition.

This strong and sustainable financial indicator, along with a low infrastructure backlog, shows the water and sewer funds are not only sustainable but are also maintaining good infrastructure assets.

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

| | |
|--------------|----------------|
| Water | \$6.6M |
| Sewer | \$17.5M |
| Total | \$24.1M |

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 |
| Oakey Park WTP Upgrade – Online Monitoring and Filter Replacement | 2015-17 | \$1.5M | \$Nil |
| Renewals of water mains and pump stations | Ongoing | \$400,000pa | \$Nil |
| Renewal of Shaft St Reservoirs | 2015-17 | \$1M | \$Nil |
| Portland Sewerage Treatment Plant Upgrade | 2015-17 | \$15M | \$10M |
| Provision of Cullen Bullen Sewerage Treatment | 2017-19 | \$6.24M | \$4M |
| Renewals of sewer mains and pump stations | Ongoing | \$600,000pa | \$Nil |

N.B. Project schedules are based on the availability of resources and to allow completion in a cost efficient manner with minimal disruption to services.

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2.4 Water utility performance

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

Yes

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

Improvement strategies

| Strategy | Timeframe | Anticipated outcome |
|--|-------------------|--|
| Implementation of the Water Loss Program | 2014-17 | Identify Water loss |
| Completion of Integrated Water Cycle Management Strategy (Evaluations Strategy already approved) | 2015/2016 | Updates long term strategies for provision of water and sewer services |
| Update of Strategic Business Plan for Water and Sewer | 2017/2018 | Updated business model and pricing paths for water and sewer services |
| Update of Development Servicing Plan | 2015/16 | Set strategies for long term development charges for new residential and other development |
| Progress the storm water infiltration program | 2015/16 - 2019/20 | Reduce the amount of storm water infiltration into sewerage system. Increase |



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.

Lithgow City Council is already 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 Lithgow City remain a standalone council in a Central West Joint Organisation
- Council is forecast to meet several of the Fit for the Future sustainability, infrastructure and service, and efficiency benchmarks over the life of the 2015/2016 ten year Long Term Financial Plan and most importantly, by 2019/20 which is the date at which councils need to demonstrate their performance against the benchmarks for IPART

Council has committed to improving its efficiency and effectiveness over a long period of time. This is to be demonstrated through:

- Diversifying revenue base and own source revenue ratios above the benchmark
- Healthy results in both the TCorp Financial Sustainability reviews and the OLG Infrastructure Audit
- The delivery and facilitation of a range of core and non-core services to its community building increased accessibility, quality of life and sustainability of the local economy
- Maintain expenditure levels in line with current revenue levels
- Undertake a review of the rating base
- Investigate and pursue alternate sources of revenue
- Undertake a review on the rate of return on assets
- Undertake a review of the Service Standards and levels for Council's assets
- Maintain and renew community assets to the required level of service
- Deliver on the Lithgow Community Strategic Plan

As a Fit for the Future Council, Lithgow City will continue to operate efficiently. The key focuses of Council's Improvement Proposal within this context are:

1. Sustainability - build greater financial scale and capacity to continue to service the needs of its community into the future
2. Infrastructure and Service Management – continue the commitment to best practice asset management to ensure Council manages its assets effectively, and delivers quality assets to its community
3. Efficiency – While Council will not demonstrate a declining operating expenditure per capita it will ensure the organisation delivers quality services in the most cost-effective way over time, Council will:
 - a. Continue its commitment to regional collaboration and resource-sharing to reduce costs of services where possible
 - b. Implement a rolling program of service reviews to ensure that over the course of each 4 year Delivery Program, it considers each service it delivers as to its ongoing alignment with community priorities, its effectiveness, and whether it is being delivered in the most efficient way possible

Within the context that it is already Fit for the Future, Council believes that these key strategies will ensure its remains on track to not only continue to meet the Fit for the Future benchmarks, but more importantly to deliver quality and cost-effective services to meet the needs of the Lithgow City community over time.

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.

Council will look to re-apply for a special rate variation increase to correspond with the termination of the existing SRV in 2019. This will be used to fund infrastructure renewal of its road and building 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.

In addition, Council will continue to 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.

