



Independent Pricing and Regulatory Tribunal

## Special Variation Application Form – Part B

**Parkes Shire Council**

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## **1 Introduction**

On 5 March 2013 the Councillors of Parkes Shire Council(PSC) resolved unanimously to support the Delivery Program for a Progressive Parkes Shire, which included a forecast SRV of 13% for the four years of the delivery program. This substantive decision has been made following nearly a year of Integrated Planning and Reporting (IP&R) preparation, and respectfully designed to conclude in four years so as not to unreasonably bind Councillors successors to decisions of the current Council.

This submission describes how the Progressive delivery program was developed around three (3) pillars, firstly, the desires of the community to not only address deteriorating infrastructure but to aspire to progress and create new future infrastructure, secondly, the daunting stewardship of \$760m of assets as set out in the suite of asset management plans and lastly, Council's fiduciary responsibility, all of which are the natural corollary of a carefully applied IP&R process.

Council's decision to lodge the SRV was underpinned by the IP&R process which included considerable community consultation, research demonstrating the reasonableness of the increase compiled by the Western Research Institute and on the forecast financial unsustainability of Parkes Council without the SRV as provided by the NSW Treasury Corporation (TCorp) analysis.

## **2 Focus on Integrated Planning and Reporting (IP&R)**

### **2.1 Summary of Relevant IP&R Documentation**

#### **Integrated Planning and Reporting 2010/11 to 2012/2013**

PSC was a Group 1 Council when the NSW Division of Local Government (DLG) implemented the Integrated Planning and Reporting (IP&R) requirements. This saw Parkes Shire as one of the few rural Council's of the total 35 Council's to undertake development of this new framework. This resulted in Council adopting the full range of IP&R documentation in June 2010, these documents were drafted and were applicable for the remaining three years of the Council's term. These plans can be viewed via the below link;

[www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496015&Itemid=3084](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496015&Itemid=3084)

Council identified in the first round of IP&R. that there would likely be a need for Council to raise the general rate via a SRV. This was documented in the 10 Year Long Term Financial Plan as the "Highest Priority Renewal Layer." (Annexure 1.a. PSC Long Term Financial Plan 2010 pgs 10 - 11). The forecast was that a 10% rate increase would be required in 2013/2014. This increased funding was needed to begin to address the growing major infrastructure backlogs. However the financial modelling and asset management processes undertaken by Council at this stage were not sufficiently robust to determine funding shortfalls to the standard expected for any potential SRV application. Council at this time also had not yet completed its full asset management planning processes. Council did have an adopted Asset Management Strategy which articulated the need for a more detailed analysis, as well as the full completion of asset management planning across Council's classes of assets, to assist in identifying and addressing the forecast backlogs more accurately. (Refer PSC Asset Management Strategy 2010 via above link).

#### **Determining Council's Overall Sustainability - a 3 Pillared Approach**

Council has formed the view, that at its essence the Integrated Planning and Reporting framework asks Council's to look at their roles and functions holistically and with due regard to all its responsibilities across the quadruple bottom line (Social, Financial, Environmental and Civic Leadership). It requires the integration of the organisations strategy and actions in relationship to its role as custodians of the community's assets and infrastructure, as well as its role as the provider of important services to the community. In addressing these fundamental elements PSC has developed its current Integrated Planning and Reporting process utilising a three pillared approach. It has used this in assessing its ongoing sustainability

as an organisation focusing on responsible finance management, asset management, and the management of the community's needs and expectations.

### **Financial Implications**

In preparation for the current round of Integrated Planning and Reporting, PSC was required to undertake extensive financial analysis. The current round of IP&R, also coincided with the recently appointed General Managers commencement of a systematic review of Council's underlying financial position which had been further clouded by investment losses and impairments due to the Global Financial Crisis (GFC). The analysis revealed the need to better understand the asset management requirements under IP&R, and to contemporise Council's understanding of its true financial sustainability. The initial analysis forecasts continuing deficits and a lack of capital spending in the medium to long term. These findings combined with the other two elements outlined below have led to Council's decision to make the application for the SRV proposed this being a key component of its Long Term Financial Planning approach.

### **Asset Implications**

Since the first round on Integrated Planning and Reporting, PSC has undertaken extensive analysis and completed Asset Management plans for all of its asset categories. This process has confirmed that Council faces a considerable challenge going forward in the maintenance and renewal of its assets, if it is to continue to be sustainable. Council's road network which is approximately 2,400Kms in length, makes up a large component of Council's ongoing asset management challenges. Current projections sees those assets including roads that are funded by Council's General fund, are likely to increasingly decline in condition due to an underlying deficiency in expenditure on capital renewal and replacement programs. These serious implications for Council's assets are a key driver for Council making this important and difficult decision to seek a SRV as part of this current round of Integrated Planning and Reporting.

### **Community Implications**

In May 2012 Council reviewed the PSC Community Strategic Plan. This process clarified the needs and wants of the Parkes Shire Community in a phase in the Community Engagement Strategy termed "Your Priorities." The outcomes of this process are outlined in detail in this application in Part 4 of this application addressing Criterion 3 of the DLG guidelines. In summary, it was clear that the Parkes Shire Community had clear expectations that broadly correlated with the findings of the both the analysis undertaken regarding Council's financial situation and the current state of PSC's assets and infrastructure identified in Council's asset management plans. The majority of the community communicated to Council that they did not want the economic situation to continue to decline. The community did not want to see as a consequence of this decline, a reduction in Council services as well as the deterioration of the Shire assets and infrastructure.

## **Integrating the SRV Into the Current Integrated Planning and Reporting Process for 2013/2014 to 2016/2017**

The above three pillared analysis clearly revealed that Council must incorporate the need for a SRV into its Integrated Planning and Reporting processes for the current term of Council (2012 to 2016), to provide assurance for all stakeholders regarding Council's ongoing sustainability. Consequently, there is a clear nexus found in the Integrated Planning and Reporting process and the SRV being proposed. The prominence of this linkage is commensurate with the size of the rate increase being sought and the resulting positive impacts on the delivery program in addressing Council's future sustainability.

Council has attempted to clearly identify the manner in which the SRV sought will impact on the integrated planning documents and the resulting works to be undertaken. All of the documentation prepared for the Integrated Planning and Reporting process (excluding the Local Environmental Plan LEP), contain an explanation of the process Council undertook to seek the SRV and how it will be utilised to fund the delivery program in a section called "Funding the Delivery Program." In the Community Strategic Plan and Workforce Plan this section is titled "Funding the Strategic Objectives of the Community Strategic Plan", however it essentially provides the same information. The Asset Management Strategy discusses the implications of a SRV on pages 7 and 8. In the document "PSCs Delivery Program for a Progressive Parkes Shire" the title clearly explains that the delivery program has been developed with the "Progressive" funding scenario being incorporated. Council has utilised a simple but effective colour coding system across it's I.P & R documents to highlight areas subject to the impacts of the SRV. These are highlighted in green across the full suite of the IP&R. Documents. This methodology allows Council to visually demonstrate to the reader the programs and projects reliant on funding through the SRV process. This assists the community to be aware of where additional funding will be spent if the SRV is approved, and equally those areas that are outside Council's resources to provide, if the current level of resourcing was to continue i.e. the SRV was rejected or significantly reduced. Council's I.P.&R documents can be accessed via the below link.

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=article&id=496910:delivery-program-2013-2017&catid=2436:strategic-plans-and-reports-parkes&Itemid=2922](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=article&id=496910:delivery-program-2013-2017&catid=2436:strategic-plans-and-reports-parkes&Itemid=2922)

A similar methodology has been adopted in Council's Asset Management Plans. The asset plans that are to be affected by projects and programs identified in the Delivery Program for a Progressive Parkes Shire and the SRV proposed are the;

- Transport Asset Management Plan
- Airport Asset Management Plan

- Open Spaces Asset Management Plan
- Buildings Asset Management Plan

The above plans are similarly colour coded and clearly identified in sections 5 and 7 of the plans, are the impacts of both the current situation and the progressive funding scenario subject to the SRV. These plans can be found on a Council webpage devoted to the SRV process. The link is below;

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=309](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=309)

To conclude simply, Council has taken the view that the SRV process has formed a vital component of Council's IP&R approach, just as the IP&R process forms a vital component of the SRV application process. In this way the community and other stakeholders are clearly able to understand the implications of this SRV application with regard to PSC's future sustainability as an organisation.

### 3 Criterion 1: Need for the variation

#### 3.1 Variations for Capital Expenditure

Does the purpose of the proposed special variation require the Council to undertake a capital expenditure review in accordance with Council Circular 10-34?

Yes

If Yes, has a review been undertaken?

Yes

If Yes, has this been submitted to DLG?

Yes

See Capex Parkes Regional Airport (Annexure 1b)

#### 3.2 Strategic Planning Information

Part 2 of this application explained the manner in which Council has utilised the IP&R process in the context of the SRV being sought. This Part will outline the means used by Council to reflect the SRV in each of the IP&R. documents and to explain the benefits.

##### Community Engagement Strategy

The PSC Community Engagement Strategy - "a continuum" overarches all of the PSC's IP&R documents. This strategy has 6 phases and is examined in more detail under Criterion 2 in part 4 of this application. Upon completing the first two phases of the strategy being "Your Priorities" and "Your Services", it was very apparent that Council had to consider the important decision surrounding a SRV under section 508A. The four final phases or steps under the strategy deal directly with the process of gauging the willingness of the community to pay more rates as well as raising awareness of the need for a SRV. The community engagement process was a vital component for Council in looking to secure its overall sustainability over the life of the current delivery program and further towards its 2022 Vision.

##### Community Strategic Plan (CSP)

The CSP. is a high level community document and therefore there is no detailed impacts of the SRV to be found in this IP&R document. Council has included a section on pages 12 and 13 however titled "Funding the Delivery Program to Achieve the Objectives of the Community Strategic Plan" (Annexure 1.c.). Given the size and importance of the rate variation being sought, Council considered it appropriate that even in this high level "Community document" the reader should be informed of the decision being made by Council to increase rates, as well as



understand the processes undertaken together with the community to make this decision.

### Delivery Program for a Progressive Parkes Shire 2013-2014 To 2016-2017

The delivery program articulates the same information as the CSP in generally informing the reader of the SRV implications on pages 12 and 13 in the section titled "Funding the Delivery Program". On page 28 of the delivery program (Annexure 1.d.) there is an explanation for the reader identifying the format of the delivery programs Directions, Strategic Objectives and Actions. In this section of the delivery program the colour coding system is further explained to assist stakeholders in clearly understanding programs and projects in the delivery program funded by the SRV. See Figure 3.1.

