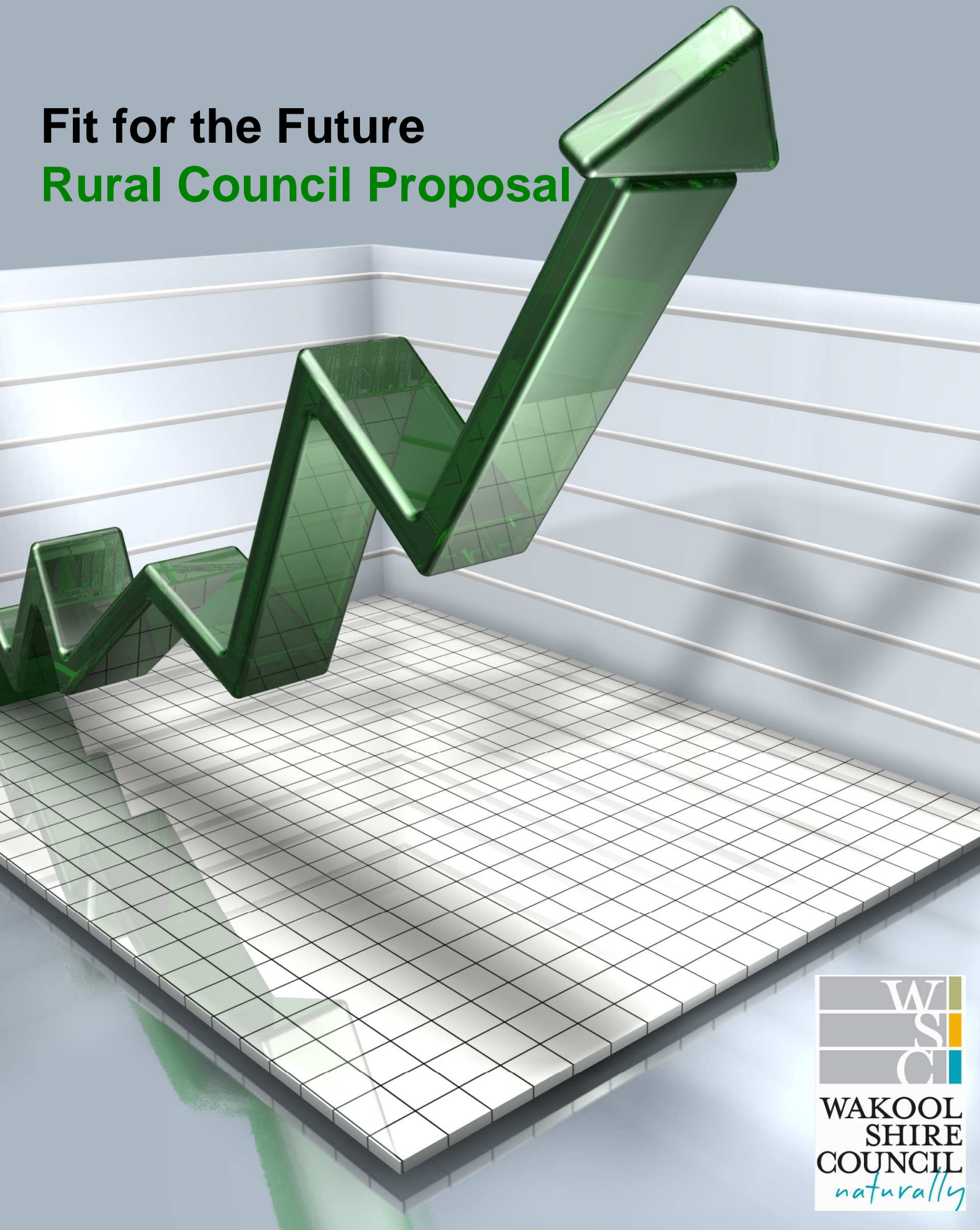


Fit for the Future Rural Council Proposal





Fit for the Future Rural Council Proposal

This proposal has been prepared by Wakool Shire Council with the assistance of Mike Colreavy Consulting in compliance with a NSW Government requirement to prepare and submit a Fit for the Future submission by 30th June 2015.

Adopted by Wakool Shire Council
on 26 June 2015.

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Acronym Glossary

CAPEX – Capital Expenditure

CSP – Community Strategic Plan

DCS – WSC's Director Corporate Services

DDS – WSC's Director Development Services

DES – WSC's Director Engineering Services

DWM – Domestic Waste Management

FFTF – Fit for the Future

GM – WSC's General Manager

H&B – Health and Building

ILGRP – Independent Local Government Review Panel

IP&R – Integrated Planning and Reporting

IT – Information Technology

JO – Joint Organisation

LGA – Local Government Area

MANEX – WSC's Management Executive team (GM, DCS, DDS & DES)

RMS – NSW Roads and Maritime Services

OLG – New South Wales Office of Local Government

ROC – Regional Organisation of Councils

SoE – State of the Environment

SRV – Special Rate Variation

WSC – Wakool Shire Council

PREAMBLE

The New South Wales Government has established a “Fit for the Future” process that will help councils demonstrate to their community that they are financially sound, operating efficiently and in a strong position to guide growth and deliver quality services into the future. Each council is being asked to: -

- Review its situation, starting with whether the council has scale and capacity to meet the challenges ahead;
- Prepare a Fit for the Future submission by 30 June 2015; and
- Make the transition to a new structure by September 2016 or implement an improvement plan.

To help guide councils in their Fit for the Future assessment, the NSW Government has developed four key criteria: -

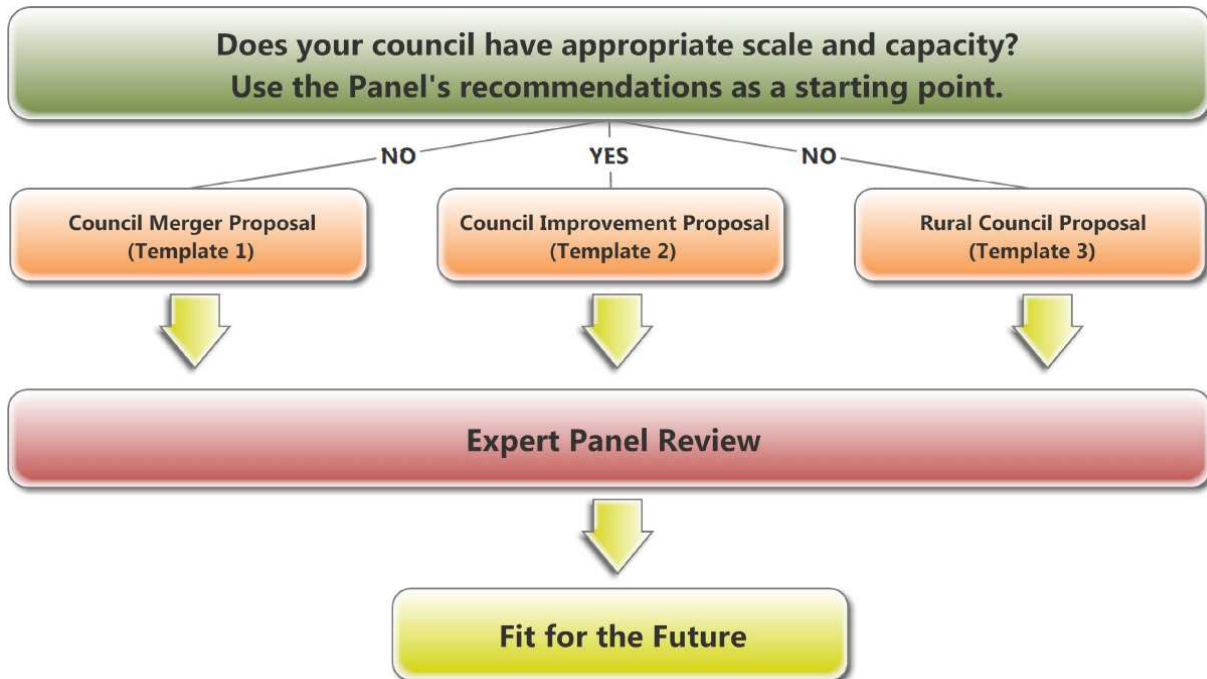
- Scale and capacity;
- Financial sustainability;
- Infrastructure management; and
- Efficiency.

The Criteria and the key measures associated with them have been developed through the Independent Local Government Review Panel’s research and recommendations, as well as the recommendations of the Treasury Corporation analysis of councils, the Infrastructure Audit and the requirements of the Accounting Code for Local Government.

Reviewing a council’s situation is a two-step process: -

- Use the Self Assessment Tool provided by the Office of Local Government (OLG) to measure the council’s current performance against the Fit for the Future benchmarks; and
- Determine whether the council has the appropriate scale and capacity to meet the challenges of the future. The Independent Panel’s recommendations for Council are a starting point for this assessment.

Councils have a choice of three templates to help them prepare their Proposals. Choosing which template to complete will depend on the council’s assessment of scale and capacity. The recommendations of the Independent Local Government Review Panel are the starting point for this assessment and the guidance material published by the OLG provides more information. Choice of template is based on the following process framework: -



1

- Template 1 – is for councils that are planning to merge with their neighbours.
- Template 2 – is for councils that have appropriate scale and capacity and are preparing an Improvement Proposal.
- Template 3 - is for small rural councils that want to adopt the Rural Council Options.

The Independent Local Government Review Panel recommended two alternate Options for Wakool Shire Council: -

- Become a Rural Council in a Mid-Murray Joint Organisation; or
- Potentially Merge with Murray, Conargo, and Deniliquin Councils.

Murray, Conargo, and Deniliquin Councils have been consulted. Conargo Council has declined to pursue merger discussions. Murray and Deniliquin had agreed to continue their conversations with Wakool Shire Council (WSC) and the OLG to undertake business case development including an assessment of the Deniliquin/Murray and Deniliquin/Murray/Wakool merger options. Consultants were engaged to prepare the Deniliquin/Murray and Deniliquin/Murray/Wakool business cases reported in Chapter 6 and Appendix 2 of this Proposal. After extensive consideration, WSC prefers the establishment of a Wakool Rural Council to any merger and has resolved to adopt this Rural Council Proposal.

¹ Adapted from: NSW Office of Local Government Fit for the Future website, *Preparing a Proposal – Choosing a Template*, <http://www.fitforthefuture.nsw.gov.au/preparing-proposal#choose>

1 THE RURAL COUNCIL PROPOSAL

Council Name: Wakool Shire Council

Date of resolution endorsing this submission: 26 June 2015

1.1 Executive Summary

WSC meets all of the Rural Council characteristics defined in the OLG's Fit for the Future Guidance Material² and will achieve all the 7 benchmarks that would qualify it as "fit for the future" by 2020.

WSC has a small and declining population spread over a large area. The local economy is based on agriculture, it's relatively high operating costs are associated with a dispersed population of just under 4,000 people spread over 7,549 sq kms. WSC places a very high importance on retaining local identity, social capital, and capacity for service delivery. It has a low rate base and a high reliance on government grants. Some difficulties are being experienced in attracting and retaining skilled and experienced staff, although these are being managed. There are challenges in financial sustainability and in meeting community expectations for the provision of services and infrastructure. Major NSW regional centres are long distances away, although the Victorian Rural City of Swan Hill is just across the Murray River from Wakool Shire's village of Murray Downs. As well, there are limited merger options available to WSC.

The FFTF process has been very beneficial in prompting WSC to focus more intently on its own financial performance. The Self-Assessment Tool results put confronting financial performance outcomes for 2010/2011 to 2013/2014 in front of management that warranted deeper analysis. At face value, WSC's self-assessment results based on its published financial statements for 2010/2011 to 2013/2014 compare unfavourably with the OLG benchmark ratios, indicating a less than desirable prognosis as indicated in the following Table:-.