The sustainability strategies are outlined below:

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. Maintain expenditure levels in line with current revenue levels | Review current levels of expenditure and revenue and set targets | Development of targets by 30 June 2016 | Maintain or reduce levels of expenditure | Maintaining levels of expenditure will assist in reducing or maintaining all of the ratios |
| 2. Undertake a review of the rating base | Review the current rating base to ascertain the benefits or otherwise of a rate increase above the rate pegging limit | Development of a position to allow Council to make a formal assessment of the benefits of a rate variation | Provide Council with a basis for future years rating | Improved operating performance ratio and own source revenue ratio |
| 3. Investigate and pursue alternate sources of revenue | Identify potential alternative sources of revenue | Development of a working paper that identifies potential alternate sources of revenue for Council to consider | Potential increase in revenue in future years | Improved operating performance ratio and own source revenue ratio |

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|--|---|---|--|---|
| 4. Maintain/improve condition of Council assets | Undertake a review of the Service Standards for Council's assets | Develop new Service Standards | Better maintained assets | Improved infrastructure and Service Management ratios |
| 5. Maintain and renew community assets to the required level of service | <p>a) Review service levels</p> <p>b) Review useful lives</p> <p>c) Incorporate into financial management</p> | <p>a) 30 June 2016 – Water, 30 June 2017 – Sewer, 30 June 2018 - Buildings, 30 June 2019 - Roads</p> <p>b) September 2015</p> <p>c) 1 July 2017</p> | <p>a) Adjust required maintenance levels</p> <p>b) Adjust required maintenance levels</p> <p>c) More strategic approach to asset renewal and maintenance</p> | <p>a) Will affect asset backlog</p> <p>b) Will affect asset backlog</p> <p>c) Infrastructure and asset backlog ratios would improve</p> |
| 6. Deliver on the Community Strategic Plan | Implement Community Strategic Plan (CSP) | Implementation of objectives in accordance with milestones in CSP | Implementation of plan in accordance with Community aspirations | Operating performance rate. |
| 7. Secure additional revenue to keep Council's operating performance ratio well above the benchmark and ensure funding for | <p>Implement Special Rate Variation in 2019/2020, including:</p> <p>a. Notify community of intention to apply for SRV</p> | <p>Commencement in July 2018</p> <p>Community Engagement Strategy reviewed</p> | <p>Targeted local roads hierarchy established</p> <p>Effective asset management</p> | All three Sustainability Benchmarks will be enhanced |

| | | | | |
|--|--|---|---|---|
| <p>renewal of road network assets</p> | <ul style="list-style-type: none"> b. Community consultation and engagement c. Notify IPART of intention to apply d. Submit application to IPART <p>Fund infrastructure renewal of its road network and building assets</p> | | <p>Further reducing the infrastructure backlog ratio</p> | |
| <p>8. Drive cost savings through procurement</p> | <p>Implementation of a Best Practice in Procurement Program, including:</p> <ul style="list-style-type: none"> 1. Procurement Roadmap - Arc Blue 2. Review Procurement Action Plan and policies | <p>Commenced November 2014</p> <p>Development of a spend analysis completed June 2015</p> <p>Utilisation of LGP Tender Panel and TenderLink</p> | <p>Realisation of actual savings and internal efficiencies in a comprehensive contract management framework</p> <p>Training needs analysis and up-skilling staff</p> <p>Prepare a Stores operation development strategy</p> | <p>Operating Performance Ratio 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.

The continued implementation of the Asset Management Plans for all classes of assets. Council has in recent years developed and/or adopted Asset Management Plans for the various classes of assets it controls. Council is now implementing the various strategies proposed in the plans into Council's financial management plans. In order to achieve this Council is currently reviewing its levels of service and verifying means of accurately forecasting the cost of implementation of the plans.

It is expected that this will occur during 2016/2017 and commence implementation during subsequent years.

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

Council will assess any assets on the useful life of the asset as opposed to using the standard depreciation rates`.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

Council is achieving the Fit for the Future Sustainability Benchmarks of the Debt Service Ratio performance measure for the entire period. This means that Council has capacity to borrow money if needed.

Council did not achieve the Fit for the Future Sustainability Benchmarks for Infrastructure Backlog Ratio and Asset Maintenance Ratio in 2013/2014.

Council notes the Jeff Roords and Associates (JRA) review of the methodology for the Assessment of Councils for the Fit for the Future. JRA observation is that the asset framework has not been applied consistently to “Bring to Satisfactory” BTS or “backlog” across NSW local government. Lithgow City 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 Long Term Financial Plan.