**Fig 3.1 Example of Progressive colour coding**



In the main body of the delivery program, Council has utilised the colour coding and formatting explained previously in this application to clearly delineate the impact of the SRV and the funding of projects and programs from these additional funds and as prioritised in consultation with the Parkes Shire Community. Figure 3.2 gives an example of how the document is used to show the manner a "current funding" or business as usual funded action will be augmented or enhanced under the proposed SRV. The financial impacts are shown in the section Resourcing Implications. If it is a new project, it has a specific reference number with a (P) for progressive identified, and if it is an augmented program it has the original programs reference number with the (P) added. In addition the "Delivery Challenge" risk level is provided as a broad level assessment on the impact on Council's ability to deliver the action to the levels expected. In the action below for example this challenge remains high given the large backlog Council must deal with regarding it's road network this backlog will be further expamined in other sections of this application.

**Fig 3.2 Example of Actions in the Delivery Program**

ACTION: 8.2.1 Manage Local Road Network to agreed service levels				
QUADRUPLE BOTTOM LINE	\$ ECONOMIC ★★★	SOCIAL ★★★★★	CIVIC LEADERSHIP ★★★	ENVIRONMENT ★
YEARLY IMPLEMENTATION PLANS AND RESOURCING IMPLICATIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4
	\$4,525,410	\$4,636,176	\$4,727,042	\$4,820,136
Local road network to agreed service levels are provided from several funding sources including Financial Assistance Grants, Roads to Recovery & Internal Rates and Revenue. (Activity 39)				
RISK/DELIVERY CHALLENGE	Extreme	High	Medium	Low
				Insignificant
ACTION: 8.2.1.P.- (AUGMENTED PROGRAM) Manage Local Road Network to agreed service levels				
QUADRUPLE BOTTOM LINE	\$ ECONOMIC ★★★	SOCIAL ★★★★★	CIVIC LEADERSHIP ★★★	ENVIRONMENT ★
YEARLY IMPLEMENTATION PLANS AND RESOURCING IMPLICATIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4
	\$4,725,410	\$5,136,176	\$5,727,042	\$5,820,136
Local road network to agreed service levels are provided from several funding sources including Financial Assistance Grants, Roads to Recovery & Internal Rates and Revenue. (Activity 39) The Progressive Delivery Program will provide \$2,700,000 towards Resealing Programs, Pavement Rehabilitation Program, Unsealed Maintenance Program and Resheeting Program.				
RISK/DELIVERY CHALLENGE	Extreme	High	Medium	Low
				Insignificant

**Delivery Program Financial Forecasts 2013-2014 To 2016-2017**

This document contains the four year budget estimates for Council over the life of the delivery program. To give some context to the forecasts, this document is prefaced by the actual report that was adopted by Council at its meeting on the 29th of January 2013 and commenced the period of public exhibition (Annexure 1.e.). The Financial Forecast also includes as a preface, the information common across the IP&R documents being the section "Funding the Delivery Program". (Annexure 1.d). The linkages to the SRV funding identified in Figure 3.3 below shows an excerpt from the Capital Expenditure estimates in the document pages 7 to 10 (Annexure 1.f.) This links the Delivery program actions to the projects funded by the SRV. It further highlights these by the use of a green font for these projects.

**Fig 3.3 Example of Listed Capital Expenditure**

Parkes Shire Council - Capital Expenditure - Consolidated Estimates					
Capital Expenditure Description	Delivery Program Action Linkage	2013/14 Financial Forecast	2014/15 Financial Forecast	2015/16 Financial Forecast	2016/17 Financial Forecast
NOTE: Capital Expenditure highlighted in green is funded by a 13% per year SRV, cumulative for 4 years of the Delivery Program for a Progressive Parkes Shire					
Moat Cottage / Henry Parkes Centre - Capital Improvements - Building Refurbishments	4.2.4P	\$ 55,000	\$ 100,000	\$ -	\$ -
Parkes - Pool	6.3.1	\$ 45,000	\$ -	\$ -	\$ -
Health & Wellbeing / Infrastructure Support					146,237
Trundle - Pool (Progressive Parkes Shire Augmented Pool Program)	6.1.1P	\$ 25,000	\$ 90,000	\$ -	\$ -
Peak Hill - Pool (Progressive Parkes Shire Augmented Pool Program)	6.1.1P	\$ 30,000	\$ 60,000	\$ 400,000	\$ -
Tullamore - Pool (Parkes Shire Augmented Pool Program)	6.1.1P	\$ 25,000	\$ 180,000	\$ -	\$ -
Sports Infrastructure Masterplan / Implementation of Masterplan Outcomes	6.3.3P	\$ 50,000	\$ 50,000	\$ 100,000	\$ 473,763
Woodward Oval Cricket Nets - Install New senior level cricket practice nets (Grant Funded)	6.3.3	\$ 82,753	\$ -	\$ -	\$ -
Health & Wellbeing / Infrastructure Support	6.3.2P	\$ 5,000	\$ 5,000	\$ 49,600	\$ 535,400
Open Space / Recreation / Culture	6.3.2P	\$ 27,403	\$ 29,869	\$ 86,500	\$ 340,000
Rotaract Park Upgrade - Improvements for Disabled Access		\$ 7,942	\$ -	\$ -	\$ -

In figure 3.4 a similar approach is utilised in the Budget Activities which are numbered through out the forecasts to reference projects and programs funded as activities and forming part of the Delivery Program. Figure 1.5 shows how this same approach is used in reverse to cross reference the Financial Forecast activities in the delivery program document.

**Fig 3.4 Example of Budget Activity**

<b>Expenses from Continuing Operations</b>				
Employee Benefits & On-Costs	364,345	372,740	381,348	390,174
Borrowing Costs	103,961	94,328	84,772	72,889
Material & Contracts	339,692	347,971	356,453	365,142
Depreciation & Amortisation	133,403	134,737	136,084	137,445
Other Expenses	-	-	-	-
Loss from the disposal of assets	-	-	-	-
<b>Total Expenses from Continuing Operations</b>	<b>941,401</b>	<b>949,776</b>	<b>958,657</b>	<b>965,650</b>
<b>Net Operating Result for the Year</b>	<b>(623,667)</b>	<b>(668,320)</b>	<b>(676,219)</b>	<b>(682,195)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital purposes</b>	<b>(660,892)</b>	<b>(668,320)</b>	<b>(676,219)</b>	<b>(682,195)</b>
<b>Delivery Program Linkages :</b>				
6.1.1 Facilitate the implementation of Parkes Shire Council Swimming Pool Strategy				
6.1.1.P - (AUGMENTED PROGRAM) Facilitate the implementation of Parkes Shire Council Swimming Pool Strategy				
6.3.1 Maintain and operate Council owned pools at Parkes, Peak Hill, Trundle and Tullamore				

**Fig 3.5 Example of Delivery Program Cross Referencing**

Council Role	Provider
Related Council Activity/s:	Recreation and Culture - Health Housing and Community Amenities
Director Oversight:	Director Engineering Services
Links Financial Plan	<ul style="list-style-type: none"> <li>Financial Forecasts - Activity 32 - Other Culture</li> <li>Financial Forecasts - Activity 33 - Swimming Facilities</li> <li>Financial Forecasts - Activity 34 - Sporting Grounds</li> <li>Financial Forecasts - Activity 35 - Parks &amp; Gardens</li> <li>Financial Forecasts - Activity 36 - Other Cultural Services</li> </ul>
Links Asset Management	<ul style="list-style-type: none"> <li>Open Space Asset Management Plan Section 5 and 7, Asset Management Strategy Section 3</li> </ul>

## 10 Year Asset Management Strategy

The Asset Management Strategy explains the relationship the document has with regard to the other IP&R documentation in Section 1.1.1 (Annexure 1.g). In this section it also provides information on the SRV process and how it will be managed by Council, including the funding models under the Current Situation (No SRV) and the Progressive scenario being the SRV proposed. In doing this the strategy also outlines the relationship the document has with the other documents of the IP&R, Resourcing Strategy being the Long Term Financial Plan and the Workforce Plan.

In Section 3.2 Life Cycle Costs, the Asset Management Strategy uses the colour coding system in line with the other IP&R documents, with the impacts of the Progressive funding provided by the SRV being highlighted in green. Figure 3.6 is a graph from this section of the plan that illustrates the impacts of the proposed SRV across the relevant asset categories as opposed to there being no SRV.

**Fig 3.6 Impacts of Progressive Funding on Assets**

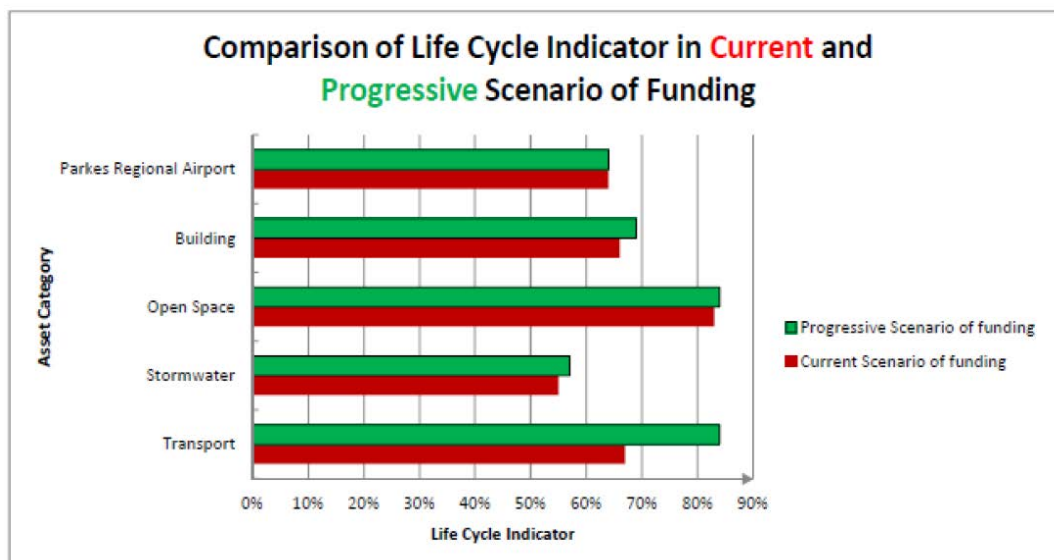


Figure 3.5 discussed earlier also depicts how this section of the Asset Management Strategy is also cross referenced in the delivery program document to identify the linkages between the documents across the PSC IP&R framework.