² NSW Office of Local Government, *Fit for the Future Guidance Material – Completing Template 3: Rural Council Proposal*, Page 11

Sustainability					
Measure/ Benchmark	2010/2011 Performance	2011/2012 Performance	2012/2013 Performance	2013/2014 Performance	ACHIEVES FFTF BENCHMARK?
Operating Performance Ratio	-0.030	-0.196	-0.110	-0.086	NO
Own Source Revenue Ratio	59.7%	64%	63.2%	61.6%	YES
Building and Infrastructure Asset Renewal Ratio	81.41%	56.31%	56.44%	79.95%	NO
Infrastructure and service management					
Infrastructure Backlog Ratio	16.94%	36.82%	25.90%	27.65%	NO
Asset Maintenance Ratio	54.1%	65.7%	75.1%	97.3%	NO
Debt Service Ratio	5.82%	6.12%	5.36%	5.63%	YES
Efficiency					
Real Operating Expenditure per capita	Increasing 2006/2007 1.73 2007/2008 1.39 2008/2009 1.54 2009/2010 2.74 2010/2011 3.21	Increasing 2007/2008 1.43 2008/2009 1.59 2009/2010 2.82 2010/2011 3.29 2011/2012 3.22	Increasing 2008/2009 1.63 2009/2010 2.91 2010/2011 3.40 2011/2012 3.32 2012/2013 3.33	Flatlining 2009/2010 3 2010/2011 3.51 2011/2012 3.42 2012/2013 3.43 2013/2014 3.31	NO

When the primary factors contributing to these ratios were analysed in detail, three important conclusions were derived that underpin a three point strategy for WSC to become Fit for the Future as follows:-

1. Depreciation has been overstated in WSC's accounts by more than \$640,000 per annum and this will be corrected in the 2014/2015 and subsequent annual accounts.

2. WSC's infrastructure backlog has been overestimated in Special Schedule 7 of the annual financial statements and this will be corrected in the 2014/2015 and subsequent annual accounts. The estimate of \$43.99 million published in the 2013/2014 financial statements will drop to \$330K in the 2014/2015 financial statements.
3. There are a range of other options that, if adopted/achieved, will progressively improve WSC's financial position through a combination of reducing costs and increasing revenues by 2019/2020 by approximately \$432K (net) per annum as follows:-

Option	Annual Cost (-) Saving/Revenue (+) 2019/2020 \$
• Internal audit sharing across the JO	20K
• Introduce shared procurement arrangements	50K
• Introduce shared strategic planning arrangements for water utilities across the JO	-2K
• Introduce a shared WHS Officer across the JO	-30K
• Become a Centre of Excellence in Small Bridge Construction and compete for external works	100K
• Become a Centre of Excellence in H&B Surveying and compete for external work	100K
• Become a Centre of Excellence in Accounting/IT Services and compete for external council system hosting	50K
• WSC to provide external Accounting/IT Services to other parties	5K
• Savings from fewer councillors	19K
• Savings from fewer council meetings	5K
• Savings/additional revenue from undertaking a full service review	100K
• Additional revenue from review of service centres operations	15K
TOTAL:	\$432K


Implementation of the three point strategy will result in WSC achieving all seven of the seven FFTF benchmarks by 2020. While the Own Source Revenue Ratio will reach the benchmark by 2020, substantial grant funding is foreshadowed in the short to medium term for major bridge replacement and road renewal works that are currently in the pipeline. For example, while in 2014/2015 forward estimates indicate that \$547K in Grant funding will be available from the RMS or MOB Regional Economic Diversification Program for road/bridge works, this will increase to \$4.191 million in 2015/2016; \$11.160 million in 2016/2017; and \$1.675 million in 2017/2018. While grant receipts of this magnitude will enable urgent infrastructure projects to proceed, they will obviously constrain Own Source Revenue against the 60% benchmark in the short term. That is not considered to be detrimental.



= Achieves Benchmark

The predicted benchmark results from 2016/2017 are as follows:-

Sustainability										
Measure/ Benchmark	2016/2017 Performance	2017/2018 Performance	2018/2019 Performance	2019/2020 Performance	2020/2021 Performance	2021/2022 Performance	2022/2023 Performance	2023/2024 Performance	2024/2025 Performance	ACHIEVES FFTF BENCHMARK
Operating Performance Ratio	0.041	0.058	0.046	0.046	0.056	0.067	0.075	0.081	0.084	
Own Source Revenue Ratio	50.7%	50.4%	55.8%	70.0%	70.8%	69.0%	67.8%	69.8%	71.9%	
Building and Infrastructure Asset Renewal Ratio	161.9%	160.9%	126.9%	115.4%						
Infrastructure and service management										
Infrastructure Backlog Ratio	0.18%	0.18%	0.18%	0.18%						
Asset Maintenance Ratio	100%	100%	100%	100%						
Debt Service Ratio	5.86%	4.93%	4.13%	3.31%						

Efficiency											
Real Operating Expenditure per capita	Decreasing 2012/2013 3.35	Decreasing 2013/2014 2.92	Decreasing 2014/2015 2.76	Decreasing 2015/2016 2.63							
	2013/2014 2.92	2014/2015 2.76	2015/2016 2.63	2016/2017 2.55							
	2014/2015 2.76	2015/2016 2.63	2016/2017 2.55	2017/2018 2.64							
	2015/2016 2.63	2016/2017 2.55	2017/2018 2.64	2018/2019 2.62							
	2016/2017 2.55	2017/2018 2.64	2018/2019 2.62	2019/2020 2.61							

1.2 Scale and Capacity

Q. Did the Independent Local Government Review Panel identify the option that WSC become a Rural Council?

Yes

WSC was identified as a Group C council by the Independent Local Government Review Panel with the Options of a Rural Council in a Mid-Murray Joint Organisation or to merge with Murray, Conargo and Deniliquin Councils.

Q. Has WSC explored the alternative Option of a merger with Murray, Conargo and Deniliquin Councils?

Yes

On 18 February 2015 WSC resolved to participate in the preparation of business cases for all Mid-Murray Options, including a merger of all four councils, the various other combinations and standing alone as a Rural Council, and to make an appropriate funding provision towards this. ¹

WSC participated with Murray, Conargo, and Deniliquin, Councils in a FFTF workshop process facilitated by Advanced Dynamics (**See Appendix 1**). Berrigan and Jerilderie Councils have withdrawn from the Mid-Murray Group to engage with other neighbouring councils.

Conargo Council declined to pursue merger discussions. Murray and Deniliquin agreed to continue their conversations with WSC and the OLG to undertake business case development including further assessment of merger options.

The merger alternative is covered in Chapter 6 of this Proposal.

(See: Chapter 6 and Appendix 2 - Merger Business Case)

³ WSC Resolution 200215 – 18th February 2015.

How WSC Meets the Characteristics of a Rural Council

Rural Council Characteristic	Response
<p>1. Small and static or declining population spread over a large area</p>	<p>The Wakool Shire has experienced significant population decline over the last 15 years, much of that caused by prolonged drought, the <i>Murray Darling Basin Plan</i>, <i>National Park Estate (Riverina Red Gum Reservations) Act 2010</i> and modern farming practices. The population of the Shire decreased by 17.1% from 4,795 in 2001 to 3,962 in 2011 with the largest decline in the rural population which decreased by 38.5% from 2,743 in 2001 to 1,689 in 2011.</p> <p>The Wakool Shire area is 7,549km² and 45% of its population, or 1,802 people reside in the urban centres of Barham, Moulamein, Murray Downs and Tooleybuc. This equates to a rural population density of around 3.5 people per square kilometre.</p> <p>As at 31 March 2015 WSC serviced 2849 rateable assessments.</p> <p>At 30 June 2011 there were 496 businesses in the Wakool Shire of which 318 did not employ, 113 employed between 1 and 4 employees and 65 businesses employed 5 or more employees.</p> <p>The nearest NSW business and limited service centre for the Wakool Shire is Deniliquin which is around 100km from the major population centres of Barham and Moulamein. A number of state and federal government departments are located in Albury and Wagga Wagga, nearly four hours by road.</p>
<p>2. Local economies that are based on agricultural or resource industries.</p>	<p>Detailed data for 2005/2006 shows the structure of agriculture in the LGA and the relative importance of specific commodities. The actual levels of production and its value fluctuate each year depending on the availability of water and commodity market conditions.</p> <p>Agriculture is the largest sector in the regional economy, with output of \$168 million categorised as follows:-</p> <ul style="list-style-type: none"> • Crops accounted for 42% of production (\$71m) with the major products being rice (\$30m), wheat (\$21m), barley (\$9m) and hay (\$7m). • Horticulture accounted for 20% of production or \$33 million with the major sector being fruit (\$24m); grapes (\$5m); nurseries etc. (\$5m) and vegetables (\$4m).

	<ul style="list-style-type: none"> In the livestock sector meat accounted for \$63 million in production (37%), with the main products being meat \$40m, milk (\$14m) and wool (\$8m). <p>The Wakool LGA has seen a major fall in local jobs over the 2001-2011 periods.</p> <ul style="list-style-type: none"> Total jobs fell by 494 or 24%. The main component of the job declines were in the 2006-2011 period (during a period of drought and a slowdown in the national economy). The major falls were in the agriculture and forestry sector, where jobs declined by 328 (40%) from 819 to 491 (and the sector's share of total jobs fell from 41% to 32%). This decline in activity in agriculture has impacted on linked industries (e.g. wholesale, transport, and light engineering). The population decline has impacted on jobs in in-person services, including the retail sector. <p>The top five industry sectors for employment are agriculture, forestry and fishing (569), accommodation and food service (170), health and community services (146), education and training (117) and retail (111) (<i>ABS 2011 Census</i>).</p>			
<p>3. High operating costs associated with a dispersed population and limited opportunities for return on investment.</p>	<p>WSC agrees that small rural councils face higher operating costs in providing services to a small population, spread over a large area and have limited opportunities to recover these costs through usage fees and charges.</p> <p>The lack of density in many rural areas, with multiple small communities to be serviced makes it challenging to achieve savings and efficiencies on a local scale.</p> <p>WSC services the six small communities of Barham, Koraleigh, Moulamein, Murray Downs, Tooleybuc and Wakool; which results in a replication of Parks and Gardens and Water and Sewer services in each community, separated by up to 77 km from the Shire administration offices in Moulamein.</p> <p>Rating, Road and Bridge statistics follow:-</p>			
<p>Rates 01/07/2014</p>	<p>Land Value</p>	<p>Rate Levy</p>	<p>Rate %</p>	<p>No of Assessments</p>
<p>Farmland</p>	<p>\$321,987,930</p>	<p>\$2,865,510</p>	<p>71%</p>	<p>923</p>
<p>Rural Residential</p>	<p>\$49,018,430</p>	<p>\$404,681</p>	<p>10%</p>	<p>583</p>
<p>Residential</p>	<p>\$60,437,930</p>	<p>\$517,683</p>	<p>13%</p>	<p>1,060</p>
<p>Business</p>	<p>\$16,187,795</p>	<p>\$245,567</p>	<p>6%</p>	<p>268</p>
<p>Total:</p>	<p>\$447,632,085</p>	<p>\$4,033,441</p>	<p>100%</p>	<p>2,834</p>

<p>Road Length – maintained by WSC</p> <p>Our total Road length is 1,572 kilometres:-</p> <ul style="list-style-type: none"> • 47km of urban roads • 282 km of regional sealed roads • 1,243km of Shire roads <p>WSC operated waste facilities spread throughout the Shire – 5</p> <ul style="list-style-type: none"> • Barham Transfer Station • Wakool Landfill • Moulamein Landfill • Koraleigh Landfill • Goodnight Landfill 	<p>Bridges</p> <p>We have total 76 bridges:-</p> <ul style="list-style-type: none"> • Concrete Regional Roads – 25 • Concrete/Steel Local Sealed Roads – 13 • Concrete /Steel Local Unsealed Roads – 19 • Timber Local Sealed Roads – 1 • Timber Local Unsealed Roads – 18 <p>There are 25 bridges on regional roads and 51 bridges on Shire roads. There are also an additional seven National bridges and one ferry, which are maintained by the RMS.</p>
<p>4. High importance of retaining local identity, social capital and capacity for service delivery.</p>	<p>WSC is committed to a planned approach to providing the services required by the community at a level that is affordable to the organisation. This means that we need to regularly review service levels in consultation with the community and take into account the financial pressures faced in providing, renewing and maintaining the existing levels of service, facilities and infrastructure. WSC will continue to explore opportunities to further fund service delivery through partnerships, joint service provision with other agencies and through efficiency in its spending practices.</p> <p>Imperative to this process is the retention of local decision making and representation provided through the Rural Council model. WSC is committed to maintaining a high level of consultation with the community in order to set appropriate priorities for the community.</p> <p>WSC has, and continues to lead or support a range of community capacity building projects required to support the wellbeing of its remote communities.</p> <p>These projects or initiatives include Home and Community Care programs, health and allied health facilities (Barham Medical Centre and Moulamein Community Health), supporting aged care facilities in Moulamein, and managing a range of community assets including community halls, Tooleybuc Bridgekeepers' Cottage, Barham School of Arts and Barham Recreation Reserve.</p>