The following strategies are being utilised by Council to improve performance in infrastructure and service management:

3.2 Infrastructure and service management

| Objective | Strategies | Key milestones | Outcome | Impact on other measures |
|-------------------------------------|---|---|---|--|
| 1. Implement Asset Management Plans | a) Review service levels | a) 30 June 2016 – Water, 30 June 2017 – Sewer, 30 June 2018 - Buildings, 30 June 2019 - Roads | a) Adjust required maintenance levels | a) Will affect Infrastructure Backlog Ratio |
| | b) Review useful lives | b) September 2015 | b) Adjust required maintenance levels | b) Will affect Infrastructure Backlog Ratio |
| | c) Incorporate into financial management plans | c) 1 July 2017 | c) More strategic approach to asset renewal and maintenance | c) Infrastructure Backlog and Asset Maintenance Ratios would improve |
| | d) Review Asset Management and Risk Plan, strategies and policies | d) Asset Management Plans identify asset service standards | d) The determination of satisfactory target service levels | d+e) The Infrastructure Backlog Ratio and Asset Maintenance Ratio - Infrastructure and Service |
| | e) Review of Council Infrastructure Plan – define community | e) Road and Transport asset classes valuation | e) Special Schedule 7 - flows directly from the Delivery | |

| | service level for asset maintenance | at fair value | Program which defines performance indicators for service levels | Management Benchmarks will be achieved |
|---|---|---------------|---|---|
| Improvements/ Secure funding for asset renewals | a) Where appropriate utilise borrowing capacity to invest in infrastructure renewal projects b) Application for State Government Local Infrastructure Renewal Scheme (LIRS) funding c) Source grant funding | | Capital investment in asset renewal program | Debt Service Ratio is within benchmark level of 0 to 20%. The Infrastructure Backlog Ratio Benchmark will be reduced |



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 does not see this as a relevant benchmark in the circumstances when council has been increasing the level of service in recent years. The level of service has also included a minor rate variation. All of these added costs therefore increase the operating expenditure per capita.

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

Council will continue to provide services in accordance with the Community Strategic Plan. Council will look to undertake activities in as cost effective manner as it can.

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. Accommodate future needs | Build infrastructure that will meet the needs of the community in the future | <ul style="list-style-type: none"> Investigate the development of Residential and Commercial Subdivisions Increase/upgrade sporting and cultural facilities | Ability to meet future service needs | Improved Operating Performance Ratio |
| Understand how the organisation is performing | a) Benchmark Lithgow City with other councils Local Government Professionals Australia | Completed 2012/2013 and 2013/2014 | Survey statistics to be utilised to drive cost savings and efficiencies within the | The Efficiency Benchmark will be achieved and enhanced through |

| | | | | |
|---|--|--|---|--|
| <p>Continue to collaborate regionally</p> | <p>(LGPA) - Operational and Management Effectiveness Report – (Identify trend analysis of operational cost centres and functional service areas of Council</p> <p>b) Performance tool for benchmarking by senior management of operational efficiencies of individual cost centres)</p> <p>Be an active partner in the Central West Joint Organisation of Councils (CWJO), including:</p> <p>a) Development and implementation of a JO Management Plan</p> <p>b) JO Strategic Plan aligned with Quadruple Bottom</p> | <p>Continue annual benchmarking for entire period to 2019/2020</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 Central West Region</p> | <p>organisation</p> <p>Effective tool for meaningful comparisons of Councils that focus on operational and management excellence</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</p> | <p>regional collaboration</p> <p>The Efficiency Benchmark will be achieved and enhanced through regional collaboration</p> |
|---|--|--|---|--|

| | | | | |
|---|--|---|---|--|
| <p>Continuously improving the quality and efficiency of all of Council's services</p> | <p>Line principles</p> <p>c) Intergovernmental collaboration; i.e. State Government</p> <p>Undertake four year rolling program of service reviews as part of Council's Delivery Program, including:</p> <p>a) Develop four year program of service reviews, with a focus on those services of greatest cost to the organisation</p> <p>b) Update the Four Year Delivery Program to incorporate the service review program</p> <p>c) Implement program annually</p> | <p>Program established and Delivery Program updated</p> <p>Six Monthly Delivery Program Report to include service review progress and outcomes</p> <p>Annual update of Council's Long Term Financial Plan</p> | <p>efficiencies, avoid duplication of services and realisation of \$ saving annually</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 • Whether it is being delivered in the most efficient way possible <p>Opportunities for improvements, alternate service delivery methods, or</p> | <p>The Efficiency Benchmark will be achieved and enhanced through this program, with the potential for improving the Operating Performance Ratio over time</p> |
|---|--|---|---|--|

d) Report outcomes through the Six Month Delivery Program report and update Long Term Financial Plan annually to reflect any savings or changes

changes to service levels

3.4 Improvement Action Plan

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

Lithgow City Council will look to meet the benchmarks. Council is proposing to re-apply for a Special Rate Variation to continue in 2019/2020 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.

