

Council Improvement Proposal

(Existing structure)



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name:

Mid-Western Regional Council

Date of Council resolution endorsing this submission:

1.1 Executive Summary

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

In September 2014, the NSW Office of Local Government released A Blueprint for the Future of Local Government focused on local government reform. The reform program requires all councils to prepare a plan to become Fit for the Future.

PURPOSE OF REPORT

This report represents Mid-Western Regional Council's submission under the Fit for the Future reforms, including:

- Completion of a self-assessment against the Fit for the Future benchmarks; and
- Development of a Council Improvement Proposal and Action Plan.

SCALE AND CAPACITY

The Final Report of the Independent Review Panel places Mid-Western Regional Council in Group G for Non-Metropolitan Regions. The commentary in the Final Report says that this group of Councils appears likely to be sustainable in their current form for several decades.

As Mid-Western Regional Council has been assessed as having sufficient Scale and Capacity to stand alone, it is therefore required to submit a Council Improvement Proposal for the purposes of the reform process.

Further discussion of Mid-Western Regional Council's ability to demonstrate that it has sufficient Scale and Capacity to become Fit for the Future is included in Section 3.3 of its Fit for the Future Report.

PERFORMANCE AGAINST FIT FOR THE FUTURE BENCHMARKS

Mid-Western Regional Council's current position and forecast future performance has been self-assessed against the three Fit for the Future Benchmarks of Sustainability, Infrastructure and Service Management and Efficiency.

The self-assessment shows that whilst Mid-Western Regional Council falls short of satisfying all of the ratios included in the Sustainability and Infrastructure and Service Management benchmarks in 2013/2014, it does show significant improvement against these benchmarks in the future. By 2019/20, it is expected that Mid-Western Regional Council will satisfy the majority of ratios included in the self-assessment. The analysis shows that Mid-Western Regional Council is already meeting the Efficiency benchmark and is expected to do so into the future.

Section 3.4 of Mid-Western Regional Council's Fit for the Future Report provides further discussion of the calculations and analysis undertaken.

Mid-Western Regional Council's water utility performance is considered in Section 3.5 of the Report.

COUNCIL IMPROVEMENT PROPOSAL AND ACTION PLAN

A detailed review of Mid-Western Regional Council's current and forecast position has assisted in identifying potential areas for improvement in the future.

The key strategies for improvement include:

- Strategy 1: Examine Opportunities to Raise Additional Revenue
- Strategy 2: Examine Opportunities to Reduce Operating Expenses
- Strategy 3: Improve Asset Management and Service Processes
- Strategy 4: Ensure Rational Asset Decisions Are Made
- Strategy 5: Address Infrastructure Backlog
- Strategy 6: Utilise Debt as Relevant
- Strategy 7: Pursue a Continuous Business Improvement Program

Section 4 of Mid-Western Regional Council's Fit for the Future Report identifies Council's Improvement Plan and the timeline for implementing the activities identified in the plan.

The initiatives contained in Council's Improvement Plan will not only help Mid-Western Regional Council to improve its performance against the Fit for the Future benchmarks by 2019/20, but also ensure that it remains a Fit for the Future Council in the future.

1.2 Scale and Capacity

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

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

Yes

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

N/A

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 Mid-Western Region is located just 3.5 hours (or 250 kilometres) from Sydney and offers a quality lifestyle in a dynamic economic environment. Located in the Central West of NSW, the area covers over 9,000 square kilometres and has a population of 24,000. The Region also attracts more than 500,000 visitors each year to experience local wine, food, sporting and cultural events, as well as its unique cultural heritage.

DEMOGRAPHIC PROFILE

The key features of the Region are summarised in the following table.

Table 1: Key Features of Mid-Western Region

Population	24,000
Area	9,000 sq km
Major towns and centres	Mudgee, Gulgong, Kandos, Rylstone
Major industries	Agriculture, Mining, Tourism, Viticulture, Retail
Competitive advantages	Diverse and growing economic base Centrally located to NSW metropolitan and major regional centres Good transport links Skilled workforce Strong business services sector Great lifestyle benefits Thriving tourism, arts and cultural sectors Adequate water supply

A key feature of the Region's economy is its diversity.

The population of the Region continues to grow as a result of new economic and business opportunities associated with a diverse economic base and the increasing number of tree changers who are moving here for lifestyle reasons.

With new job and business opportunities across a range of industries, including agriculture, viticulture, tourism, mining and retail, the Region is an attractive location for those looking to relocate to a regional area. This results in a high quality and skilled local labour force, with relatively low levels of unemployment for a regional area.

Population Size

The table below provides population data for the Mid-Western Region Local Government Area for the last 5 years.