**10 Year Long Term Financial Plan 2013-14 to 2022-23**

The 10 year long term financial plan (LTFFP) as a component of the Resourcing Strategy is quite explicit in reflecting the SRV. Two of the three scenarios explored in the LTFFP; the current situation, Static Scenario (10% x 4 years SRV) and the adopted Progressive Scenario (13% x 4 years SRV) require increases to the General Rates above the forecast cap. These same scenarios were utilised during the community engagement phase to assist Council in determining the community's willingness to pay and priorities for the future.

**Work Force Plan 2013-14 to 2016-17**

The work force plan being the third and final plan that makes up Council's resourcing strategy, articulates how Council has planned to deal with the workforce needs over the term of the delivery program. This document like the other IP&R, documents has a general outline of the impacts of the SRV process summarised in a section on page 12 "Funding the Delivery Program to achieve the Strategic Objectives of the Community Strategic Plan". More specifically the plan identifies the human resource implications that the proposed SRV has in the section titled "Strategies for Delivering a Progressive Parkes Shire" on pages 23 of the plan. It also depicts this impact in the tables regarding staffing numbers in the section "Resourcing Impact over the term of the Delivery Program on pages 24 and 25 (Annexure 1.h.).

## Operational Plan and Budget 2013-2014

The methodologies to reflect the SRV in the operational plan and the operational budget are essentially the same as those utilised in the delivery program and financial forecasts. However logically these documents look solely at the impacts of the first year of the proposed variation.

### Benefits of Works

The works to be funded by the SRV proposed have been clearly identified in the Delivery Program For a Progressive Parkes Shire as discussed earlier. To further assist in determining the benefits, the below tables have been provided to summarise these benefits of the specific projects funded by the SRV and include the linkages with the 3 pillared approach taken by Council regarding its sustainability challenges. Being around financial management, asset management and community needs and expectations. It provides in percentage terms, the approximated proportion of the SRV to be spent in the area, as well as a comparison with the current situation being with no additional funding from a SRV.

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
8.2.1.P.	Fix local roads	Budget Activity 39	Transport AMP Sect 5 & 7 AM Strategy Sect 3	<b>31%</b>
	<b>Current Situation - No SRV</b>		<b>Funding under SRV proposed</b>	
<b>Re - sealing</b>	<ul style="list-style-type: none"> <li>Budget of \$700,000 a year sourced from external grants.</li> <li>Each road every 30 years</li> </ul>		<ul style="list-style-type: none"> <li>\$1.5 million (\$800K above Current)</li> <li>Each road at most every 15 years which extends pavement life</li> </ul>	
<b>Pavement rehabilitation</b>	<ul style="list-style-type: none"> <li>Current age is 60 plus years and deteriorated</li> </ul>		<ul style="list-style-type: none"> <li>Repairs + reseals equals even longer life span</li> </ul>	
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Budget of \$635 per km covering 100% of the network once every 5 years</li> <li>Allows for grade only</li> </ul>		<ul style="list-style-type: none"> <li>In addition to the increased budget of \$1000/km covering 100% of the network once every 3 years. We will have new works above renewal program</li> <li>Allows for grade, water and roll.</li> </ul>	
<b>Gravel re-sheeting</b>	<ul style="list-style-type: none"> <li>Each road every 30-60 years</li> </ul>		<ul style="list-style-type: none"> <li>Each road every 15 to 20 years + new works</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
6.2.1.P. 8.2.3.P.	Fix Footpaths	Budget Activity 39 Budget Activity 45	Transport AMP Sect 5 & 7 AM Strategy Sect 3	<b>11%</b>
<b>Current Situation - No SRV</b>			<b>Funding under SRV proposed</b>	
<b>Budget</b>	<ul style="list-style-type: none"> <li>\$80,000 for maintenance only</li> </ul>		Total spend of \$1,050,000 for footpaths	
<b>Renewals</b>	Nil		<ul style="list-style-type: none"> <li>Year 1 - Upgrades to townships of Peak Hill &amp; Trundle main street.</li> <li>Year 2 – Upgrades to Tullamore and Parkes main streets.</li> <li>Year 3 – Parkes School precincts along with further Township upgrades</li> <li>Year 4 - Aged care precincts in Parkes</li> <li>Ensure access for mobility aids and gophers is incorporated into all works</li> <li>Defects not repaired under maintenance budget.</li> <li>Parkes CBD including Post Office</li> </ul>	
<b>New footpaths</b>	Nil		<ul style="list-style-type: none"> <li>Walking tracks</li> <li>Exercise paths</li> <li>Kelly Reserve to Henry Parkes Centre</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
6.3.3.P.	Maintain and improve sporting fields/facilities	Budget Activity 34	Open Space AMP Sect 5 & &. AM Strategy Sect 3	<b>12%</b>
<b>Current Situation - No SRV</b>			<b>Funding under SRV proposed</b>	
<b>Improvements, refurbishments upgrades and maintenance</b>	Business as usual		Year 1 – Master plans for Sporting Grounds leading to \$250,000 averaged out per year to be set utilised for: <ul style="list-style-type: none"> <li>Master plan projects</li> <li>Backlog of much needed upgrades</li> <li>Upgrades and maintenance to facilities and amenities (to be driven by master plan)</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
8.4.2.P. 8.4.3.P.	Fix the drainage in the villages	Budget Activity 25	Stormwater AMP Sect 5 & 7 AM Strategy Sect 3	<b>11%</b>
		<b>Current Situation - No SRV</b>		<b>Funding under SRV proposed</b>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Budget of \$120,000 to maintain drainage network Shire wide</li> </ul>		<ul style="list-style-type: none"> <li>Ongoing Budget of \$220,000 to maintain drainage network Shire wide (Extra \$100K )</li> </ul>	
<b>Drainage/Flood Plans</b>	<ul style="list-style-type: none"> <li>Trundle Floodplain Management Plan (85% State Funded)</li> </ul>		<ul style="list-style-type: none"> <li>Stormwater Management Plan for Peak Hill, Tullamore, Bogan Gate .</li> <li>Floodplain Management Plan for Cookamidgera (partially State Funded)</li> </ul>	
<b>Network improvements</b>	<ul style="list-style-type: none"> <li>Stormwater Management Charge income \$155,000 Shire wide for increasing drainage capacity</li> <li>\$95,000 for drainage repairs</li> </ul>		<ul style="list-style-type: none"> <li>\$200,000 per year extra for increasing network capacity (Effectively condenses 10 year plan to four years)</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
6.1.1.P.	Upgrade/Fix Pools	Budget Activity 33	Open Space AMP Sect 5 & 7 AM Strategy Sect 3	<b>9%</b>
		<b>Current Situation</b>		<b>Funding under SRV proposed</b>
<b>Future pool works</b>	<ul style="list-style-type: none"> <li>\$620,000 operating deficit for pools across the Shire. Options for offsetting this include:</li> <li>Increasing revenue via increased admission charges</li> <li>Decreasing operating costs by opening for shorter days or</li> <li>Shortening the length of the season</li> <li>No money for the replacement or upgrade of pools or ancillary items</li> <li>No money for new items such as additional shade structures, furniture or recreational equipment</li> </ul>		<ul style="list-style-type: none"> <li>\$830,000 extra capital over four years</li> <li>This would fund the remaining HIGH PRIORITY works and some of the MEDIUM PRIORITY works</li> </ul> <p>This includes:</p> <ul style="list-style-type: none"> <li>Refurbishment of the pool entrance at the Parkes Pool</li> <li>Upgrades to the Peak Hill, Trundle and Tullamore pool structures and associated items</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
6.3.2.P. 8.6.1.P.	Improve parks and gardens, buildings and amenities.	Budget Activity 35 Budget Activity 27 Budget Activity 28	Building & Open Space AMP's Sect 5 & 8. AM Strategy Sect 3	<b>9%</b>
		<b>Current Situation</b>	<b>Funding under SRV proposed</b>	
<b>Upgrades</b>	<ul style="list-style-type: none"> <li>Regular maintenance and repairs as required under current budgets allocated</li> </ul>		<ul style="list-style-type: none"> <li>\$500,000 improvements to Shire Parks and Gardens - Refurbishments &amp; upgrades to playgrounds and recreational facilities</li> <li>\$150,000 street beautifications</li> <li>\$250,000 Public Building and amenities upgrades</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
4.2.2.P. 4.2.4.P	Attract more visitors to the Shire	Budget Activity 30	Nil	<b>5%</b>
		<b>Current Situation</b>	<b>Funding under SRV proposed</b>	
	<ul style="list-style-type: none"> <li>Town improvement votes currently approx \$36K per year for outlying towns and villages to allocate to enhancement initiatives</li> </ul>		<ul style="list-style-type: none"> <li>\$150,000K towards capital improvement of the Henry Parkes Centre Moat Cottage project</li> <li>Additional amount of approximately \$100K over the four years of Delivery Program to augment town improvement votes</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
8.5.3.P.	Maintain a good air service	Budget Activity 42	Aerodrome AMP Sect 5 & 7 AM Strategy Sect 3	<b>3%</b>
		<b>Current Situation</b>	<b>Funding under SRV proposed</b>	
<b>Upgrade runway lighting and terminal facility refurbishment</b>	<ul style="list-style-type: none"> <li>No major improvements to Parkes Regional Airport</li> </ul>		<ul style="list-style-type: none"> <li>The progressive delivery program provides \$310,000 towards enhancing the airport facilities coupled with grant funding</li> </ul>	



DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
8.5.6.P. 2.5.8.P.	More work by rangers on animals and untidy blocks	Budget Activity 42 Budget Activity 10	Nil	<b>2%</b>
Current Situation			Funding under SRV proposed	
Augmented ranger activity	<ul style="list-style-type: none"> <li>Business as usual services</li> </ul>		<ul style="list-style-type: none"> <li>\$300,000 over the Delivery Program to fund significant increase in staffing time allocated to these additional services</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
2.5.3.P.	Support Aboriginal Community and youth	Budget Activity 18	Nil	<b>1%</b>
Current Situation			Funding under SRV proposed	
Improving access to services for Aboriginals including youth	<ul style="list-style-type: none"> <li>Where possible under general community advocacy and facilitation processes</li> </ul>		<ul style="list-style-type: none"> <li>\$120,000 over the Delivery Program to fund a partnership position for a contracted Shire Aboriginal Project Officer with North Parkes Mine. To assist in improving access to Transport, Employment, Education, Health and Cultural benefits particularly indigenous youth.</li> </ul>	

DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
7.4.1.P.	More attention to weeds	Budget Activity 13	Nil	<b>1%</b>
Current Situation			Funding under SRV proposed	
Increased proactivity in weed management	<ul style="list-style-type: none"> <li>Business as usual services on Council and crown land.</li> </ul>		<ul style="list-style-type: none"> <li>\$120,000 over the Delivery Program to fund additional hours for weeds officers to attend to education and other strategies addressing private landholders to reduce spread of weeds on their properties.</li> </ul>	

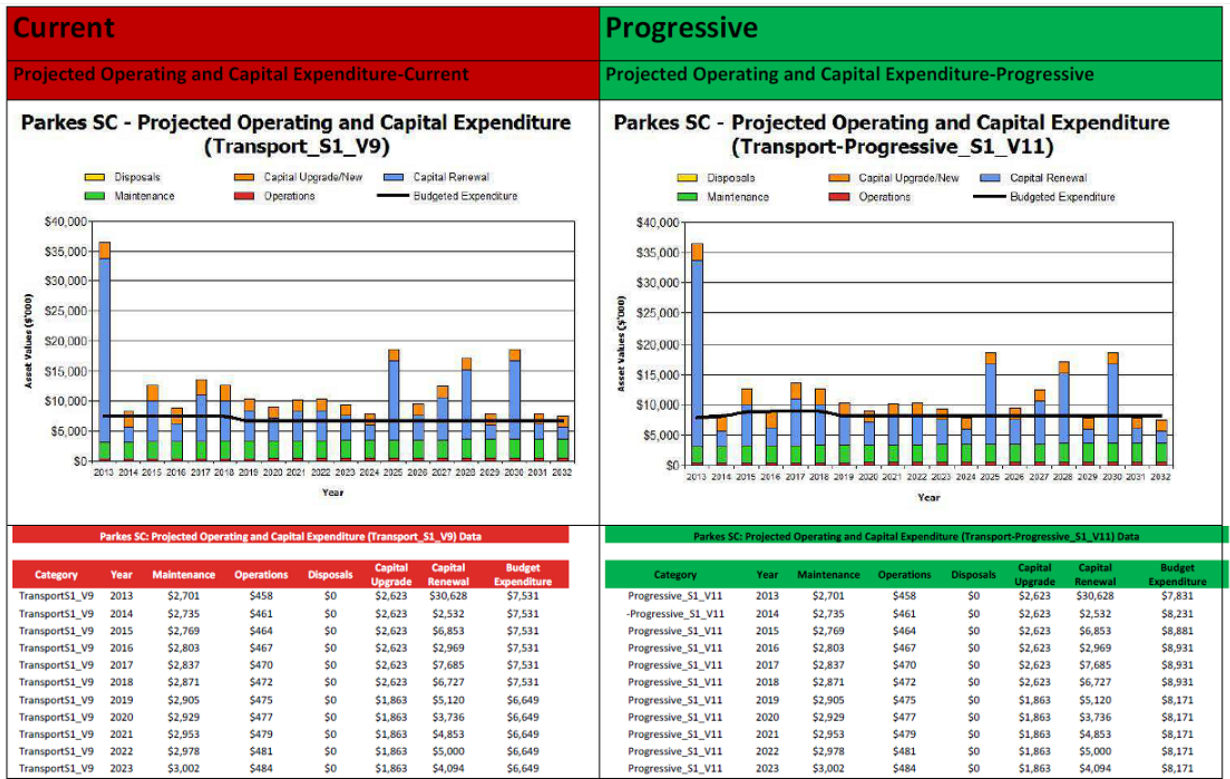
DELIVERY PROGRAM - OPERATIONAL PLAN Progressive Action Reference	PROGRAM/ PROJECT AS IDENTIFIED BY COMMUNITY	FINANCIAL DOCUMENTS 4 Year Forecast and 1 Yr Budget	ASSET MANAGEMENT DOCUMENT 10yr A.M. Strategy & A.M. Plans	% Spend of SRV over 4yrs
8.6.1.P.	Attract retain Doctors in villages	Budget Activity 14	Building AMP Sect 5 & 7 AM Strategy Sect 3	<b>1%</b>
	Current Situation		Funding under SRV proposed	
Facility refurbishment	<ul style="list-style-type: none"> <li>No refurbishment to Tullamore Surgery.</li> </ul>		<ul style="list-style-type: none"> <li>\$100,000 is allocated in the financial forecasts in the final year of the Delivery Program to refurbish the Tullamore Surgery</li> </ul>	
PENSIONER REBATE (See explanation Criterion 3 Part 5.3-4)			<b>4%</b>	

### Benefits of Works in Asset Management Plans

There are a very large portion of the projects and works to be carried out which are funded by the SRV targeting Council's asset backlog. The benefits of these works are also outlined clearly in the actual Asset Management Plans developed for the asset categories affected by the SRV. Whilst not technically IP&R documents they do directly link to the programs and projects outlined in the delivery program as indicated in the above tables and also the other IP&R documents. Section 7 of these asset plans provide linkages to the IP&R and SRV process as well as providing a graphical comparison of the impacts on the assets category overall. An example of this is provided below in Figure 3.7. These graphs along with the data and information provided in section 7 demonstrates the relevant impacts and benefits the SRV will have on these asset categories for Council overall. The asset management plans that relate can be found using the below link

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=3093](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=3093)

Fig 3.7.



### 3.3 Financial Planning Information

#### 3.3.1 Prioritization of proposed spending

Two possible SRV scenarios were offered to the community, the "Static Program" being 10% per annum for the four (4) years of the delivery program and the "Progressive Program" being 13% per annum for the four (4) years of the delivery program. The difference between the Static and Progressive programs was the opportunity for new infrastructure to be funded in the latter part of the Progressive Program. The voting on the two programs showed a preference to the Progressive program as a consequence of this aspect.

Table 3.1 below shows the anticipated prioritisation of expenditure for various SRV funding scenarios. Between the Static and Progressive programs the new capital budget is diminished and other line items reduced. Below the Static program, expenditure would be proportionally reduced across all areas.

**Table 3.1: Prioritisation of expenditure for various SRV funding scenarios**

USE OF NEW CAPITAL	SRV Quantum (\$000) OVER 4 YEARS					
	8%	9%	STATIC 10%	11%	12%	PROGRESSIVE 13%
Pensioner Rebate	171	208	245	271	308	345
Airport Improvements (Plus Reserves/Grants)	210	255	300	243	277	310
Top-up Town Improvement Votes	147	178	210	228	259	290
Improve Footpaths	561	680	800	824	937	1050
Improve Roads & Streets & CBD	1514	1835	2160	2120	2408	2700
Depreciation Backlog	230	279	328	379	431	483
Improve Town Drainage	639	774	911	785	892	1000
Noxious Weeds /Pests (Inc Dogs)/Toilets	210	255	300	236	268	300
POOLS - Trundle, Tullamore & Peak Hill	210	255	300	636	722	810
Community/Council Priority Initiatives	321	389	458	404	459	515
Sporting Grounds Masterplans/Maintenance	250	302	356	314	357	400
New IPR Infrastructure				915	1040	1166
<b>Total Revenue</b>	<b>4464</b>	<b>5409</b>	<b>6368</b>	<b>7356</b>	<b>8357</b>	<b>9369</b>

### **3.3.2 Alternative options**

Financing options (other than a SRV) were considered when the analysis of PSCs future sustainability was being assessed. In looking at the areas of financial management, asset management and the expressed needs and expectations of the community that an increase of approximately \$4m after 4 years would be required.

#### **User Charges and Fees**

User charges and fees. This is mainly made up of tipping fees and charges, cemetery fees, DA and Building fees, Family Day Care, museum admission, airport landing fees, State Roads maintenance and camping fees. About \$4m is raised annually from these fees. Analysis showed that some fees involved Governments, (about \$2.5m), the remaining fees would then have to take a disproportionately large increase of about 300% over 4 years. It was felt that this was too large a burden to place on a small number of users. This also accentuated by the requirement of higher levels of community service obligation (subsidisation) in lower population areas.

#### **Other Revenue**

The category of "Other Revenue" is essentially made up of land sales, rental of property, and rebates from government schemes. As part of the critical services review all assets and landholdings were considered. Five (5) properties, being three (3) residential, one (1) vacant and industrial shed were identified as possibly surplus. On closer consideration three of these properties will be sold by auction, however net proceeds are likely to be less than \$0.5m.

Additionally, two (2) residential subdivisions have been advanced to DA lodgement stage in an effort to capitalise on sale of residential land. However as the land sales are only estimated to be between 30-50 lots for the whole Shire, sales may be as low as 3-5 lots per year from this subdivision under current conditions. Given development costs are incurred up-front and profit toward the end of a subdivision, the net proceeds from these sales over the next one to two decades is not likely to exceed \$1m in total.

Therefore, even though Parkes holds undeveloped real estate for resale, currently \$2.64m, most of the holdings are undeveloped. Sale of industrial land is slow and profits from any sale are placed back into bringing to market the next stage of the development. A decision to sell all land to fund infrastructure, would depress industrial land prices to a level where the realised price would be less than \$1.5m.

#### **Developer Contributions - Section 94 Charges**

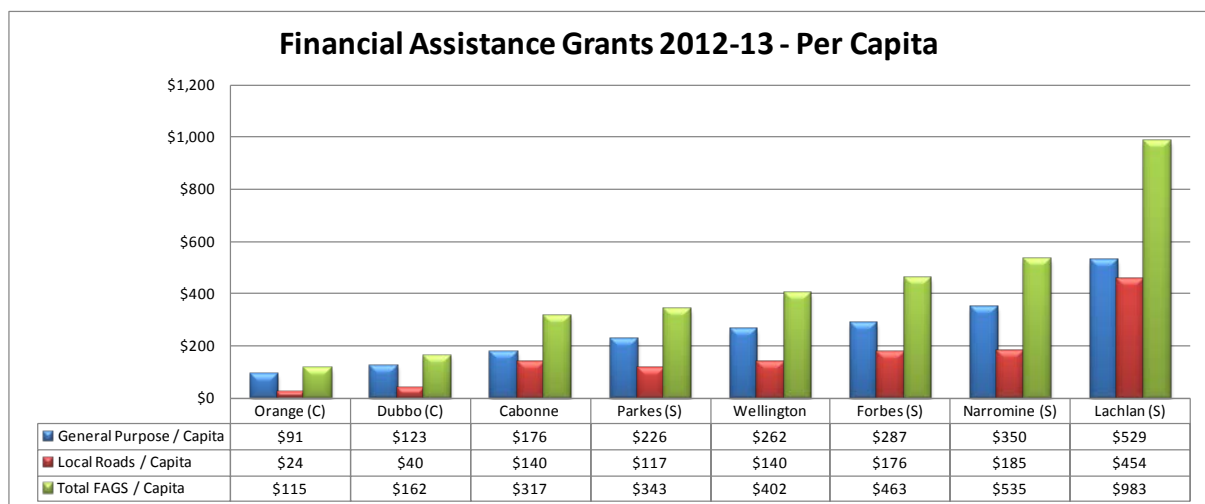
Section 94 (Developers) Funding. Parkes considered the impact of increasing the S94 Contributions from Developers. Currently the S94 Reserve has \$186,000, however during 2011-12 the developer yearly contributions were \$20,000 and interest earned was \$8,000. Forecasts are, that there would be insignificant growth in development over the LTFFP. In order to significantly fund additional capital works from S94, the S94 Plan would need to be re-written to increase

contributions. Increases of several thousand percent would be needed just to raise \$200,000 per annum. It was felt that this quantum would stop development completely in Parkes, and therefore would be an unsustainable source of income.