Action plan

| Actions | Milestones |
|--|--------------|
| Continued implementation of Council's Asset Management Plans – Water | 30 June 2016 |

| | |
|--|---------------|
| Incorporate Asset Management Plans more precisely into financial plans | 30 June 2016 |
| Source grant opportunities and submit high quality grant applications in order to achieve additional funding or services for the region | Ongoing |
| Assessment of service levels to ensure that we are meeting community needs and that the chosen levels are socially, financially and environmentally sustainable | Ongoing |
| Utilisation of loan funding to achieve maximum results without undue restrictions being placed on future budgets | Annual review |
| Completion of the Integrated Water Cycle Management Plan | 2015-16 |
| Update of Strategic Business Plan for Water and Sewer | 2017-2018 |
| Continued implementation of strategic planning documents developed for all Council areas: e.g. Community Strategic Plan, Community Plan, Tourism Plans, Marketing Plan, Destination Management Plan, Economic Development Strategies, Water Management Plans and Waste and Recycling Strategy. | Ongoing |

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

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

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

Council undertook a series of meetings with the neighbouring and nearby councils of Bathurst, Oberon and Blayney as well as Upper Macquarie County Council to discuss the options available to all councils. Each of these Councils indicated that they were not interested in discussing the possibility of merger, however, they are happy to discuss other options to increase productivity through bulk purchasing and other potential cost saving areas.

In relation to its own submission, Lithgow Council recently undertook its normal series of public meetings throughout the Council area as part of the Operational Plan consultation. During these meetings the community was informed about the Fit for the Future process.



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.

Other Councils

Throughout 2014 Council held a series of meetings with the surrounding council areas of Bathurst, Blayney and Oberon to discuss options available. Options considered at these meetings included:

- Merger
- Resource sharing
- Potential cost savings through joint purchasing schemes

The overwhelming response from these meetings was that all councils were interested in pursuing points 2 & 3 above and were opposed to any discussion on merger.

Joint Organisation

Council is one of the major contributors to the Centroc group of councils. Centroc presently covers 15 council areas in the Central West of NSW plus a water county council. Centroc was successful in being nominated as a pilot Joint Organisation under the Fit for the Future proposal. This will further facilitate regional planning, procurement and lobbying.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Anomalies in some of the ratios have also been raised in the Review of IPART Assessment Criteria undertaken by Intentus Chartered Accountants on behalf of the Centroc group of councils.

Council's action plan also addresses a change in focus in future years that places more emphasis on asset maintenance and renewal and allows Council to meet Own Source Revenue ratio, the Infrastructure Backlog ratio, Asset Maintenance Ratio and Debt Service Ratio.

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.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

1. Completion of Council's Asset Management Plans
2. Further incorporate asset management Plans into financial plans
3. Continue to source grant opportunities
4. Conduct assessments of service levels
5. Review the utilisation of loan funding to achieve maximum results without undue restrictions being placed on future budgets
6. Complete Integrated Water Cycle Management Strategy
7. Update of Strategic Business Plan for Water and Sewer
8. Continued implementation of strategic planning documents developed for all Council areas: e.g. Community Strategic Plan, Tourism Plans, Marketing Plan, Destination Management Plan, Economic Development Strategies, Water Management Plans and Waste and Recycling Strategy
9. Complete a review of Developer Service Charges

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

Implementation of the above will be monitored as part of the regular budget reviews and also via the presentation of reports to Council.

Reporting will be via budget reviews and also the monthly reports on implementation of the Operating and Delivery Plan which are the strategic documents that implement the Lithgow Community Strategic Plan. Council is also under the Integrated Planning and Reporting guidelines required to present a report on the achievements of the Council in relation to the objectives of the Lithgow Community Strategic Plan at the end of the four year term of the Council.