Table 2: Population of Mid-Western Region 2010-2014

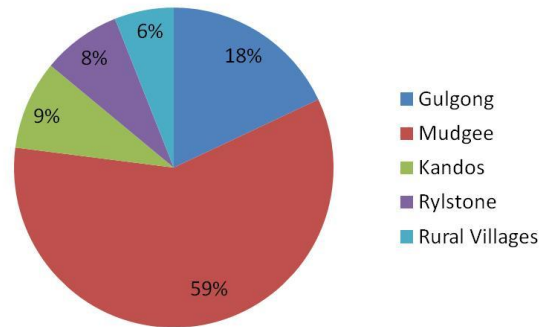
2010	2011	2012	2013	2014	% Change Last 5 Yrs	% Change Annual Avg.
22,774	23,020	23,532	23,843	24,017	6.9%	1.4%

As at 30 June 2014, the estimated resident population of the Region was 24,017. Based on these statistics, the population of the Region grew by 0.7 percent in the 12 month period ending 30 June 2014. The annual average rate of growth (based on the last 5 years) was 1.4 percent.

Population by Town

The diagram below illustrates the breakdown of population across the towns in the Region, at the last Census date. It shows that the largest town in the Region is Mudgee, which includes almost 60 percent of the population. Just under 20 percent of the population lives in the Gulgong area, with a similar percentage of the population based in the Kandos and Rylstone areas.

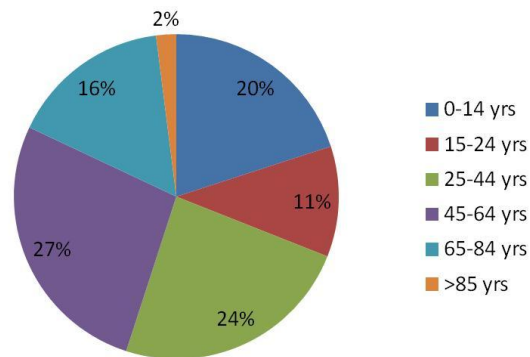
Diagram 1: Population by Town



Age of Population

The diagram below shows the age distribution profile of the population of the Region, as at the last Census date. It shows that despite an ageing population across Australia, the Region has a high percentage of youth (just over 20 percent of the population) and people of a working age (around 60 percent).

Diagram 2: Age Profile of Population



2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Ability to attract and retain skilled professional staff in most professional areas • Good financial position • Strong leadership and advocacy role • Positive relationships with industry leaders, neighbouring Councils and government stakeholders • Successful history of attracting grant funding to deliver major projects and new infrastructure • Adopts proactive and strategic approach to planning for the future • Strong commercial property portfolio 	<ul style="list-style-type: none"> • Covers large geographical area • Limited resources to manage impacts of significant growth • Significant amount of assets to be managed • Underutilisation of existing assets • Lack of quality asset data and systems • Managing community expectations on the affordability of new projects and ongoing service levels
Opportunities	Threats
<ul style="list-style-type: none"> • A diverse local economy with new business and employment opportunities • A growing population with an increased number of young people and families • New infrastructure and services to cater for growth • Ability to attract new investors • Build on reputation as a wine and sports tourism destination • Increased emphasis on tourism niche markets such as food, wine and cultural heritage 	<ul style="list-style-type: none"> • Inability to maintain infrastructure and services to satisfy growth needs • Reliance of local economy on resource sector • Housing boom and bust conditions • Lack of affordable housing • Losing local identity • Competition between local industries for scarce resources

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)	-3.9%	No	-2.7%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	58%	No	58%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	87%	No	148%	Yes

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

A detailed discussion of Council's current situation and forecast performance is included in Section 3.4 of its Fit for the Future report. This report has been lodged as an attachment.

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%)	14%	No	13%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	87%	No	87%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	4%	Yes	3%	Yes

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

A detailed discussion of Council's current situation and forecast performance is included in Section 3.4 of its Fit for the Future report. This report has been lodged as an attachment.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	-1.0%	Yes	-3.0%	Yes

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

A detailed discussion of Council's current situation and forecast performance is included in Section 3.4 of its Fit for the Future report. This report has been lodged as an attachment.

2.4 Water utility performance

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

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

No

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

Council does not currently achieve the requirements of the NSW Government Best Practice management of Water Supply and Sewerage Framework.

The key elements of the framework and Council's performance against these elements of the framework are discussed below:

Integrated Water Cycle Management

- Council has submitted a draft Integrated Water Cycle Management evaluation study to the NSW Office of Water for review. This is a necessary step that needs to be completed prior to Council being able to move on to the development of an Integrated Water Cycle Management Strategy; and
- Upon receiving feedback from the NSW Office of Water, Council will be able to proceed with the development of a strategy which meets the best practice framework.

Water Conservation

- Water Conservation will form an integral component of Council's Integrated Water Cycle Management Strategy; and
- As discussed above, the development of this strategy will be conducted upon receipt of feedback from the NSW Office of Water regarding the draft evaluation study.

Strategic Business Planning

- A 20-30 Year Strategic Business Plan is a key element of the best practice framework. Council has a Strategic Business Plan which is

updated every 5 years. The current plan will be reviewed and updated within the next 6-12 months; and

- Council has a Long Term Financial Plan for Water and Sewer.