<p>5. Low rate base and high grant reliance.</p>	<p>WSC receives approximately \$4,033,441 in general rate income, with a significant proportion of other income being from grant funding to continue providing services and maintaining infrastructure.</p> <p>It is estimated that the total Grants and Contributions (General Fund) are \$8,394,000 for 2014-15 which includes \$3,589,000 from FAGs.</p> <p>Present grants & contributions levels are as follows:-</p> <ul style="list-style-type: none"> • Operating purposes - \$7,561,000; and • Capital purposes - \$833,000
<p>6. Difficulty in attracting and retaining skilled and experienced staff.</p>	<p>WSC is classified as a 'remote Council' recognising the fact that it is difficult to recruit professional staff. The issues that are faced include:-</p> <ul style="list-style-type: none"> • The local population is small, and the Council employs 80 staff. • Access to senior schools, training establishments and universities are limited. • Accommodation within Wakool Shire is expensive and very limited. • Finances are limited. <p>The consequences of these issues are:-</p> <ul style="list-style-type: none"> • The availability of skilled and experienced staff that are already members of the community is limited. • It is common for locals who aspire to higher education and experience to leave the Shire and move to bigger centres where education and subsequent education is more readily available. There are also limitations on other employment/domestic/community/sporting activities available to families of prospective employees. • WSC already tries to purchase or acquire accommodation – this is an added expense to WSC while being an attraction to prospective employees. • The Council is not able to be more financially competitive in the employment market. In particular this applies to professional/experienced employees. • It is common for younger professionals to work for WSC for a limited period of time in order to gain the experience prior to moving on to bigger and more financially and activity rewarding communities. <p>Decisions to train existing staff, to hire new staff or to hire a consultant are realities faced by all small rural councils.</p> <p>Even when councils are able to attract quality professional staff, there is uncertainty as to how to retain them in a context of high staff turnover.</p>

	<p>It is generally more difficult to attract and retain skilled and experienced staff with an appropriate set of skills in rural and regional Australia than in metropolitan centres. Remote location and inability to offer competitive salary packages is a key factor.</p> <p>Consequently, the processes that a council uses when faced with decisions on staff development, recruitment of new staff or outsourcing need to be based on developing a thorough understanding of its skill needs for both short and long-term; including the availability and often prohibitive costs of necessary training courses (including online courses) to increase capability.</p> <p>The required mix of practical and theoretical skills in rural councils can be different to that required in regional and metropolitan councils as smaller staffing numbers require individuals to be multi-skilled, not just specialists. These factors need to be considered when recruiting new staff.</p>
<p>7. Challenges in financial sustainability and provision of adequate services and infrastructure.</p>	<p>Wakool Shire is a rural Council located in the South Western area of the Riverina between the Murray and Murrumbidgee Rivers has an area of 7,549sq kilometres. The majority of the Shire area is an extensive flood plain, with a large number of water courses, bridges and an extensive road network. The predominant industry in the Shire is agriculture with such diversity as rice, dairying, wool, cereal cropping, grazing, timber, horticulture, viticulture and aquaculture. The Shire includes the towns of Barham, Tooleybuc, Moulamein, Wakool, Koraleigh and Murray Downs spread throughout the Shire. The Shire's population is around 4,000. It has approximately 2,800 rateable properties of which 70% are farmland properties.</p> <p>WSC's estimated General Fund operating revenue for 2013/2014 is \$14,777,000 of which 57.8% comes from operating & capital grants & contributions. WSC's revenue sources are as follows:-</p> <ul style="list-style-type: none"> • Rates & Annual Charges \$4,392,000 • User Charges & Fees \$892,000 • Interest Revenue \$476,000 • Other Revenue \$623,000 • Operating & Capital Grants & Contributions \$8,394,000 <p>Estimated General Fund operating expenses are \$14,272,000 of which depreciation accounts for 35.15%. Expenses are as follows:-</p> <ul style="list-style-type: none"> • Depreciation Expense \$5,017,000 • Employee benefits and on-costs \$4,253,000 • Materials & contracts \$3,799,000 • Borrowing costs \$228,000 • Other expenses \$975,000

<p>8. Long distance to a major or sub-regional centre.</p>	<p>The nearest business and (limited) NSW government service centre accessible to people from Wakool Shire is Deniliquin which is around 100km from the major population centres of Barham and Moulamein.</p> <p>The administration offices of neighbouring councils for which merger options have been considered are located 181km (Deniliquin) and 218km (Mathoura) from the village of Tooleybuc in the north west of Wakool Shire.</p> <p>A number of State and Commonwealth Government departments, including the local Federal MP are located in Albury, over 300kms by road. Other State Government services are located in Wagga Wagga, 360kms by road, and some are located in Dubbo, 700kms by road.</p> <p>Residents can be required to access hospital and allied health services long distances away, with Moulamein residents travelling to Swan Hill – 70kms with higher level hospital services available at Swan Hill (Vic) or Bendigo (Vic) – 220kms.</p>
<p>9. Limited options for mergers.</p>	<p>WSC has considered a merger with Deniliquin and Murray Councils. In 2014 WSC representatives had several meetings with the other mid-Murray Councils (Berrigan, Conargo, Deniliquin, Jerilderie and Murray). In February 2015 WSC participated with Berrigan, Conargo, Deniliquin, Jerilderie and Murray Councils in a FTF workshop facilitated by Advanced Dynamics (See Appendix 1). Berrigan and Jerilderie withdrew from discussions after that workshop.</p> <p>Subsequently, WSC resolved to participate in the preparation of business cases for all mid-Murray options, including a merger of all four councils, various other combinations and standing alone as a Rural Council, and to make an appropriate funding provision. Conargo Council subsequently declined to pursue merger discussions. Murray and Deniliquin Councils agreed to continue their conversations with WSC and the OLG to undertake business case development including an assessment of the Deniliquin/Murray and Deniliquin/Murray/Wakool merger options (See Appendix 2).</p> <p>However, WSC has decided not to proceed as it has not been demonstrated how services to our communities would be improved, or at least retained. This includes our transport infrastructure (roads and bridges) and services in our six townships (Barham, Koraleigh, Moulamein, Murray Downs, Tooleybuc and Wakool) – such as halls & recreation reserves, parks & gardens and water & sewer. WSC also has grave concerns around how our communities would be represented. A merged council would only have one, or at best two, councillors representing the former WSC area.</p>

Other factors are the size of the Wakool LGA (7,500 square kilometres), the distances to Deniliquin and Mathoura from many of our towns (for example it is 100 km from Barham and Moulamein to Deniliquin; and 181 km from Tooleybuc to Deniliquin and 218 km from Tooleybuc to Mathoura; and the limited interest from other Councils to consider the merger option.

2.WSC's CURRENT POSITION

2.1 Key Challenges and Opportunities

The key challenges and opportunities facing WSC are explained through the following SWOT analysis.

(Also see demographic data in Part 1.2 of this submission)



2.2 Performance Against FFTF Benchmarks

Benchmarks – See Appendix 5: WSC FFTF Financial Model				
Sustainability				
Measure/ Benchmark	2010/2011 Performance	2011/2012 Performance	2012/2013 Performance	2013/2014 Performance
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.030	-0.196	-0.110	-0.086
Own Source Revenue Ratio (Greater than 60% average over 3 years)	59.7%	64%	63.2%	62.1%
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	81.41%	56.31%	56.44%	79.95%

Sustainability

Measure/ Benchmark	Achieves FFTF Benchmark?	Forecast 2016/2017 Performance	Achieves FFTF Benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	NO	+0.041	YES
Own Source Revenue Ratio (Greater than 60% average over 3 years)	YES	50.7%	NO
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	NO	161.9%	YES

Reason FFTF Benchmarks are not being achieved:

Operating Performance Ratio

With a population of just under 4,000, WSC has only a relatively small number of ratepayers and other customers to fund the operating cost of roads and other community assets and services. The population is spread over a large area and there are limited opportunities to recover operating and infrastructure renewal costs through user fees and charges, although strong voluntary support through s.355 committees helps cushion facility costs. The lack of density, combined with the need to service multiple small communities makes it challenging to achieve savings and efficiencies on a wide scale. While the local Club industry provides or supports several sporting and recreational facilities, WSC is the primary provider of community facilities.

WSC's treatment of asset depreciation is currently under review. It has become evident that WSC has significantly overstated depreciation up to 2013/2014 by in excess of \$640K annually. This will be rectified in future financial statements from 2014/2015 onwards.

Own Source Revenue Ratio

The relatively small population and limited commercial/industrial sector has resulted in a low rating base. A significant proportion of WSC's income comes from grant funding for roads and bridges. Substantial grant funding, well above recent levels, is foreshadowed in the short to medium term for major road/bridge replacement works that are currently in the pipeline. For example, while in 2014/2015 forward estimates indicate that \$547K in Grant funding will be available for road/bridge works, this will increase to \$4.191 million in 2015/2016; \$11.160 million in 2016/2017; and \$1.675 million in 2017/2018. While receipts of this magnitude will enable urgent infrastructure projects to proceed, they will obviously hamper WSC's ability to achieve the FFTF benchmark of 60% own source revenue in those years. That is not considered to be detrimental.

Building and Infrastructure Asset Renewal Ratio

WSC's treatment of asset depreciation is currently under review. Depreciation has been significantly overstated in recent years up to 2013/2014 by in excess of \$640K annually. This will be rectified in future financial statements from 2014/2015 onwards when this Ratio will return to the Benchmark range.

Infrastructure and service management

Measure/ Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Infrastructure Backlog Ratio (Less than 2%)	16.94%	36.82%	25.90%	27.65%
Asset Maintenance Ratio (Greater than 100% average over 3 years)	54.1%	65.7%	75.1%	97.3%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	5.82%	6.12%	5.36%	5.63%

Infrastructure and service management

Measure/ Benchmark	Achieves FFTF Benchmark?	Forecast 2016/2017 Performance	Achieves FFTF Benchmark?
Infrastructure Backlog Ratio (Less than 2%)	NO	0.18%	YES
Asset Maintenance Ratio (Greater than 100% average over 3 years)	NO	100%	YES
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	YES	5.86%	YES

Reason FFTF Benchmarks are not being achieved:

Infrastructure Backlog Ratio

WSC's infrastructure backlog has been over-estimated in Special Schedule 7 up to 2013/2014. The methodology of calculating the value of the infrastructure backlog has been substantially revised downwards during 2014/2015. This correction will reflect in the financial statements for 2014/2015 when they are prepared. This was foreshadowed by Council's Auditor in the report on the Conduct of the Audit for 2013/2014 which states:-

"The Special Schedule 7 figures are not required to be audited for 2013/2014 but we note from our discussions with Council staff that the estimates are based on the renewal of expenditures expected to be required over the ten years of Council's Long Term Financial Plan. We expect there to be a substantial reduction in the amount of the infrastructure backlog when 2014/2015 estimates are revised to only include expenditure required in the short term."

The infrastructure backlog estimate will drop from \$43.99M in 2013/2014 to only \$330K in 2014/2015, with a similar value trending through to 2020.

Asset Maintenance Ratio

For the reasons stated on Page 27, this Ratio will be corrected by the depreciation review in 2014/2015 and will return to within the Benchmark range.

Debt Service Ratio

Not applicable – this Ratio achieves the benchmark.

Efficiency

Measure/ Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	Increasing 2006/2007 1.72 2007/2008 1.45 2008/2009 1.53 2009/2010 2.74 2010/2011 3.21	Increasing 2007/2008 1.45 2008/2009 1.53 2009/2010 2.74 2010/2011 3.21 2011/2012 3.13	Increasing 2008/2009 1.53 2009/2010 2.74 2010/2011 3.21 2011/2012 3.13 2012/2013 3.35	Flatlining 2009/2010 2.74 2010/2011 3.21 2011/2012 3.13 2012/2013 3.35 2013/2014 2.92

Efficiency

Measure/ Benchmark	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)	NO	Decreasing 2012/2013 3.35 2013/2014 2.92 2014/2015 2.76 2015/2016 2.63 2016/2017 2.55	YES
<p><u>Reason FFTF Benchmarks are not being achieved:</u></p> <p>Not Applicable - the trend decreases annually from 2012/2013 before flatlining in 2019/2020.</p>			

2.3 Water Utility Performance

WSC is responsible for water supply and sewerage management to urban and village areas throughout the Shire area. Reticulated water is supplied at Barham, Koraleigh, Murray Downs, Moulamein, Tooleybuc and Wakool. Reticulated sewerage systems and treatment plants are provided at Barham, Murray Downs, Moulamein, Tooleybuc and Wakool that service a combined population of 2600.

Q. Does WSC currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

No

If “NO” explain the factors that influence your performance against the Framework.