### Grants

Parkes Council is very reliant on grants (as indeed are all rural Council's), particularly the Financial Assistance Grant and Roads to Recovery Grant. Council has made many submissions to the Grants Commission for increased assistance, however with limited success. As can be seen by Figure 3.8 below, Parkes Council at a per capita FAG of \$343 seems low in comparison to neighbouring Council's, however this is seemingly difficult to remedy.

**Fig 3.8 Financial Assistance Grants Per Capita**



The Roads to Recovery grants program has been extremely beneficial to the road network in Parkes Shire. The certainty of the grant program continuing beyond 2019 is a major concern for our Council.

Council is very active in respect of seeking other grants which may be fortuitously procured to fund infrastructure. However the trend of the past few years is that governments are reducing grant funding due to their own budget situations and that grants favour larger centres where cost benefit ratios can be better demonstrated. The LTFP assumes that funding from grants will reduce in the long term.

### Use of Increased Debt

Council has, in recent years, made use of debt to fund infrastructure as shown in Figure 3.9 below. Council's Long Term Financial Plan indicates large borrowings in water and sewer funds to deliver a new water treatment plant, sewage treatment plant and an upgrade of the main water supply dam, Lake Endeavour Dam. Once these have been established the debt equity ratios will approach the DLG thresholds and therefore further large borrowings beyond those already identified are not proposed.

Additional borrowings for infrastructure renewals was considered. It was felt that Parkes would need to borrow about \$33m for 25 years. Using a drawdown facility over 3 years, the total debt repayment each year would have been about \$2.5m per annum. Factoring this charge onto the existing Operating Deficit would have placed huge pressure on the cash flow of the Council. A loan would have also created high deficits for the next 25 years and a situation that could not be funded without reducing services by the same amount. It was felt that this situation would become unsustainable to a rural community of around 15,000 residents.

Parkes Shire also has unrestricted cash reserves of about \$5m. It is agreed within the Council that a level of about \$3m be retained in case of unforeseen circumstances. Therefore about \$2m is available as a source of funds. It is proposed that if the subject 13% for 4 years SRV is approved then some of these Reserves will be used for the infrastructure backlog. However without the SRV the reserves will be much more critical to the sustainability of the Council's operations.

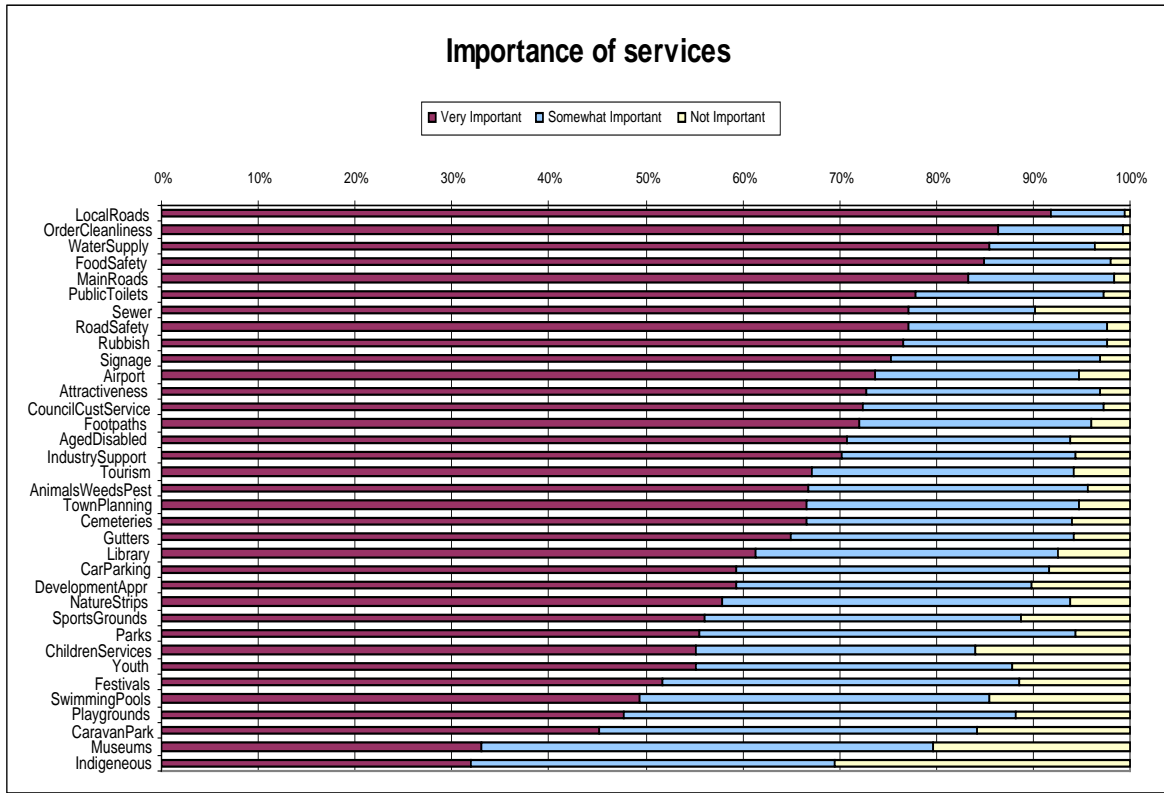
**Figure 3.9 Current Loans**

Loan Movements 2011/12												
Borrower (by purpose)	Lender	System Loan No.	Loan Term Years	Loan Amortisation (Yrs)	Year Drawn	Date of Maturity	Interest Rate	Fixed Rate Period Yrs	Original Amount Borrowed \$	Principal Repaid During the Year	Interest Repaid During the Year	Principal Outstanding at 8/6/12
<b>GENERAL FUND</b>												
Airport Runway Rehabilitation	NAB	1	20	20	2010	2030	8.21%	20	2,000,000	46,949	159,801	1,912,467
30 Welcome Street	NAB	3	20	20	2010	2030	8.21%	20	500,000	11,382	39,950	478,116
Henry Parkes Centre	NAB	4	20	20	2010	2030	8.01%	20	950,000	21,485	74,636	908,094
Parkes Pool *	ANZ	5	10	10	2012	2022	6.17%	10	2,000,000	Nil	859	404,000
Renewable Energy	NAB	6	10	10	2012	2022	5.10%	3	700,000	Nil	Nil	700,000
<b>Total General Fund</b>									<b>6,150,000</b>	<b>79,816</b>	<b>275,246</b>	<b>4,402,677</b>
* Loan amount is being progressively drawn over the life of the project. Will be fully drawn on 24/10/12.												
<b>SEWER FUND</b>												
Trundle Sewer Scheme	NAB	2	25	25	2010	2035	8.35%	25	1,500,000	20,707	123,209	1,460,213
<b>Total Sewer Fund</b>									<b>1,500,000</b>	<b>20,707</b>	<b>123,209</b>	<b>1,460,213</b>
<b>Total All Funds</b>									<b>7,650,000</b>	<b>100,523</b>	<b>398,455</b>	<b>5,862,890</b>
<b>Estimated Debt Service Ratio</b>												<b>1.8%</b>

### Reduction in Service

In the middle of 2012 the Parkes Shire community was surveyed to determine if a reduction in service levels was an option to reduce expenditure. Over 1000 surveys were returned and analysed (~20% of households) to reveal that all services supplied were in fact considered important, which limited the opportunity to make savings by reducing service levels. Figure 3.10 below shows that even in the lowest scoring service that 70% of respondents consider the service either Very important or important.

**Figure 3.10 Importance of Council Services**



**Fig 3.11 Satisfaction with Council Services**

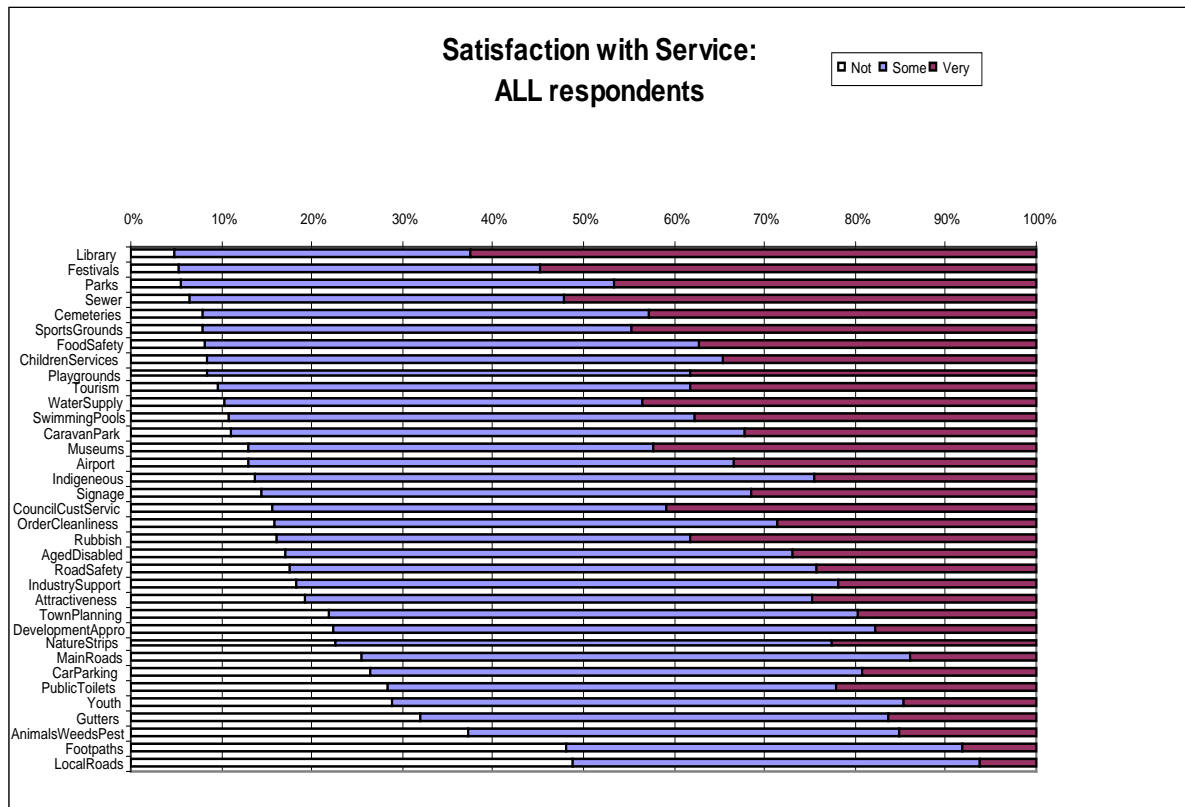




Figure 3.11 above shows the level of satisfaction with Council services. Considering figure 3.10 and 3.11 together identifies service gaps (such as roads which is considered very important but respondents were not satisfied).