Drought Management

- Council has a Drought Management Plan which forms part of the Strategic Business Plan. As discussed above, the current plan will be reviewed and updated within the next 6-12 months. Although new guidelines have been issued for drought management purposes, at this stage the NSW Office for Water has recommended using the existing plans as the basis for updates in the short term.

Pricing and Regulation of Water Supply, Sewerage and Trade Waste

- Council does need to undertake further work in this area to meet the best practice framework. This includes managing pricing for the Development Servicing Plan (DSP) and a Trade Waste Regulation Policy;
- Council's current DSP does not satisfy the benchmark for cross-subsidisation. Council's current policy position is to provide a 50% discount on the calculated DSP charges. To meet State Government Best Practice Guidelines, Council needs to eliminate any subsidies. Council is in the process of formulating updated draft DSPs, with options being recommended to Council that would result in an elimination of the 50% subsidy, but overall only a slightly increased contribution level for developers; and
- Council has a draft Trade Waste Pricing Plan for local businesses however it is yet to be approved by Council for implementation purposes. As this involves the introduction of a new charge for local businesses, the next step in progressing the development of this pricing plan is to undertake community consultation. This will occur within the next 6-12 months.

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

Council's current water and sewerage infrastructure backlog based on the 2013/14 year was \$39.127 million.

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
Sewer Pump Station Construction	2018/19	\$970,000	
Mudgee Sewer Augmentation	2019/20	\$3,000,000	
Rylstone/Kandos Sewer Augmentation	2019/20-2020/21	\$19,000,000	
Charbon Sewerage	2018/19	\$2,800,000	
Water Distribution – West Mudgee	2018/19	\$5,320,000	
Mudgee Water Headworks	2018/19	\$11,755,000	
Water Reservoir Gulgong Flirtation Hill	2016/17	\$1,500,000	

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. Firm up policy position on the treatment of stormwater and trade waste charges with a view to implement in 2017/18.	2015/16	Stormwater and trade waste charges to be implemented from July 2017.
2. Implement best practice water and sewer management	2015/16	Meet best practice framework.

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.

A detailed discussion of Council's Improvement Proposal is included in Section 4.0 of its Fit for the Future report. This report has been lodged as an attachment.

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.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
See attached report.				

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.

A detailed discussion of Council's Improvement Proposal is included in Section 4.0 of its Fit for the Future report. This report has been lodged as an attachment.

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

A detailed discussion of Council's Improvement Proposal is included in Section 4.0 of its Fit for the Future report. This report has been lodged as an attachment.

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
See attached report.				

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.

A detailed discussion of Council's Improvement Proposal is included in Section 4.0 of its Fit for the Future report. This report has been lodged as an attachment.

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

A detailed discussion of Council's Improvement Proposal is included in Section 4.0 of its Fit for the Future report. This report has been lodged as an attachment.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
See attached report.				

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
The key improvement actions are provided in Attachment 5 of Council's Fit for the Future Report (including timeframes for delivery).	
* Please attach detailed action plan and supporting financial modelling	

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

Council's Improvement Proposal was prepared following workshops with Councillors and Council's Executive Management Team.

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.

N/A

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)	-3.9%	-5.8%	-6.2%	-2.7%	-2.5%	-1.9%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	58%	59%	58%	60%	62%	63%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	124%	132%	148%	125%	119%	118%	Yes
Infrastructure Backlog Ratio (Less than 2%)	11%	10%	9%	9%	8%	7%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	89%	84%	84%	84%	84%	84%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	4%	3%	3%	3%	3%	3%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	-8%	-1%	-5%	-3%	-4%	-3%	Yes

Note: IPART will assess this table in accordance with section 3.3 in the [Methodology for Assessment of Council Fit for the Future Proposals](#)

*if your council is including FAGs in this calculation please provide information for years 2020/21 to 2024/25 on the following page.

4.1 Expected improvement in performance (rural with FAGS considered*)

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)						Yes/No
Own Source Revenue Ratio (Greater than 60% average over 3 years)						Yes/No

*Includes councils in OLG groups 8,9, 10 and 11 only. See page 42 of IPART's [Methodology for Assessment of Council Fit for the Future Proposals](#)

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.

Although Council will not achieve all of the FFTF benchmarks by 2019/20, it will improve its performance in all areas. The main areas in which Council falls short of meeting the benchmarks are in the areas of Asset Management and Infrastructure Backlog. Council has identified these areas as major areas of focus for improvement. This includes a significant review of the asset management methodology and data requirements. Until this work is undertaken and there is 100% confidence in the accuracy of the data used to calculate these ratios, it will be difficult to assess Council's performance and improvement in this area.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Council's Corporate Development team will prepare quarterly reports to monitor and report on Council's progress towards achieving the strategies outlined in the Action Plan for Improvement. This will include reporting upon the achievement of key milestones in the action plan, as well as preparing an updated financial assessment of Council's position against the Fit for the Future benchmarks. At the end of Year 1, the Action Plan for Improvement will be revised to ensure that the strategies, milestone activities and target dates remain relevant to achieve the overall objectives of the Fit for the Future reforms.