Non-compliance in the Water service reflects non-completion of an integrated water cycle management strategy. Discussions are underway with the Office of Water in terms of grants, process and cost which is estimated at between 70K to 120K. The perceived benefits are outweighed by the costs and complexity of completing the strategy without government subsidy. Council is in the process of seeking a subsidy.

The sewerage service does not comply in 2 areas, integrated water cycle management strategy and trade waste charging and policy. Council has been reluctant to adopt trade waste as it will mean a cost shift to business.

WSC does comply with the Developer service plans for both water and sewer which are in the process of being updated now.

(See: Appendix 4 - Best Practice Review Outcomes)

Q. Estimated cost of WSC’s current (2013/2014) water and sewerage infrastructure backlog?

\$0

(WSC’s 2013/2014 Financial Statements disclose a water and sewerage infrastructure backlog of \$7,454,000. This has subsequently been revised to \$0 based on a revised interpretation of “infrastructure backlog”)

Water – Capital Works

Significant capital works (>\$1m) proposed for WSC's water and sewer operations during the 2016-2017 to 2019-2020 period and known grants or external funding to support these works

Proposed Works - Water	2016/2017 \$	2017/2018 \$	2018/2019 \$	2019/2020 \$	Grants/external Funding \$
Barham - Mains Replacement	164,000	145,000	152,000		0
Barham - Increase Water Storage Capacity			400,000		0
Refurbish Water Towers	100,000		100,000	100,000	0
Moulamein - Replace Membranes				350,000	0
Koraleigh – Replace Membranes			20,000		0
Solar Installations	40,000				0
TOTAL:	\$304,000	\$145,000	\$672,000	\$450,000	\$0

Proposed Works - Sewer	2016/2017 \$	2017/2018 \$	2018/2019 \$	2019/2020 \$	Grants/external Funding \$
Barham - Mains Replacement	260,000	315,000	200,000		0
Barham - Upgrade STP & PS 1			400,000	400,000	0
Murray Downs – Mains Replacement				100,000	0
TOTAL:	\$260,000	\$315,000	\$600,000	\$500,000	\$0

Q. Does WSC currently manage its water and sewerage operations on at least a break-even basis?



Water – Improvement Strategies

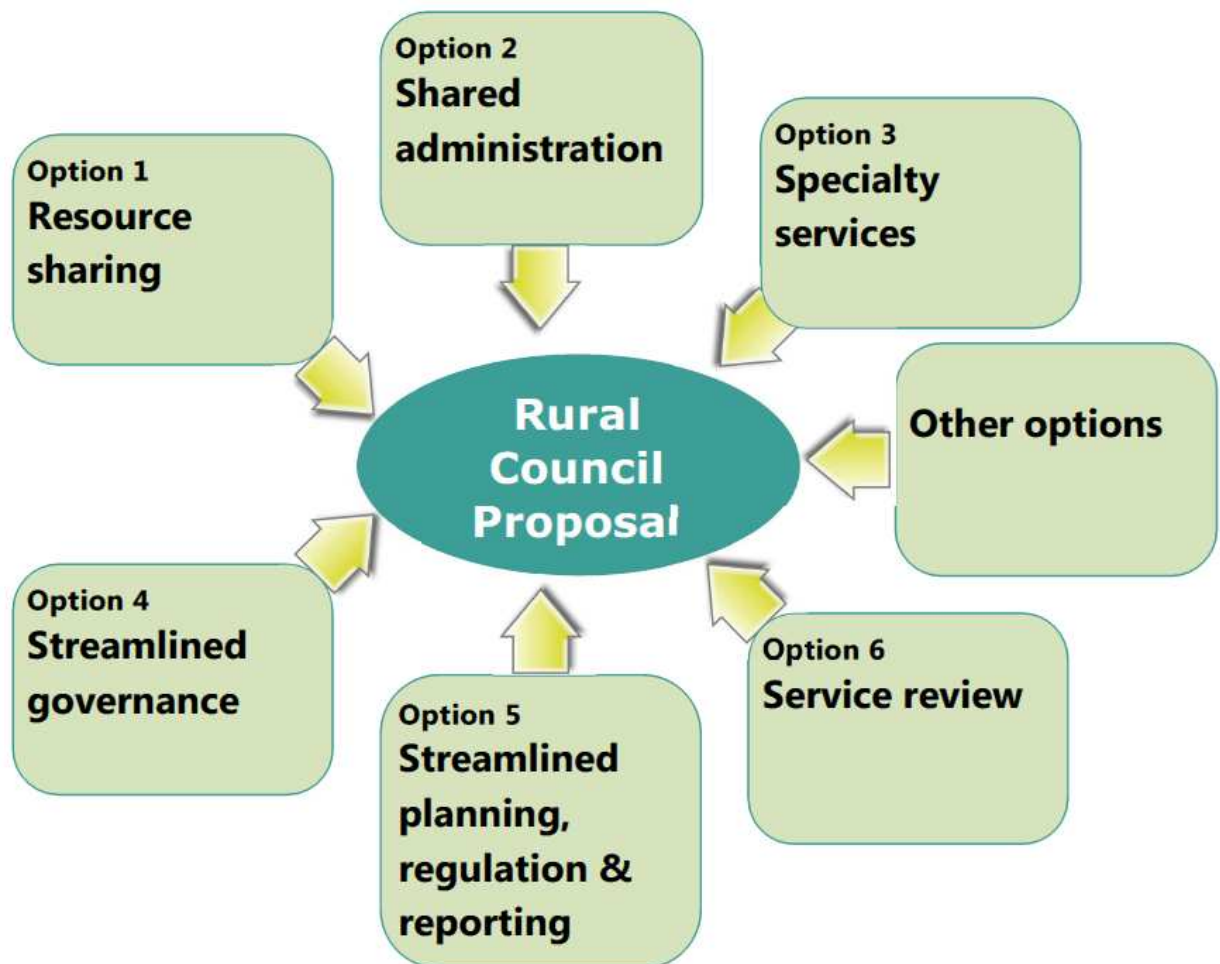
Strategies to improve the performance of WSC's water and sewer operations in the 2016-2017 to 2019-2020 periods.

Strategy	Timeframe	Anticipated outcome
Review of Developer service charges	June 2015	Compliance with Best Practice
Completion of Integrated Water Cycle Management Strategy	Sept 2015	Compliance with Best Practice
Implementation of Risk based drinking water management system	Dec 2015	Compliance with Australian Drinking water Guidelines
Implementation of Trade waste charging and policy	June 2016	Compliance with Best Practice
Review of Strategic Business Plans	2019-2020	Compliance with Best Practice
Mains Replacement Program – Water & Sewerage	2015/2020	Reduced Mains Maintenance Costs
Solar Installation Program – Water & Sewerage	2015/2017	Reduced Energy Costs

3 TOWARDS FIT FOR THE FUTURE

3.1 How WSC will Become/Remain FFTF

The following six Rural Council Options have been developed through the state-wide Rural Council workshops and wider consultation. The *FFTF Guidance Material* for completing this Proposal provides that WSC may develop proposals for any or all of the six options demonstrating how they will be used to improve performance against the benchmarks of Efficiency, Infrastructure & Service Delivery, and Sustainability. Proposals do not need to be limited to these options.



⁴ NSW Office of Local Government, *Fit for the Future Guidance Material -Completing Template 3: Rural Council Proposal*, January 2015, Page 18



Three Point Strategy for Becoming FFTF



WSC has identified a three point strategy to become Fit for the Future as follows:-




1. Depreciation has been overstated in WSC's accounts by more than \$640,000 per annum and this will be corrected in the 2014/2015 and subsequent annual accounts.
2. WSC's infrastructure backlog has been overestimated in Special Schedule 7 of the annual financial statements and this will be corrected in the 2014/2015 and subsequent annual accounts. The estimate of \$43.99 million published in the 2013/2014 financial statements will drop to \$330K in the 2014/2015 financial statements.
3. There are a range of other options detailed in the Action Plan on the next page that if adopted/achieved will progressively improve WSC's financial position through a combination of reducing costs and increasing revenues by 2019/2020 by approximately \$432K (net) per annum as follows:-




Option	Annual Cost (-) Saving/Revenue (+) 2019/2020 \$
• Internal audit sharing across the JO	20K
• Introduce shared procurement arrangements	50K
• Introduce shared strategic planning arrangements for water utilities across the JO	-2K
• Introduce a shared WHS Officer across the JO	-30K
• Become a Centre of Excellence in Small Bridge Construction and compete for external works	100K
• Become a Centre of Excellence in H&B Surveying and compete for external work	100K
• Become a Centre of Excellence in Accounting/IT Services and compete for external council system hosting	50K
• WSC to provide external Accounting/IT Services to other parties	5K
• Savings from fewer councillors	19K
• Savings from fewer council meetings	5K
• Savings/additional revenue from undertaking a full service review (Service review cost to be nominated for NSW Small Councils Innovation Fund funding)	100K
• Additional revenue from review of service centres operations	15K
TOTAL:	\$432K




Option 1: Resource Sharing




Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.1 Internal audit</p> <p>It is proposed that the JO engage an Internal Auditor to cover the Rural Councils.</p> <p>WSC's internal audit program is relatively costly due to lack of scale.</p> <p>Participation in a shared program with other Rural Councils through the JO will increase affordability and enhance audit process independence.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • Through the JO – process outsourced via JO tender • JO engages internal auditor • JO Internal Auditor reports on WSC to WSC Internal Audit Committee 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • Occurs after JO established • JO engages internal auditor • WSC Internal Audit Committee membership ratified • Internal audit program and documentation framework agreed between JO Internal Auditor and WSC Internal Audit Committee • Audit Item Owners designated • Internal audits commence by 31 December 2016 • Internal Auditor reports to the Internal Audit Committee <p><u>2017/2018</u></p> <ul style="list-style-type: none"> • Internal audit program cycle continues based 3 annual Internal Audit Committee meetings 	<ul style="list-style-type: none"> • Net savings through shared arrangements • REVISED WSC COST \$20,000 PER ANNUM • BUDGETED \$40,000 PER ANNUM • NET SAVINGS \$20,000 PER ANNUM 	<p></p>

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.2 <u>Procurement and shared purchasing</u></p> <p>WSC does not presently engage in shared purchasing arrangements. There are two significant industry shared purchasing providers in NSW, and other providers that are accessible to WSC. It is proposed that WSC avails itself of shared purchasing arrangements to access cost savings - except when WSC can obtain a better price through in-house purchasing.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> • Introduce shared purchasing arrangements through industry providers - LG Procurement, or Regional Procurement; or via JO where cost savings are identified 	<p><u>2015/2016</u></p> <ul style="list-style-type: none"> • Join shared purchasing providers • Select best bulk contract, or local supplier for each purchase category 	<ul style="list-style-type: none"> • Minor membership costs • Savings on purchases • SAVINGS \$50,000 PER ANNUM 	<p></p>

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.3 <u>Water Utilities Strategic Planning</u></p> <p>WSC proposes that non-operational functions of local water utilities (i.e. strategic planning and management) could be managed through the JO.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> • Through the JO 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • Cost of JO participation & shared cost of Project Officer • NET COST \$10,000 OVER 4 YEARS 	
<p>1.4 <u>Tourism – Murray Regional Tourism</u></p> <p>WSC proposes continued participation in a regional approach to tourism development and co-ordination through <i>Murray Regional Tourism</i>. This provides scale and capacity for regional tourism promotion and strategic planning, and as a lobbying body attracting government funding for important tourist Through the JO infrastructure along the Murray.</p> <p>Responsibility: DDS</p>	<ul style="list-style-type: none"> • Continue the regional approach to tourism development; encourage local businesses to support Murray River Tourism; and supporting implementation of the Murray River Tourism Plan. 	<p><u>2015/2016</u></p> <ul style="list-style-type: none"> • Council resolution to renew participation 	<ul style="list-style-type: none"> • COST \$10,070 per annum - Currently in Budget 	 <ul style="list-style-type: none"> • Low risk from continuing participation (High risk to the local economy if WSC ceases participation)

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.5 <u>Library Services</u></p> <p>WSC's library services are currently delivered through an agreement with Swan Hill Council (2 branches and 2 mobile services). This arrangement provides WSC's library service with access to Swan Hill Council's larger scale and capacity. The present arrangements are very satisfactory and it is proposed to continue them.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • Renew library agreement with Swan Hill Council by 1/7/15 for 3 years 	<p><u>2015/2016</u></p> <ul style="list-style-type: none"> • Council resolution • Renew agreement on 1/7/15 for 3 years 	<ul style="list-style-type: none"> • WSC COST \$85,000 per annum over 3 years – covered by current budget 	
<p>1.6 <u>Strategic Asset Management</u></p> <p>WSC proposes that the strategic and systems component of asset management – be provided by the JO for each constituent Rural Council, with the on-ground component to be retained in-house at each council.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> • Through the JO 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • Break-even with better outcomes 	