No services were identified as not important with high satisfaction, which would indicate opportunity to reduce the level of service in that area to save financial resources.

It should also be apparent that the SRV is required predominately to address deteriorating infrastructure. If this was to be addressed by diverting existing funding streams, it would require diverting funds from "service areas" (swimming pools operations, parks and gardens, libraries etc) to "asset areas" (roads, footpaths, drainage etc).

### **Conclusion**

For the reasons detailed above, and with a relatively small rural population, with only moderate growth, it was apparent that Parkes Shire has limited avenues of increasing revenue, and that the alternate revenue sources are unsustainable. Consequently the LTFP has considered the SRV as the most equitable and sustainable method to address the ongoing financial sustainability challenges faced by PSC.

### **3.3.3 Impact of Special Variation on Key Financial Indicators**

#### **Impact of SRV on KPI including all scenarios and how the SRV addresses asset backlog over time, using TCORP ratios.**

A comprehensive assessment of the SRV's impact on key financial indicators is sequentially addressed below. The change in key financial indicators are charted for the current situation, the static delivery program (10% each year for 4 years) and the scenario subject to this application being the progressive delivery program (13% each year for 4 years).

The charts relate to the general fund only, not the consolidated position, that is they exclude the water and sewer funds. To see the independent assessment by T-Corp refer to Annexure 4.

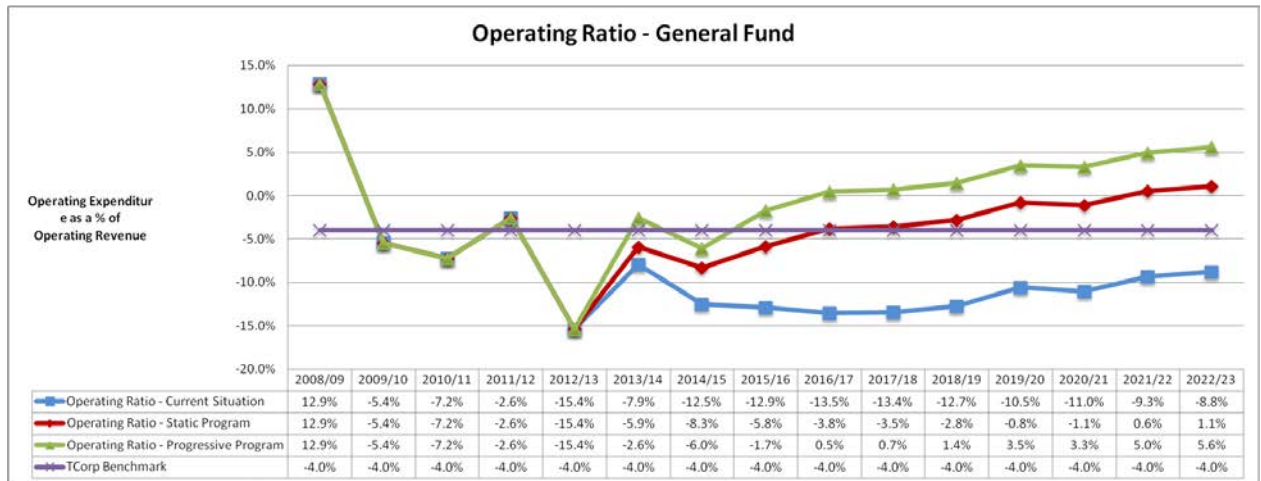
#### **Operating Ratio**

This ratio measures Council's ability to fund Operating Expenditure wholly from Operating Revenue. It shows the ability to contain and fund regular operations from a regular revenue base.

Currently Parkes cannot achieve the TCorp benchmark of an Operating Ratio greater than minus four (-4). The Current projection is that Parkes will only achieve -9% after 10 years, but this is after reaching -13.5% in 2016/17. This would indicate that the current situation is unacceptable in regard to the Operation Ratio, see figure 3.12.

However, a SRV of 13% for 4 years will increase the Operating Ratio to +0.5% by 2016-17 (Year4). Eventually the ratio will level out at 5% in 2021-22. This will enable Parkes to fund infrastructure maintenance from recurring revenue.

**Fig 3.12 Operating Balance Ratio**



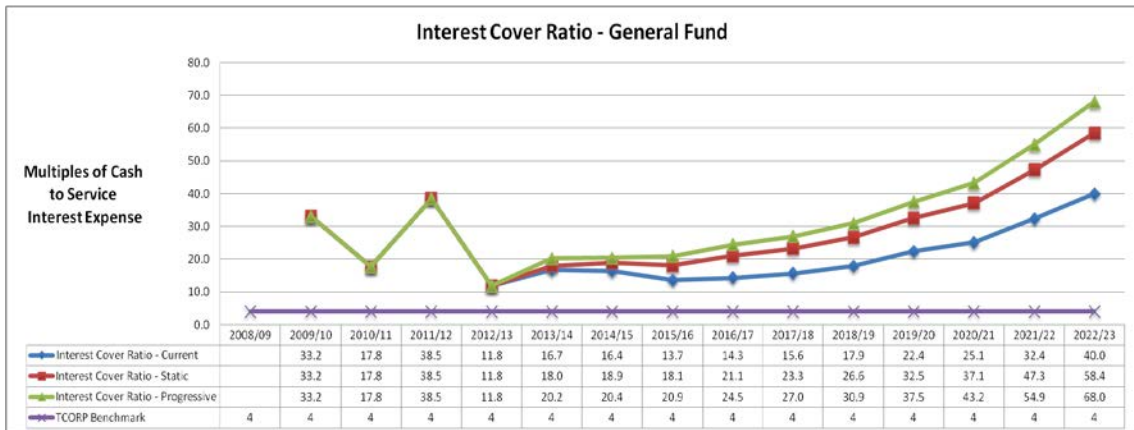
### Interest Cover Ratio

This ratio measures Council's ability to service the interest expense on debt, and our ability to service additional debt. The TCorp benchmark suggest that the Interest Expense Ratio should exceed four (4).

Currently Parkes has a Interest Cover Ratio of 11.8, see figure 3.13. That is, for every \$11.80 of surplus, 1 dollar is spent on interest. The current projection is that Parkes will achieve a ratio of 40, after 10 years. However, a SRV of 13% for 4 years will increase the Interest Cover Ratio to 68. The ratios appear favourable under all scenarios.

However, as can be seen from figure 3.12, under the current situation a large portion of the budget is consumed in operational expenditure and therefore the potential to payback interest and principle is difficult, despite this apparent favourable ratio. That is, borrowing under the current situation will be limited without cutting services to meet repayments. Under the SRV scenarios however there will be much greater scope to use debt to fund infrastructure renewal, as funds will be available to meet repayments. The use of debt for this purpose has not been considered at this point due to the uncertainty of a SRV being successful and that the borrowings would occur in the next delivery program, at which time it will be fully and appropriately considered in consultation with the community.

**Fig 1.13 Interest Cover Ratio**



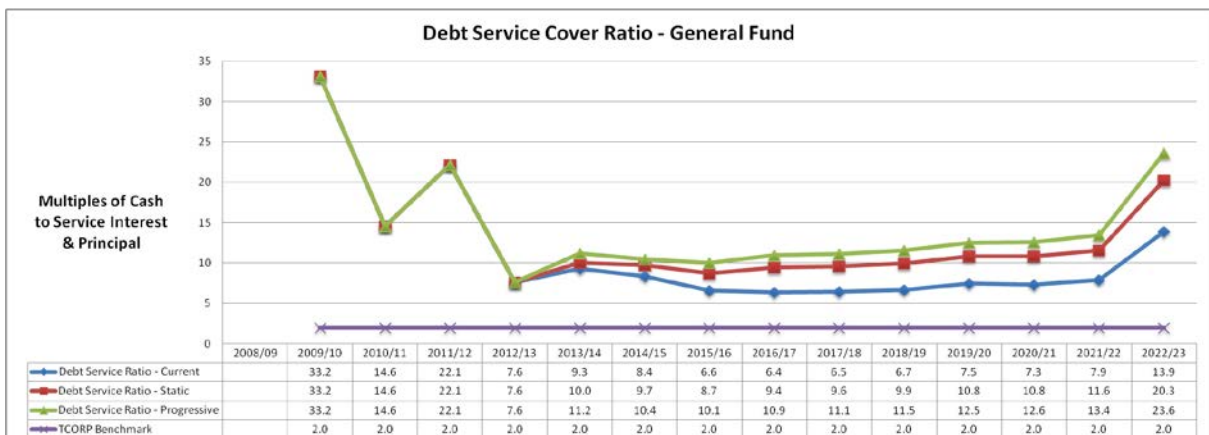
**Debt Service Cover Ratio**

This ratio measures Council's ability to service the interest expense and principal repayment on debt, and our ability to service additional debt. The TCorp benchmark suggest that Debt Service Ratio should be greater than two (2).

Currently Parkes has a Debt Service Ratio of 7.6. The current projection is that Parkes will achieve a ratio of 13.9, after 10 years. However, a SRV of 13% for 4 years will increase the Debt Cover Ratio to 23.6 as a consequence of current loans maturing, see figure 1.14.

However, as indicated above, it is unlikely that this forecast profile will occur as use of debt will be likely in future delivery programs once/if the SRV is approved and implemented.