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.7 <u>Shared WHS Officer</u></p> <p>WSC proposes that a WHS Officer be engaged by the JO as a shared resource. WSC doesn't have sufficient scale and capacity to engage a permanent person to drive the WHS management functions.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • Through the JO • Parties agree • JO engages a specialist WHS Officer(s) 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • WSC SHARE \$30,000 PER ANNUM (\$100,000 to do this in-house) 	<div style="text-align: center;">  <p>High</p> </div> <ul style="list-style-type: none"> • Currently high risk • This initiative aims to reduce risk exposure to Medium/Low
<p>1.8 <u>Domestic Waste Management</u></p> <p>Currently WSC piggybacks on Gannawarra (Victoria) contracts for domestic waste collection and recycling in towns, villages & connector roads; It is proposed to extend this to include other JO Rural Councils; It is also proposed that strategic work now undertaken at ROC level could be managed by the JO (possibly in conjunction with other adjoining JO's)</p> <p>Responsibility: DDS</p>	<ul style="list-style-type: none"> • Through the JO 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • Significant savings to all parties over time from increased scale; greater resource recovery; reduced waste to landfill • Savings already realised and budgeted 	<div style="text-align: center;">  <p>Low</p> </div>


Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>1.9 <u>Noxious Weeds – Regional Approach</u></p> <p>WSC currently shares resources at strategic level via Greater Hume Shire – funding applications, policies while on-ground works are managed locally</p> <p>Participating organisations may change after the JO is established. This should be reviewed then.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> Review status quo after JO established 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Review status quo after JO established 	<ul style="list-style-type: none"> \$2,500 per annum currently Costs may reduce depending on level of increased participation Savings already realised and budgeted 	
<p>1.10 <u>Road Network Strategic Planning</u></p> <p>It is proposed that the JO could take a lead role in overall road network planning and major projects.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> Through JO 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> After JO established 	<ul style="list-style-type: none"> Shared cost of JO membership Break-even with better outcomes 	 <ul style="list-style-type: none"> JO's priorities might differ from WSC's

Option 1: Resource Sharing

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<p>The resource sharing proposals will lead to efficiencies and significant reductions in overheads and direct costs of: -</p> <ul style="list-style-type: none"> • internal audit; • procurement; • water cycle management; • tourism development; • library service; • asset management; • work health and safety management; • domestic waste management; • weeds management; • roads network strategic planning. 	<ul style="list-style-type: none"> • Infrastructure costs will reduce reflecting access to lower input costs from joint procurement. • The standard of overall asset management and services will improve if the JO provides strategic coordination for roads, water and sewerage asset functions. WSC will have better access to necessary systems, data bases and professional skills. • Library services will continue to have access to professional library management and state-wide (Victorian) book stocks through continuing the library agreement whereby Swan Hill Rural City Council manages the Wakool library service for WSC while WSC employs the branch staff. • Continuing the domestic waste management service arrangements under the Gannawarra Council kerbside collection contracts, and extending access to it to other JO constituent Rural Councils assures best practice service management with adequate scale and capacity. 	<ul style="list-style-type: none"> • The resource sharing cost efficiencies will improve WSC's overall Operating Performance and shift the current benchmark ratio from its current -0.036 (3 year average) towards break-even. • Resource sharing the delivery of these services provides scale and capacity that WSC cannot achieve alone, at a more affordable cost. • Tourism is an important element of the local economy, contributing to local employment and to the sustainability of towns along the Murray River. Continuing the regional approach to tourism development will keep up critical mass for tourism promotion, with stronger alignments to State Government developmental agencies and funding programs.

Option 2: Shared Administration


Proposal	Implementation	Proposed milestones	Costs	Risks 
This Option is not proposed.	NA	NA	NA	NA




Option 2: Shared Administration



How will the proposal allow WSC to become/remain Fit for the Future against the criteria?




Efficiency	Infrastructure and Service Management	Sustainability
This Option is not proposed.	NA	NA

Option 3: Specialty Services

Proposal	Implementation	Proposed milestones	Costs	Risks L M H
<p>3.1 <u>Centre of Excellence – Small Bridge Construction</u></p> <p>WSC has current technical expertise, staff, plant and equipment, and a modular design for small low traffic bridge construction that would be very suitable for other council areas. WSC also has ready access to design consultants, materials suppliers and piling contractors. Bridge deck modules and ancillary components are already manufactured by WSC at Moulamein. It is proposed to leverage this into a centre of excellence in small bridge construction and to compete externally for small bridge construction works. Potential clients are other councils and RMS.</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> • WSC already has 13 bridges programmed from 2015/2016 to 2025/2026 and is negotiating the funding stream now for the first three bridges • WSC becomes a centre of excellence • Assess potential demand • Establish supplier and sub-contractor panels for design, steel supply, and piling • WSC competes for external work in parallel with current/forward in-house bridge works program • Initial project scheduling will prioritise external projects as they come on stream during the ramp-up phase 	<p><u>2015/2016</u></p> <ul style="list-style-type: none"> • Proving phase - construct 4 x WSC bridges (already funded); • Commercialise the Bridge Unit - negotiate council agreement to facilitate competitive industrial arrangements; • Supplier and sub-contractor panels established • Contract templates ready <p><u>2016/2017</u></p> <ul style="list-style-type: none"> • Proving phase – construct 1 x WSC bridge (already funded); • Compete for external work <p><u>2017/2018</u></p> <ul style="list-style-type: none"> • Ramp up the bridge unit capacity with additional resources once the first external project is imminent; • Bridge Unit reaches readiness to undertake regular external construction work. 	<ul style="list-style-type: none"> • Initial workforce ramp up costs would be absorbed into WSC's existing bridge program until external projects come on stream; • Additional formwork and casting equipment \$30,000; • Crane upgrade 14 tonne to 20 tonne – Net \$100,000 over amount already budgeted • Capital costs recoverable over time through charges to in-house projects and external works • ESTABLISHMENT COST \$130,000 • ANNUAL PROFIT \$100,000 	<div style="text-align: center;">  <p>High</p> </div> <ul style="list-style-type: none"> • High level commercial business risk • If WSC doesn't attract sufficient external work, or can't compete with private enterprise – then will need to ramp back down and allocate new resources to in-house projects • Expertise and capacity are heavily reliant on a small number of key staff. Staff turnover could potentially cause severe impacts on capacity.

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>3.2 <u>Strategic Land Use Planning</u></p> <p>WSC proposes that strategic land use planning be co-ordinated through the JO</p> <p>Responsibility: DES</p>	<ul style="list-style-type: none"> • Across JO. • Each member Council allocates a land use planning team member • LEP's are further standardised 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • Planning consultants/staff engaged across the JO area – better outcomes from scale and increased capacity and sharing knowledge base • Break-even with better outcomes 	
<p>3.3 <u>Centre of Excellence – Health & Building Surveying</u></p> <p>Other councils are experiencing difficulty engaging and retaining H&B surveyors; WSC has capability that can be supplied to other councils in the JO</p> <p>Responsibility: DDS</p>	<ul style="list-style-type: none"> • WSC to provide H&B surveying services to JO councils 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • After JO established 	<ul style="list-style-type: none"> • Opportunity for an income stream on a fee for service basis (with added costs) • CONSERVATIVE NET INCOME \$100,000 (Based on 3 councils participating) 	 <ul style="list-style-type: none"> • Medium level business risk • Dependent on client council commitment

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>3.4 <u>Centre of Excellence – Accounting/IT Services</u></p> <p>WSC to host Civica accounting modules and provide IT services to other Rural Councils. WSC has superior Accounting and IT platforms; capability and expertise to deliver these services.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • By WSC – migration co-ordinated by Civica. 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • Propose arrangements with other Rural Councils • Agreements executed • Agree Civica formats and adapt systems <p><u>2017/2018</u></p> <ul style="list-style-type: none"> • Progressive Civica Module implementation <p><u>2018/2019</u></p> <ul style="list-style-type: none"> • Full Civica package integration 	<ul style="list-style-type: none"> • Additional Civica licence costs (dependent on the number of participants) COST \$400,000 + \$150,000 (Asset Mgmt) + TRIM \$150,000 – PAID BY CLIENTS • HOSTING OFF LINE \$15,000 PER CLIENT – PAID BY CLIENTS • Any necessary additional permanent staff resources depends on number of participants – costs recovered via fee for service • Parties pay their own platform connection and set-up costs and fee for service • EVENTUAL NET INCOME \$50,000 (Depends on number of participants) 	<div style="text-align: center;">  <p>Medium</p> </div> <ul style="list-style-type: none"> • Medium level business risk • Dependent on client council commitment • Capacity to deliver if all councils take-up the service simultaneously




Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>3.5 <u>External Accounting/IT Services</u></p> <p>WSC has Accounting and IT platforms, capability and expertise to deliver services to other entities (e.g. retirement village). Responsibility: DCS</p>	<ul style="list-style-type: none"> Assess potential to commercialise existing external service Assess potential new demand Compete for external work 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Compete for external work Set up software Undertake external work 	<ul style="list-style-type: none"> Opportunity to increase income stream on a more commercial fee for service basis NET REVENUE \$5,000 	<div style="text-align: center;"></div> <ul style="list-style-type: none"> Dependent on client council commitment
<p>3.6 <u>Banking Services</u></p> <p>WSC currently provides banking services to Moulamein for WAW Credit Union. It is proposed to expand the service throughout the Shire area on the Bendigo Bank community bank model.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> Negotiate with Bendigo Bank seeking shareholders. Establish community banking facilities. 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Negotiations with Bendigo Bank completed <p><u>2019/2020</u></p> <ul style="list-style-type: none"> Barham & Moulamein branches established <p><u>2020/2021</u></p> <ul style="list-style-type: none"> Tooleybuc branch established 	<ul style="list-style-type: none"> Shareholder costs \$5,000 Minor initial facilitation costs Eventual savings by bank taking over Moulamein Business Centre operating costs post 2020 Eventual revenue stream for local community assets post 2020 	<div style="text-align: center;"></div> <ul style="list-style-type: none"> Contingent on local community support




Option 3: Specialty Services

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<p>Access to WSC's specialist capabilities in:-</p> <ul style="list-style-type: none"> • small bridge construction • H&B surveying • Accounting & IT services <p>will enable other Councils in the JO (and others) more efficient access to small bridge infrastructure, specialist H&B skills, and accounting and IT support. The other councils will have an efficient alternative to doing these "in-house". It will reduce their operating costs and duplication enabling them to focus on developing their own areas of expertise. WSC will derive greater scale and capacity from this, with corresponding efficiency increases.</p>	<ul style="list-style-type: none"> • This Option sees WSC increase its scale and capacity in small bridge component manufacturing and assembly. WSC's own bridge infrastructure program will benefit from economies of scale in ramping up to become a centre of excellence. Other client councils will benefit similarly. • The same features will apply to Accounting, IT, and H&B service management. 	<ul style="list-style-type: none"> • Cost efficiencies flowing from the centres of excellence will improve WSC's overall Operating Performance Ratio (-0.036 - 3 year average) and Own Source Revenue Ratio (62.8% - 3 year average). • The expertise, efficiencies, and profits derived from the centre of excellence will accelerate completion of the bridges program.

Option 4: Streamlined Governance

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>4.1 <u>Fewer councillors</u> WSC proposes that the number of councillors be reduced from 6 to 5 to be elected from an unsubdivided area.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Legislation changes needed to facilitate this to occur by September 2016 election 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Enabling legislation in place Changeover at September 2016 election 	<ul style="list-style-type: none"> Total costs \$103,000 for six Councillors (2013/2014). Average \$17,200. SAVING \$19,000 PER ANNUM FROM 2016/2017 BY REDUCING TO FIVE COUNCILLORS 	<p> Low</p> <ul style="list-style-type: none"> Legislative changes not made
<p>4.2 <u>Fewer council meetings</u> WSC proposes that the number of WSC Council meetings be reduced from 11 to 6 per year.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Legislation changes needed to facilitate this to occur by September 2016 election Amend Code of Meeting Practice Increase delegations Use technology for regular briefings 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Enabling legislation in place From September 16 election 	<ul style="list-style-type: none"> ESTIMATED SAVINGS OF FEWER MEETINGS - \$5,000 PER ANNUM 	<p> Low</p> <ul style="list-style-type: none"> Legislative changes not made



Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>4.3 <u>s.355 Committees</u> WSC currently delegates numerous responsibilities (reserve management; community projects; aged care – HACC Committee) to local voluntary s.355 committees. This effectively increases WSC’s scope and capacity to service the community and maintain local infrastructure within available resource limits. Volunteering is an important aspect of rural life, enabling local facilities to be operated at a more affordable cost. WSC will continue to leverage this voluntary input into local facilities.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Continue current s.355 committee arrangements 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo Already Budgeted 	
<p>4.4 <u>Draft Policy Development</u> Many policies would have similar applicability to each Rural Council. Policy templates could be developed at JO level, then adapted to individual council requirements. could level</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> After JO established 	<ul style="list-style-type: none"> After JO established 	<ul style="list-style-type: none"> Participating Rural Councils would share the policy template costs. Savings would flow from reduced duplication. Savings difficult to quantify 	



Option 4: Streamlined Governance

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<ul style="list-style-type: none"> • Fewer councillors and council meetings will reduce governance costs. • Draft policy development at the JO level is an efficient cost sharing measure avoiding duplication. • Continuing current s.355 Committee arrangements leverages voluntary input into facilities management, avoids significant management costs, and increases WSC's scope and capacity to service the community and maintain local infrastructure within available resource limits. Local facilities can be operated at an affordable cost. 	<ul style="list-style-type: none"> • Continuing current s.355 Committee arrangements leverages voluntary input into facilities management, avoids significant management costs, and increases WSC's scope and capacity to service the community and maintain local infrastructure within available resource limits. Local facilities can be operated at an affordable cost. 	<ul style="list-style-type: none"> • Cost efficiencies flowing from reduced governance costs and facilities management will improve WSC's overall Operating Performance Ratio (-0.036 – 3 year average).

Option 5: Streamlined Planning, Regulation & Reporting

Proposal	Implementation	Proposed milestones	Costs	Risks L M H
<p>5.1 <u>Sub-regional Land Use plans and State of the Environment Reports</u></p> <p>Development of these plans currently occurs at ROC level. WSC proposes that this be passed over to the JO.</p> <p>Responsibility: DDS</p>	<ul style="list-style-type: none"> Re-jig sub-regional plans and SoE report from ROC to at least JO size, or multiple JO's, if feasible 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> After JO established <p><u>2020/2021</u></p> <ul style="list-style-type: none"> SOE Cycle 	<ul style="list-style-type: none"> JO scale will continue the reduced WSC contribution to costs incurred producing the SoE Break-even with better outcomes 	<div style="text-align: center;">  <p>Low</p> </div> <ul style="list-style-type: none"> Parties don't agree
<p>5.2 <u>Streamline Special Rate Variation process</u></p> <p>The special rate variation process is too complex for small Rural Councils and needs to be streamlined. WSC proposes that the complexity be reduced for small Rural Councils applying for minor variations of <2% above the rate pegging limit.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Legislation changes to facilitate this to occur for 2016/2017 application proposed in WSC's LTFP 	<ul style="list-style-type: none"> Refer to "Costs" comment 	<ul style="list-style-type: none"> In 2014/15 the Special Rate Variation (SRV) submission process cost approximately \$10,000 – primarily staff costs (DCS & Rates Officer plus hall hire, advertising, etc. Estimated cost for streamlined SRV process is \$2,500 – a saving of \$7,500 if WSC needs a special variation at any stage. 	<div style="text-align: center;">  <p>Low</p> </div> <ul style="list-style-type: none"> Legislative changes not in time




Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>5.3 Streamlined IP&R Process</p> <p>Preparing/reviewing CSP's consumes considerable resources which WSC's scale does not readily allow. It is proposed to combine the Rural Councils' CSP's to cover the Joint Organisation (JO) area. The JO would then prepare the CSP. Unnecessary duplication would be avoided if CSP's are prepared at the JO level with the constituent councils then preparing individual Operational Plans and Resourcing Strategies.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> • Legislation changes are needed to facilitate this to occur for the 2017/2027 CSP cycle • Through the JO 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> • Occurs after JO established • Enabling legislation covers IP&R preparation at JO level • Process determined and commenced from September 2016 	<ul style="list-style-type: none"> • Rural councils share cost of JO IP&R Preparation through contribution to JO. Net savings anticipated from a single JO wide CSP • SAVINGS OF UP TO \$20,000 EACH 4TH &/OR 10TH YEAR IN THE IP&R CYCLE 	<div style="text-align: center;">  <p>Low</p> </div> <ul style="list-style-type: none"> • Legislative changes not in time • Own Source Revenue Benchmarks won't reduce • Partners don't agree

Option 5: Streamlined Planning, Regulation & Reporting

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<ul style="list-style-type: none"> Streamlining the IP&R and special rate variation processes will reduce the time required to develop the CSP and prepare special rate variation applications. This would free up valuable staff time, increasing efficiency and reducing preparation costs. Development of regional land use plans and SoE reports at JO level will facilitate a more efficient, sub-regional approach to land use and environmental planning and catchment management. 	<p>NA</p>	<ul style="list-style-type: none"> Cost efficiencies arising from streamlined planning, regulation and reporting will improve WSC's overall Operating Performance Ratio (-0.036 – 3 year average).

Option 6: Service Review




Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>6.1 <u>Full Service Review</u></p> <p>WSC proposes to undertake a full service review including determining what services to engage with external centres of excellence and what to retain in-house.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Comprehensive review of all services in consultation with the community 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Do in September 2016 with Council to consider outcomes with IP&R CSP in June 2017 	<ul style="list-style-type: none"> Apply for Innovation Fund funding for service reviews UP FRONT COST \$50,000 NET SAVINGS \$100,000 PER ANNUM (DEPENDENT ON REVIEW OUTCOMES) 	<div style="text-align: center;">  <p>Low</p> </div> <ul style="list-style-type: none"> Lack of funding from Innovation Fund
<p>6.2 <u>Service Centres Review</u></p> <p>In order to promote local access to services, WSC currently provides customer access to various State Government, TAFE, and private business services at minimal price levels. A more commercial approach would see these agencies and businesses contributing more equitably towards WSC's service centre overheads.</p> <p>Responsibility: GM</p>	<ul style="list-style-type: none"> Review pricing framework and negotiate more equitable pricing with Services NSW, RMS, TAFE and business agencies 	<p><u>2016/2017</u></p> <ul style="list-style-type: none"> Pricing framework reviewed <p><u>2017/2018</u></p> <ul style="list-style-type: none"> New pricing framework in place by July 2017 	<ul style="list-style-type: none"> Nil INCREASED REVENUE STREAM \$15,000 PER ANNUM 	<div style="text-align: center;">  <p>Medium</p> </div> <ul style="list-style-type: none"> Agencies may close – loss of local services




Option 6: Service Review

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<ul style="list-style-type: none"> • A full service review will identify and prioritise what services and service levels the community requires from WSC, and assess the degree of willingness to pay for them. Decisions can then be made about varying existing service levels, improving cost recovery measures, and seeking special rate variations. The service reviews will also be used to assess service efficiency. • The Service Centres Reviews will assess customer access to various State Government, TAFE, and commercial services at Council's business centres in Moulamein and Barham and the feasibility of adopting a more commercial approach to them whereby they contribute more equitably towards service centre overheads. 	<ul style="list-style-type: none"> • The service review will examine WSC's infrastructure and service management, reviewing whether WSC is responding appropriately to the community's changing priorities and needs, and aiming to determine/optimize the right mix of services and service levels, aligned with WSC's vision of "<i>Healthy, culturally rich and inclusive communities, resilient local economies, sustainable built and natural environments, and democratic and engaged communities</i>". • It will help WSC re-determine its role and what its core business is. • It will consider the potential to divest services and aim to identify new business opportunities. 	<ul style="list-style-type: none"> • The full service review will be a practical step towards addressing funding gaps and will aim to identify the mix of services and funding arrangements that best meet the community's needs, and to ensure the services WSC provides are financially sustainable in the long term. • Resulting cost efficiencies will aim to improve all 7 Benchmark Ratios covering Operating Performance, Own Source Revenue, Building and Infrastructure Asset Renewal, Infrastructure Backlog, Asset Maintenance, Debt Service, and Real Operating Expenditure Per Capita.

Option 7: Additional options identified by WSC

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>7.1 <u>Depreciation Review</u></p> <p>WSC's Depreciation equates to 38% of Operating Expenditure compared to a State average of 24% and 27% for Rural Agricultural Remote Councils (populations 1,000 to 5,000). WSC's ratio is the 10th highest in NSW. A review of WSC's Depreciation formulae, rates and calculations is being undertaken now to validate or amend them as necessary.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> Undertake Depreciation review. 	<p>2014/2015</p> <ul style="list-style-type: none"> Review undertaken Variations incorporated into Asset Data and 2014/2015 Financial Statements 	<ul style="list-style-type: none"> Review costs absorbed by asset management budget SAVINGS FROM REDUCED DEPRECIATION Roads - \$500,000 RFS - \$140,000 	
<p>7.2 <u>Infrastructure Backlog</u></p> <p>WSC's infrastructure backlog has been overestimated in Special Schedule 7 of the annual financial statements. This will be corrected from the 2014/2015 accounts onwards.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> Clarify OLG definition of "infrastructure backlog" Complete infrastructure backlog review 	<p>2014/2015</p> <ul style="list-style-type: none"> Review undertaken Variations incorporated into Special Schedule 7 - 2014/2015 Financial Statements 	<ul style="list-style-type: none"> The infrastructure backlog estimate of \$43.99 million published in the 2013/2014 financial statements will drop to \$330K in 2014/2015. 	

Proposal	Implementation	Proposed milestones	Costs	Risks 
<p>7.3 <u>Special Rate Variations</u></p> <p>WSC's Own Source Revenue is currently 47.8%. Although a Ratio of 60% is considered to be unrealistic, an SRV will only be considered if circumstances warrant it.</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • Not anticipated 	<ul style="list-style-type: none"> • NA 	<ul style="list-style-type: none"> • Application cost \$10,000, only if needed • INCOME \$45,000 for each 1% SRV, only if needed 	<div style="text-align: center;">  <p>Low</p> </div> <ul style="list-style-type: none"> • Own source revenue ratio won't reduce if application refused
<p>7.4 <u>Borrowing for Future CAPEX</u></p> <p>The current Debt Service Ratio is 5.63% leaving scope to increase the level of borrowings to pay for future CAPEX items. Current plans would have \$2M borrowings for infrastructure works from 2020/2021 to 2022/2023 (outside this planning timeframe).</p> <p>Responsibility: DCS</p>	<ul style="list-style-type: none"> • Not anticipated 	<ul style="list-style-type: none"> • NA 	<ul style="list-style-type: none"> • NA 	<div style="text-align: center;">  <p>Low</p> </div>

Option 7: Additional options identified by WSC

How will the proposal allow WSC to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service Management	Sustainability
<u>Depreciation Review</u>	<ul style="list-style-type: none"> • Will correctly evaluate WSC's asset depreciation framework, and potentially improve the Operating Performance Ratio and decrease Operating Expenditure per Capita. 	<ul style="list-style-type: none"> • Will correctly evaluate WSC's asset depreciation framework, and potentially improve the Operating Performance Ratio and decrease Operating Expenditure per Capita.
<u>Infrastructure Backlog Review</u>	<ul style="list-style-type: none"> • Will correctly evaluate WSC's infrastructure backlog. 	<ul style="list-style-type: none"> • Will correctly evaluate WSC's infrastructure backlog.
<u>Special Rate Variations</u>	<ul style="list-style-type: none"> • If required, will better enable WSC to meet infrastructure and service level expectations. 	<ul style="list-style-type: none"> • If required, will address funding gaps ensuring WSC is financially sustainable in the long term.
<u>Borrowing for Future CAPEX</u>	<ul style="list-style-type: none"> • When required in 2020/2021, will better enable WSC to meet infrastructure and service level expectations. 	<ul style="list-style-type: none"> • From 2020/2021 will be a temporary practical step towards addressing funding gaps ensuring WSC is financially sustainable in the long term.

3.2 Rural Council Action Plan

Giving consideration to the Rural Council options, the FFTF process requires a summary of the key actions that will be achieved in **the first year of WSC's plan – 2016/2017**. This Action Plan provides annual actions going beyond that timeframe out to 2020.