**Fig 1.14 Debt Service Cover Ratio**



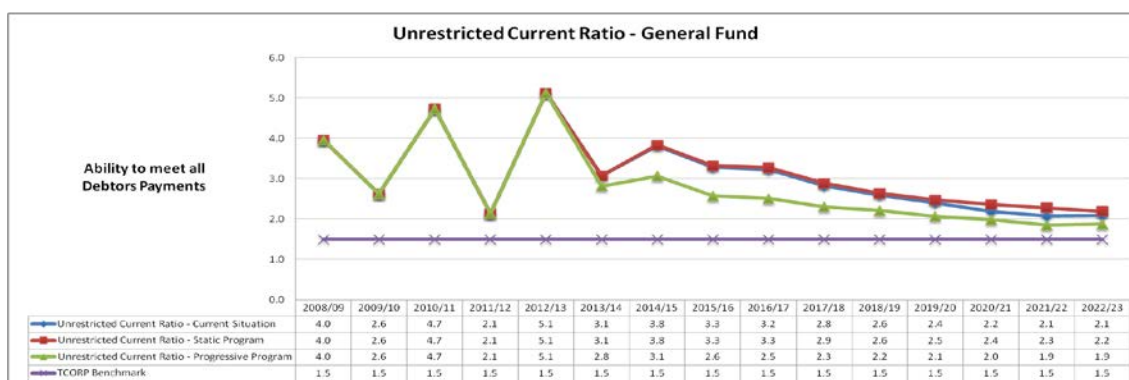
**Unrestricted Current Ratio**

This ratio measures Council's ability to meet debt payments when due. The TCorp benchmark suggest that the Unrestricted Current Ratio should be greater than 1.5. The benchmark is exceeded in all scenarios, see figure 1.15.

Currently, Parkes has a Unrestricted Current Ratio of 5.1 . The current projection is that Parkes will achieve a ratio of 2.1, after 10 years as a consequence of cash reserves depleting.

However, a SRV of 13% for 4 years will reduce the Ratio to 1.9, after 10 years. The movement of the Progressive program towards the benchmark level is as a consequence of utilising cash reserves over time, to fund additional infrastructure projects. If the SRV is achieved a greater level of confidence is achieved to use cash reserves to fund infrastructure.

**Fig 1.15 Unrestricted Cover Ratio**

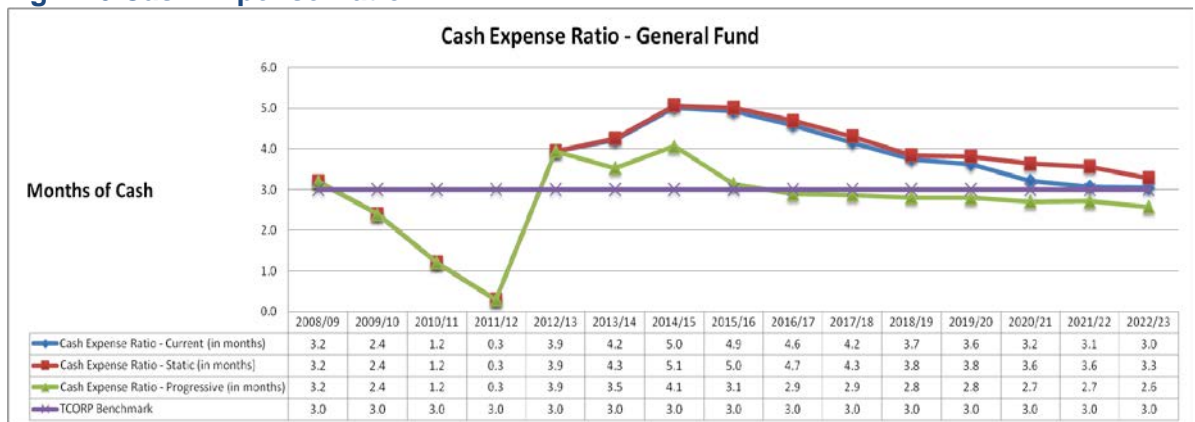


**Cash Expense Cover Ratio**

This ratio measures Council's ability to pay for immediate recurring expenses without any additional cash revenue. The TCorp benchmark suggests that the Cash Expense Cover Ratio should be greater than three (3) months. As indicated in figure 1.16, the three scenarios are generally satisfactory, albeit that the Progressive program is slightly below the benchmark ratio.

Currently, Parkes has a Cash Expense Cover Ratio of 3.9 months. The current projection is that Parkes will achieve a ratio of 3 months, after 10 years. However, a SRV of 13% for 4 years will reduce the Ratio to 2.6, after 10 years. Parkes intends to reduce the level of reserves over time, to fund additional infrastructure projects. That is, the movement of the Progressive program below the benchmark level is as a consequence of utilising cash reserves over time, to fund additional infrastructure projects. If the SRV is achieved a greater level of confidence is achieved to use cash reserves to fund infrastructure. However, as indicated above it is unlikely that this forecast profile will occurring as use of debt will be likely in future delivery programs once/if the SRV is approved and implemented and cash will be maintained to ensure this ratio is maintained.

**Fig 1.16 Cash Expense Ratio**



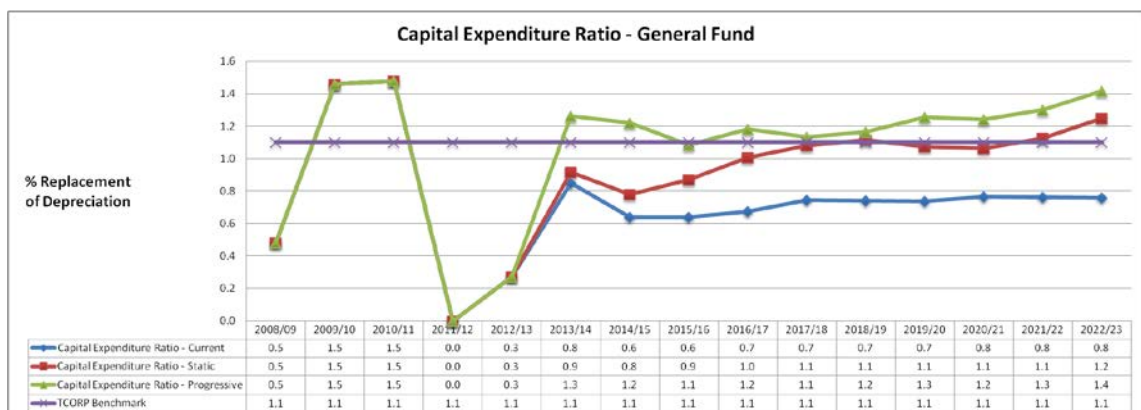
### Capital Expenditure Ratio

This ratio measures Council's plan to expand or renew existing assets by spending more on new and renewed capital than is being allocated for depreciation. The TCorp benchmark suggests that the Capital Expenditure Ratio should be greater than 1.1.

Currently, Parkes has a Capital Expenditure Ratio of 0.3, which is well below the target benchmark as shown in figure 1.17. The current projection is that Parkes will achieve a ratio of 0.8, after 10 years, which remains deficient. This is reflective of the community's comments experienced during the consultation process and the quintessential reason for the SRV.

The progressive delivery program has been designed to improve this deficiency in asset expenditure and help avoid assets deterioration further. A SRV of 13% for 4 years will increase the Ratio to 1.1, after 10 years, but more importantly will reach the benchmark in the first year of the progressive program. PSC intends to commit most of the SRV to fund additional infrastructure capital.

**Fig 1.17: Capital Expenditure Ratio**

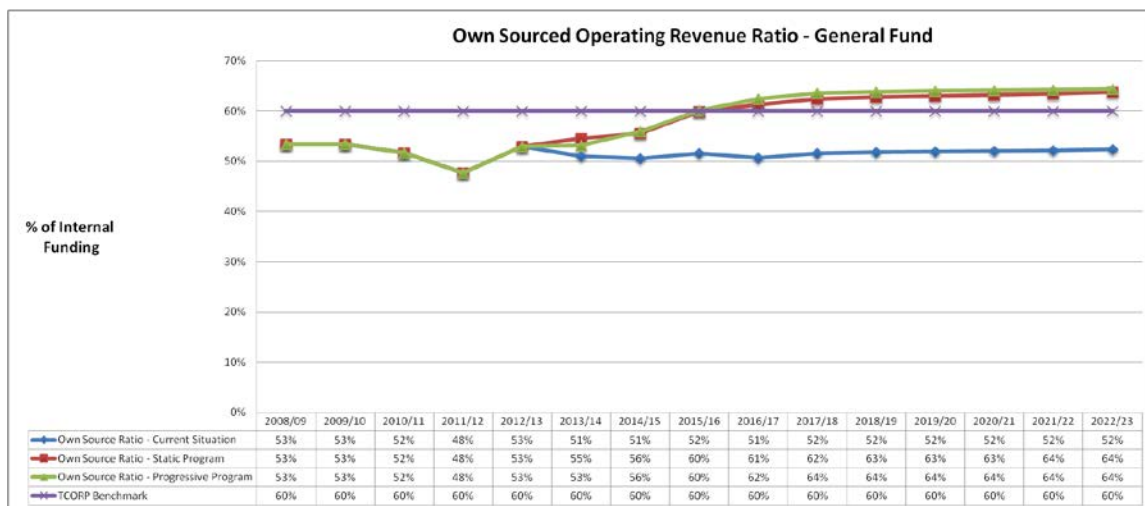


## Own Sourced Operating Revenue Ratio

This ratio measures Council's ability to raise Revenue from internal sources and was highlighted as below benchmark levels in the TCorp report. The TCorp benchmark suggests that the Own Sourced Operating Revenue Ratio should be greater than 60%, that is at least 60% of revenue should be sourced from rates and user charges.

Currently, Parkes has an Owned Sourced Operating Revenue Ratio of 53%. The current projection is that Parkes will achieve a ratio of 52%, after 10 years, see figure 1.18. However, a SRV of 13% for 4 years will increase the Ratio to 64%, after 10 years therefore meeting and slightly exceeding the Own Source revenue target.