Action Plan					
Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
Option 1: Resource Sharing					
1.1 Internal Audit (Post JO establishment)		<ul style="list-style-type: none"> • JO engages internal auditor • WSC Internal Audit Committee membership ratified • Internal audit program and documentation framework agreed between JO Internal Auditor and WSC Internal Audit Committee • Audit Item Owners designated • Internal audits commence by 31 December 2016 	<ul style="list-style-type: none"> • Internal audit program cycle continues based on 3 annual Internal Audit Committee meetings 	<ul style="list-style-type: none"> • Internal audit program cycle continues based on 3 annual Internal Audit Committee meetings 	<ul style="list-style-type: none"> • Internal audit program cycle continues based on 3 annual Internal Audit Committee meetings

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
		<ul style="list-style-type: none"> • Internal Auditor reports to the Internal Audit Committee 			
1.2 Procurement and shared purchasing	<ul style="list-style-type: none"> • WSC aligns with shared purchasing providers – LG Procurement; Regional Procurement. • Select best bulk contract, or local supplier for each purchase category. 	<ul style="list-style-type: none"> • Select best bulk contract, or local supplier for each purchase category 	<ul style="list-style-type: none"> • Select best bulk contract, or local supplier for each purchase category 	<ul style="list-style-type: none"> • Select best bulk contract, or local supplier for each purchase category 	<ul style="list-style-type: none"> • Select best bulk contract, or local supplier for each purchase category
1.3 Water Utilities Strategic Planning (Post JO establishment)		<ul style="list-style-type: none"> • JO takes up water strategic planning functions 			
1.4 Tourism – Murray Regional Tourism Renew membership agreement with Murray Regional Tourism	<ul style="list-style-type: none"> • Council resolution to renew participation in MRT. 				
1.5 Library Services Renew service agreement with Swan Hill Rural City Council	<ul style="list-style-type: none"> • Council resolution to renew library agreement from 1/7/15 				

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
Option 1: Resource Sharing					
1.6 Strategic Asset Management (Post JO establishment)		<ul style="list-style-type: none"> • JO takes up strategic asset management functions 			
1.7 Shared WHS Officer (Post JO establishment)		<ul style="list-style-type: none"> • Rural Councils agree • JO takes up strategic WHS management functions • JO engages a specialist WHS Officer(s) and framework to deliver shared services 			
1.8 Strategic Domestic Waste Management (Post JO establishment)		<ul style="list-style-type: none"> • JO takes up strategic DWM management functions 			
1.9 Noxious Weeds Regional Approach (Post JO establishment)		<ul style="list-style-type: none"> • Review status quo to determine best regional approach 			
1.10 Roads Network Strategic Planning (Post JO establishment)		<ul style="list-style-type: none"> • JO takes up lead role in road network and major road projects planning 			

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
Option 3: Specialty Services					
3.1 Centre of Excellence – Small Bridge Construction	<ul style="list-style-type: none"> • Proving Phase 1 - construct 4 x WSC bridges (already funded); • Commercialise the Bridge Unit - negotiate council agreement to facilitate competitive industrial arrangements; • Supplier and sub-contractor panels established; • Contract templates drafted; • Ready for external bridge contract works by 30 June 2016. 	<ul style="list-style-type: none"> • Proving Phase 2 – construct 1 x WSC bridge (already funded); • Compete for external work 	<ul style="list-style-type: none"> • Ramp up the Bridge Unit capacity with additional resources once external projects are imminent; • Bridge Unit reaches readiness to undertake regular external construction work; • Undertake at least 1 external project. 	<ul style="list-style-type: none"> • Compete for and undertake at least 1 external project 	<ul style="list-style-type: none"> • Compete for and undertake at least 1 external project.
3.2 Strategic Land Use Planning (Post JO establishment)		<ul style="list-style-type: none"> • JO takes up lead role 			
3.3 Centre of Excellence H&B Surveying		<ul style="list-style-type: none"> • H&B services made available to other councils on a fee for service basis 			

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
3.4 Centre of Excellence – Accounting/IT Services		<ul style="list-style-type: none"> • Propose arrangements with other Rural Councils • Agreements executed • Project Officer appointed • Agree Civica formats with clients and adapt systems ready for initial take-up in 2016/2017 	<ul style="list-style-type: none"> • Progressive Civica Module implementation for client councils 	<ul style="list-style-type: none"> • Full Civica package integration for client councils 	
3.5 External Accounting/IT Services		<ul style="list-style-type: none"> • Compete for external work • Organise contract templates • Set up software • Undertake external work 	<ul style="list-style-type: none"> • Undertake external work 	<ul style="list-style-type: none"> • Undertake external work 	<ul style="list-style-type: none"> • Undertake external work
3.6 Banking Services		<u>2016/2017</u> <ul style="list-style-type: none"> • Negotiations with Bendigo Bank completed 			<u>2019/2020</u> <ul style="list-style-type: none"> • Barham & Moulamein branches established <u>2020/2021</u> <ul style="list-style-type: none"> • Tooleybuc branch established

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
Option 4: Streamlined Governance					
4.1 Fewer Councillors	<ul style="list-style-type: none"> Submissions to OLG to get legal framework in place in 2015/2016 ahead of September 2016 elections. 	<ul style="list-style-type: none"> Enabling legislation in place Changeover at September 2016 election 			
4.2 Fewer Council Meetings	<ul style="list-style-type: none"> Submissions to OLG to get legal framework in place in 2015/2016 ahead of September 2016 elections. 	<ul style="list-style-type: none"> Enabling legislation in place Changeover at September 2016 election 			
4.3 s.355 Committees	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo 	<ul style="list-style-type: none"> Status quo
4.4 Draft Policy Development (Post JO establishment)		<ul style="list-style-type: none"> JO takes up lead role 			
Option 5: Streamlined Planning, Regulation & Reporting					
5.1 Sub-regional Land Use Plans and SoE Reports (Post JO establishment)		<ul style="list-style-type: none"> JO takes up lead role 			

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
5.2 Streamline IP&R Process (Post JO establishment)	<ul style="list-style-type: none"> Legislation changes required for this to occur for the 2017/2027 CSP cycle 	<ul style="list-style-type: none"> Enabling legislation covers IP&R preparation at JO level Process determined and commenced from September 2016 			
Option 6: Service Review					
6.1 Full Service Review * Proposed to be nominated for NSW Small Councils Innovation Fund funding.		<ul style="list-style-type: none"> Consultants engaged Review recommendations considered by Council 	<ul style="list-style-type: none"> Review recommendations progressively implemented 		
6.2 Service Centres Review		<ul style="list-style-type: none"> Pricing framework reviewed 	<ul style="list-style-type: none"> New pricing framework in place by July 2017 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
7.1 Special Rate Variations Will only be sought if required.	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> NA

Key Actions	2015/2016 Milestones	2016/2017 Milestones	2017/2018 Milestones	2018/2019 Milestones	2019/2020 Milestones
Option 7: Additional Options Identified by WSC					
7.1 Depreciation Review	<ul style="list-style-type: none"> Variations are incorporated into Asset Data and 2014/2015 Financial Statements 				
7.2 Infrastructure Backlog Review	<ul style="list-style-type: none"> Variations incorporated into Special Schedule 7 - 2014/2015 Financial Statements 				

Outline of the process that underpinned the development of WSC's Action Plan

Development of WSC's FFTF Action Plan reflects collaborative input from WSC's executive management team, Council staff, the United Services Union, and WSC's Councillors. The process involved adherence to the actions outlined in the *FFTF Guidance Material for Completing Template 3 – Rural Council Proposal* published by the NSW Office of Local Government.

An external Consultant (Mike Colreavy Consulting) worked closely with WSC's senior management team (MANEX) to gather relevant stakeholder input and prepare a Draft Rural Council Proposal, including this Action Plan, suitable for Council's initial consideration and public exhibition. This involved many hours of conferencing between WSC's executive staff and the Consultant and the development, checking and re-checking of versions of the Draft Action Plan to ensure it is achievable, that it adheres to the spirit of the FFTF process, and that it aligns with WSC's corporate aspirations and intentions.

The Action Plan covers a 5 year implementation period from 2015/2016 to 2019/2020 and contains a series of actions that will progressively ensure WSC becomes/remains Fit for the Future as measured by all of the seven OLG Benchmark Ratios.

Along the way, Council executives held consultations with staff (including a whole of staff meeting), the Consultative Committee, the United Services Union, the merger case consultants (Advanced Dynamics) and representatives from other councils (Berrigan, Jerilderie, Murray, Conargo, and Deniliquin Councils) including those that were identified as potential JO or merger partners in the ILGRP's Report (Murray, Conargo, and Deniliquin Councils). The consultation outputs are reflected in this Proposal and flow through to the Draft Action Plan.

A Draft of the Proposal was widely publicised throughout Wakool Shire and placed on public exhibition from 20 May 2015 to 24 June 2015 with public submissions invited.

The Proposal was adopted by Council on 26 June 2015.

3.3 Community Involvement

Outline of how WSC has consulted the community on challenges facing Council, performance against the benchmarks and the proposed solutions.

Community feedback summary:-

Council implemented the following consultation program after adopting its draft position in response to the New South Wales Government's *Fit for the Future* package:-

- Media Releases supported by radio interviews;
- A story explaining Council's draft position, the consultation process and inviting feedback was included the June edition of *Shire Wire*, Council's newsletter, which was distributed to ratepayers and residents;
- A letter and brochure outlining the *Rural Council Proposal* and the alternative merger option was mailed to all rateable properties in Wakool Shire with an invitation to talk to an officer of Council and to provide feedback;
- A copy of Council's draft *Fit for the Future - Rural Council Proposal* was posted on Council's website as was a copy of the merger business case;
- The Mayor, Cllr Crowe and the General Manager attended the Murray Downs Advancement Group meeting on 28th May 2015.
- A series of pop-up shops were set up in Barham, Moulamein, Tooleybuc and Wakool. Each town was visited twice. Councillors and Senior staff were in attendance at each pop-up shop to talk about the draft *Rural Council Proposal* and the alternative merger option – and to receive feedback.

Fit for the Future Pop-up Shops

Pop-up shops were held throughout the Shire in June 2015 as listed below. Council staff and Councillors were available at the pop-up shops to answer questions.

Pop Up Shop Consultation		
Towns	Date	Attendance
Wakool Café	4 th June 2015	4
Barham Foodworks	5 th June 2015	24
Tooleybuc Post Office	9 th June 2015	7
Wakool Hotel	11 th June 2015	3
Moulamein Business Centre	12 th June 2015	4
Murray Downs Golf and Country Club	16 th June 2015	4
Tooleybuc Post Office	17 th June 2015	4
Lipp's Newsagency Moulamein	18 th June 2015	5
Barham IGA	19 th June 2015	16
TOTAL		71

Public Submissions

Ratepayers and residents were invited to send in submissions in response to the draft of this Proposal and the alternative Merged Council option. Submissions closed at 5pm on Wednesday 24th June 2015. In all Council 45 submissions were received and are summarised below. Copies of each submission are included in **Appendix 6**.

Summary

26 submissions had no objection to the proposed Rural Council in a Mid-Murray Joint Organisation **and** formally objected to any proposed merger with Murray and Deniliquin Councils.

The comments in these 26 submissions mainly objected to the merger and are summarised below:-

- WSC will lose its identify if merged
- Other Councils are in more debt than WSC
- WSC would lose its offices and headquarters
- Loss of local input and identity
- Loss of local staff
- It would not be easy to contact staff
- Mergers inevitably are premised on rationalization and cost benefits which can lead to loss of jobs and reduction of services
- Wakool Shire is a vast area that would increase with a merger
- Loss of local Councillors and local knowledge
- Inconvenience to rate payers

10 submissions had no objection to the proposed Rural Council in a Mid-Murray Joint Organisation, as per WSC's proposal.

Two submissions had no objection to a merger with Murray and Deniliquin Councils. Of these two submissions:-

- One stated that the Shire is not sustainable into the future due to declining population and revenue base.
- The other submission had no objections to the merger but stipulated conditions.

Two submissions had no objection to either the proposed Rural Council in a Mid-Murray Joint Organisation or a merger with Murray and Deniliquin Councils.

One submission formally objected to any proposal of a merger with Murray and Deniliquin Councils and requested an investigation into the feasibility of the western portion of the Shire amalgamating with Balranald Shire.

Four submissions objected to both the proposed Rural Council in a Mid-Murray Joint Organisation and the merger with Deniliquin and Murray Councils option. Although in two of these submissions the comments are contrary to the boxes that were ticked.

Comments from these submissions are summarised below:-

- WSC has shown a good standard of careful management.
- Object to the Government who think they can run our Council better.
- Wakool Shire is big enough as it is.
- Amalgamation would be twice as hard to get our small town on the map.

On 26 June 2015 Council resolved *“That, having considered the submissions made and other feedback received during the community consultation period, Council confirms its position in response to the New South Wales Government’s Fit for the Future package and that Council submit its Rural Council Proposal by close of business on 30th June 2015”.*

See: Appendix 6

3.4 Other Strategies

In preparing your Action Plan, you may have considered other strategies or actions but decided not to adopt them. Identify what these strategies/actions were and explain why you chose not to pursue them.

Merger Option

WSC has considered a merger with Deniliquin and Murray Councils.

However, WSC has decided not to proceed as it has not been demonstrated how services to our communities would be improved, or at least retained, and we have grave concerns around how our communities would be represented.

Each Council is to use the recommendations of the final report prepared by the Independent Local Government Review Panel as the starting point. WSC was identified as a Group C council by the Independent Panel with the options of a Rural Council in a mid-Murray Joint Organisation or to merge with Murray, Conargo and Deniliquin Councils.

On 15th October 2014 WSC resolved to pursue the option of becoming a Rural Council. However, it also indicated a willingness to consider the second (merger) option.

In 2014 WSC representatives had a number of meetings with the other mid-Murray Councils (Berrigan, Conargo, Deniliquin, Jerilderie and Murray). In early February 2015 WSC participated with Berrigan, Conargo, Deniliquin, Jerilderie and Murray Councils in a FFTF workshop facilitated by Advanced Dynamics (**see Appendix 1**). Berrigan and Jerilderie Councils subsequently withdrew from the mid-Murray Group to engage with other neighbouring councils.

Subsequently, on 18th February 2015 WSC resolved to participate in the preparation of business cases for all mid-Murray options, including a merger of all four councils, the various other combinations and standing alone as a Rural Council, and to make an appropriate funding provision towards this.

Conargo Council declined to pursue merger discussions. Murray and Deniliquin agreed to continue their conversations with WSC and the OLG to undertake business case development including an assessment of the Deniliquin/Murray and Deniliquin/Murray/Wakool merger options.

Three firms were invited to submit proposals to prepare business cases. In mid-April 2015 Advanced Dynamics were engaged to prepare the Deniliquin/Murray and Deniliquin/Murray/Wakool business cases. The outcomes of this are covered in **Appendix 2 – Merger Business Case**.



= Achieves Benchmark

4 EXPECTED OUTCOMES – See Appendix 5: WSC FFTF Financial Model

4.1 Expected improvement in performance – 2014/2020

Measure/ benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Total Improvement over period (=2019/20 minus 2013/14)
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.036	-0.019	0.041 	0.058 	0.046 	0.046 	(See Page 77)
Own Source Revenue Ratio (Greater than 60% average over 3 years)	62.8%	59.0%	50.7%	50.4%	55.8%	70.0% 	(See Page 77)
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	102.3% 	146.2% 	161.9% 	160.9% 	126.9% 	115.4% 	35.5%













= Achieves Benchmark

Measure/ benchmark	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	Total Improvement over period (=2019/20 minus 2013/14)
Infrastructure Backlog Ratio (Less than 2%)	0.20% 	0.20% 	0.18% 	0.18% 	0.18% 	0.18% 	27.47%
Asset Maintenance Ratio (Greater than 100% average over 3 years)	101.5% 	101.8% 	100% 	100% 	100% 	100% 	2.7%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	6.08% 	6.58% 	5.86% 	4.93% 	4.13% 	3.31% 	2.32%
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	Decreasing 2010/2011 3.21 2011/2012 3.13 2012/2013 3.35 2013/2014 2.92 2014/2015 2.76 	Decreasing 2011/2012 3.13 2012/2013 3.35 2013/2014 2.92 2014/2015 2.76 2015/2016 2.63 2016/2017 2.55 	Decreasing 2012/2013 3.35 2013/2014 2.92 2014/2015 2.76 2015/2016 2.63 2016/2017 2.55 	Decreasing 2013/2014 2.92 2014/2015 2.76 2015/2016 2.63 2016/2017 2.55 2017/2018 2.64 	Decreasing 2014/2015 2.76 2015/2016 2.63 2016/2017 2.55 2017/2018 2.64 2018/2019 2.62 	Flatlining 2015/2016 2.63 2016/2017 2.55 2017/2018 2.64 2018/2019 2.62 2019/2020 2.61 	0.31



= Achieves Benchmark

Expected improvement in performance 2020/2025						
Measure/ benchmark	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total Improvement over period (=2024/25 minus 2013/14)
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.056 	0.067 	0.075 	0.081 	0.084 	0.17
Own Source Revenue Ratio (Greater than 60% average over 3 years)	70.8% 	69.0% 	67.8% 	69.8% 	71.9% 	9.8%

4.2 Factors Influencing Performance

Outline of the factors influencing WSC’s performance against the FFTF benchmarks, including any constraints that may be preventing improvement.

Depreciation

Depreciation has been overstated in WSC’s accounts by more than \$640,000 per annum and this will be corrected in the 2014/2015 and subsequent annual accounts. This will improve the Operating Performance Ratio and decrease Operating Expenditure per Capita.

Infrastructure Backlog Ratio (2016/2017 to 2019/2020)

WSC’s infrastructure backlog was over-estimated in Special Schedule 7 up to 2013/2014. The approach to calculating the value of the infrastructure backlog has been revised during 2014/2015 and a substantial reduction will reflect in the financial statements for this year when they are prepared. This was foreshadowed by Council’s Auditor in the report on the Conduct of the Audit for 2013/2014 which states:-

“The Special Schedule 7 figures are not required to be audited for 2013/2014 but we note from our discussions with Council staff that the estimates are based on the renewal of expenditures expected to be required over the ten years of Council’s Long Term Financial Plan. We expect there to be a substantial reduction in the amount of the infrastructure backlog when 2014/2015 estimates are revised to only include expenditure required in the short term.”

The infrastructure backlog estimate will drop from \$43.99 million as published for 2013/2014 to \$330K for 2014/2015 with a similar trend through to 2020.

Other “Options” Strategies

The other “options” detailed in the Action Plan will progressively improve WSC’s financial position through a combination of reducing costs and increasing revenues by 2019/2020 by approximately \$432K (net) per annum.

• Internal audit sharing across the JO	20K
• Introduce shared procurement arrangements	50K
• Introduce shared strategic planning arrangements for water utilities across the JO	-2K
• Introduce a shared WHS Officer across the JO	-30K
• Become a Centre of Excellence in Small Bridge Construction and compete for external works	100K
• Become a Centre of Excellence in H&B Surveying and compete for external work	100K
• Become a Centre of Excellence in Accounting/IT Services and compete for external council system hosting	50K
• WSC to provide external Accounting/IT Services to other parties	5K
• Savings from fewer councillors	19K
• Savings from fewer council meetings	5K
• Savings/additional revenue from undertaking a full service review	100K
• Additional revenue from review of service centres operations	15K
TOTAL:	\$432K

5 IMPLEMENTATION

5.1 Implementing the Rural Council proposal

How WSC will implement the Rural Council proposal?

At the strategic level, WSC's GM will have overall responsibility for implementing the Rural Council Proposal. Responsibility for individual Options will be shared between the GM and three Council Directors – DDS, DES, and DCS. Individual/Departmental responsibilities will be as indicated in the Options tables of this proposal and these will be incorporated into the respective GM/Directors' performance agreements.

The Office of Local Government will need to accept responsibility for introducing the enabling legislation to establish the JO, and to streamline the governance arrangements (See: Option 4) and planning regulation and reporting processes (See: Option 5); and also for providing funding support from the Innovation Fund to cover the full service review (See: Option 6).

Monitoring will be incorporated into WSC's quarterly budget review and annual reporting procedures/formats. Performance against each Action Plan element will be formally reported each quarter by the Directors to the GM, who will formally report these to the governing body at a Council meeting.

6 MERGER ALTERNATIVE

6.1 Conargo, Deniliquin, Murray & WSC Merger

As an alternative to the Rural Council Proposal for WSC, the ILGRP Report also proposed participation in a merger with Conargo, Deniliquin, and Murray Councils.

On 18 February 2015 WSC resolved to participate in the preparation of business cases for all Mid-Murray Options, including a merger of all four councils, the various other combinations and standing alone as a Rural Council, and to make an appropriate funding provision towards this.

WSC participated with Murray, Conargo, and Deniliquin, Councils in a FFTF workshop process facilitated by Advanced Dynamics (**See Appendix 1**). Berrigan and Jerilderie Councils have withdrawn from the Mid-Murray Group to engage with other neighbouring councils.

Conargo Council declined to pursue merger discussions. Murray and Deniliquin Councils agreed to continue their conversations with WSC and the OLG to undertake business case development including further assessment of merger options. A business case has been prepared by LKS Quaero⁵ (**See Appendix 2**).

The merger business case is predicated on historical financial statements and WSC's existing Long Term Financial Plan. During the course of preparation of the merger business case, WSC informed LKS Quaero of its intentions to significantly reduce the value of asset depreciation and the infrastructure backlog from 2014/2015 and that these reductions would materially affect the annual financial statements (operating result and infrastructure values) and long term financial plan from 2014/2015 onwards. While this is noted by LKS Quaero in the business case (at Page 13), it is understood that they used the existing historical and long term financial plan asset values and depreciation in the calculations. WSC asserts that LKS's essential business case conclusion - that standing alone WSC lacks fitness for the future - would be invalidated once the revised depreciation and infrastructure backlog calculations envisaged in WSC's Three Point Strategy for becoming FFTF covered on Page 38 of this Proposal come into effect and are taken into account.

WSC prefers the establishment of a Wakool Rural Council to any merger. A SWOT analysis of a Deniliquin, Murray, Wakool merger follows: -

⁵ LKS Quaero, *Deniliquin, Murray, and Wakool – Fit for the Future Business Case*, 22 May 2015

SWOT ANALYSIS

DENILIQVIN, MURRAY, WAKOOL COUNCIL MERGER

(Attributes of the merged organisation by 2020 compared to WSC standing alone)

STRENGTHS

- May improve long term sustainability
- Greater scale and strategic capacity to plan, govern, and manage
- Stronger voice for the community and greater advocacy capacity and influence with State and federal government and improved access to grants
- Better fit for regional planning and coordination with State Government
- Better utilisation of management and IT systems, with overheads spread more efficiently
- More robust revenue base and capacity for discretionary spending, new functions, major projects, and to cope with complex or unexpected change
- Greater borrowing capacity and access to loan funds
- Greater ability to attract, employ and retain a wider range of skilled and experienced staff
- Enhanced compliance capacity
- Enhanced asset management and maintenance capacity

WEAKNESSES

- Business case based on outdated depreciation and infrastructure backlog data
- Significant disruption to administrative focus for a number of transition years, e.g. all three councils have different IT systems
- Diminished local leadership, representation and decision-making - potential for "Wakool" to have no elected representation
- Local "Wakool" Committee only advisory - will have no real power
- Few communities of interest with other Councils
- Ignores existing alignments with Victorian cross-border hubs
- Increased distance/access to head office
- Potential reduction in local access to facilities and service delivery
- Increased costs from tendency for best industrial conditions to flow to all new Council employees
- Time & cost involved in harmonising salary systems
- Accumulated reserves could be spent elsewhere

THREATS

- Loss of local identity and lifestyle - "Wakool naturally!"
- Rationalisation of office and depot locations
- Economic impact from loss of local jobs
- Rate burden could shift adversely for "Wakool" property owners within the new council area
- Potential loss of service centres at Moulamein and Barham
- Exposure to sharing Deniliquin & Murray infrastructure backlog costs
- Identified savings may not be readily achievable
- Merging 3 different organisational cultures into one will present major obstacles
- Inability to come to agreed understanding on competing strategic priorities
- Multiple office & depot locations
- Impacts of s.218 and s.354 of the Local Government Act
- Government removes provisions protecting staff and service retention
- New Council may reject establishment of local Committees

OPPORTUNITIES

- Local "Wakool" Committee could offset loss of representation in the Governing Body to some extent
- Best practices from each council could be used in the new organisation
- Centres of excellence spread across new Council area
- \$11M one off grant from State Government, if merger is voluntary
- Net financial benefit after implementation costs
- Rationalisation of office and depot locations
- Rate burden could shift positively for "Wakool" property owners within the new council area
- Potential to share the "Wakool" infrastructure backlog with Deniliquin and Murray

Appendix 1

Advanced Dynamics – FFTF Report for Mid-Murray Councils.

Appendix 2

LKS Quaero - Merger Business Case

Appendix 3

WSC FFTF Self Assessment Tool

Appendix 4

WSC Water & Sewer Performance

Appendix 5

FFTF Financial Model – Excel Spreadsheet

Appendix 6

FFTF Public Consultation