**Figure 1.18 Own Source Operating Revenue Ratio**



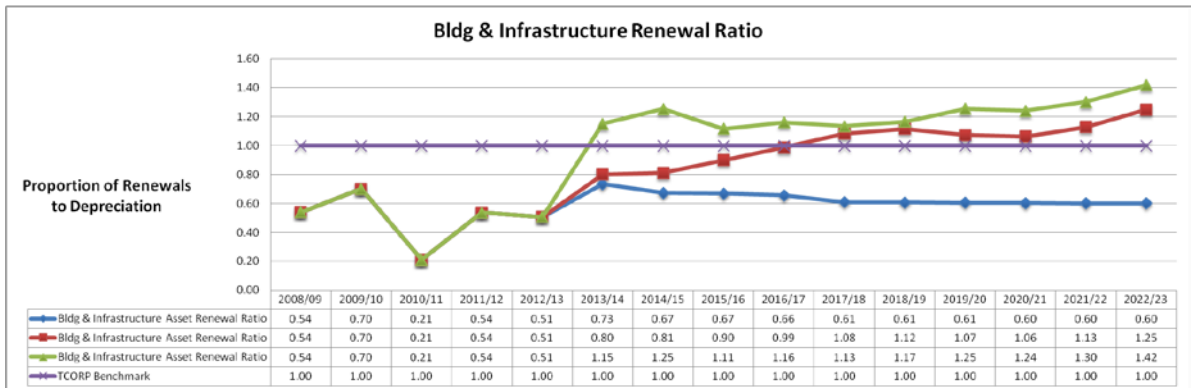
## Building & Infrastructure Renewal Ratio

This ratio measures Council's ability to spend more on asset renewals, than is allocated for depreciation. The TCorp benchmark suggests that the Building and Infrastructure Renewal Ratio should be greater than 1, that is capital should exceed depreciation.

Currently, Parkes has a Building and Infrastructure Renewal Ratio of 0.51, which is well below the benchmark, see figure 1.19. That is, infrastructure is replaced at half the rate of depreciation and is consistent with the findings of the community consultation who's main issues were deteriorating assets. The current projection is that Parkes will achieve a ratio of 0.6, after 10 years, and thus assets will continue to deteriorate.

However, a SRV of 13% for 4 years will increase the Ratio to 1.42, after 10 years. PSC intends to commit most of the SRV to fund additional infrastructure capital, and given depreciation is met 1.42 times it is reasonable to assume assets will show a marked improvement.

**Fig 1.19: Building & Infrastructure Renewal Ratio**



### Building & Infrastructure Backlog Ratio

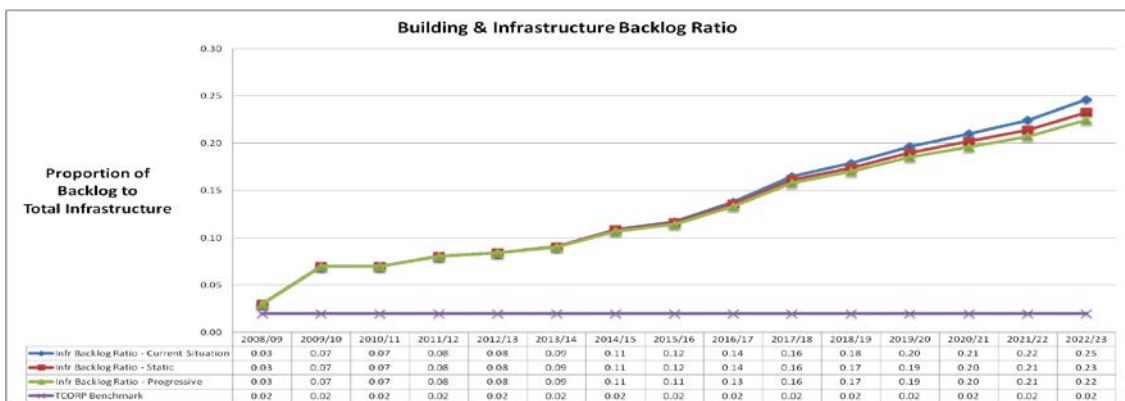
This ratio measures Council's infrastructure backlog against the total infrastructure base, see figure 1.20. The TCorp benchmark suggests that the Building & Infrastructure Backlog Ratio should be less than 0.02 times.

Currently, PSC has a Building & Infrastructure Backlog Ratio of 0.08. The current projection is that Parkes will achieve a ratio of 0.25, after 10 years.

However, a SRV of 13% for 4 years will increase the Ratio to 0.22, after 10 years showing a slight improvement over time in comparison the current situation. PSC intends to commit most of the SRV to fund additional infrastructure capital. However there are predictions that additional asset renewals will be needed, but are unfunded in the LTFP.

It is intended to comprehensively review the Asset Management Plans prior to the next Delivery Program cycle, and model alternative scenarios in the next LTFP. The seemingly exponential increase in backlog is based on various assumptions across large road networks which will need to be carefully scrutinised and ground-truthed.

**Fig 1.20: Building & Infrastructure Backlog Ratio**



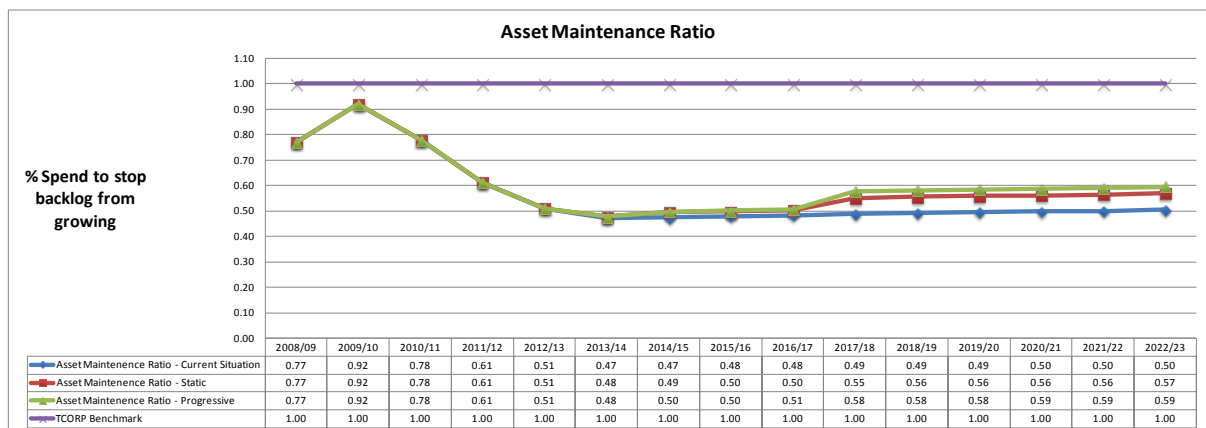
## Asset Maintenance Ratio

This Ratio measures Council's spending on asset maintenance as a proportion of what is required by Special Schedule 7. The TCorp benchmark suggests that the Asset Maintenance Ratio should be greater than 1. Currently, PSC has an Asset Maintenance Ratio of 0.51. The current projection is that PSC will achieve a ratio of 0.50, after 10 years, showing a deterioration in relation to maintenance, see figure 1.21.

However, a SRV of 13% for 4 years will reduce the ratio to .59, after 10 years. PSC intends to commit most of the SRV to fund additional infrastructure capital and therefore this ratio should be considered in light of figures 1.10 and 1.12, showing that in the case of the SRV scenarios albeit that maintenance has not increased and asset renewal expenditure has increased significantly. However there are predictions that additional asset renewals and maintenance will be needed, but are unfunded in the LTFP.

It is intended to thoroughly review the Asset Management Plans in the next delivery program cycle, and model alternative scenarios in the next LTFP.

**Fig 1.21: Asset Maintenance Ratio**



Additionally, It is intended to review and reduce the level of impairment work (Impairment Losses in 2011-12 is \$8.75m, due to flood damage), that is currently factored into the asset management plans, and increase the level of maintenance. This would have the effect of increasing the Asset Maintenance Ratio.



## 4 Criterion 2: Community engagement

### Beginnings

PSC first began its community engagement processes in 2006 (Annexure 2.a. Parkes Futures Workshop). This was due to Council's recognition of the growing need, and indeed demand for Local Government across New South Wales, to be more responsive and engaging with their community's. The initial approach involved inviting 80 community members from a number of interest groups and community's of interest to assist in determining the then high level goals PSC was articulating for the first time in its "Management Planning" processes.

It was this initial and somewhat basic but important step with regard to formalised community engagement, that gave PSC a level of confidence to implement and embrace the newly developed Integrating Planning and Reporting Framework. This framework, mandated by the NSW Division of Local Government was adopted by PSC as one of the first 35, "Group 1" Council's in the State to undertake IP&R, fully in June of 2010. A key component of this undertaking was the development of the Parkes Shire Community Strategic Plan (CSP), 2010 - 2020. It was during this process that Council further refined and augmented its community engagement processes into a formalised strategy.

In October 2009, PSC once again carried out a community engagement forum with approximately 100 community representatives, again from a number of interest groups and community's of interest to develop its first 2010 -2012 Community Strategic Plan (Annexure 2.b. "Checking We Are Still on Track"). PSC recognised at this time that the community engagement process was not only useful in the stages of preparing the CSP, but additionally by developing a formalised engagement strategy there was an opportunity to articulate and enhance the manner in which Council was to inform, consult, involve and collaborate with the community going forward. (Annexure 2.c. "Developing the Parkes Shire Community Strategic Plan and the PSC Community Engagement Strategy, pgs 8 - 17). Over the remaining three years of the then Council's remaining term of office, Council continued to utilise this engagement strategy as a growing and important guide and methodology for the way in which it went about its business, increasing both its capacity and proficiency in community engagement over this time.

#### 4.1 The Consultation Strategy

##### Parkes Shire Community Engagement Strategy 2012 "a continuum" (Annexure 2)

*In 2022 Parkes Shire Will be;*

*"A progressive regional centre, embracing a national logistics hub, with vibrant community's, diverse opportunities, learning and healthy lifestyles".*

In order to achieve the above vision, PSC commenced its community engagement processes for review and development of its 2013/2014 to 2016/2017 Integrated Planning and Reporting documentation in early 2012. The approach which is found in the current engagement strategy explains the process by way of a circular diagram illustrating six clear steps or phases to be undertaken by Council. Figure 4.1 depicts this diagram as it appears in the strategy (Annexure 2 Parkes Shire Community Engagement Strategy "a continuum" pg 10).

**Fig 4.1 Community Engagement Phases**



## Your Priorities

The objective of this phase was to review the Future Directions of the Parkes Shire Community Strategic Plan (CSP) and in so doing, to also determine the key priorities of the Parkes Shire Community for the next four years of the next being 2013/2014 to 2016/2017. It was important to ensure that Council was clearly able to determine the needs and wants of the community and how they related to the CSP. This information was deemed vital to inform and gauge the likely impacts on Council's ability to resource the Delivery Program being developed in combination with the financial modelling and asset planning processes that similarly had to be undertaken

This "Your Priorities" phase included a total of 18 individual workshops. These were staged to provide the maximum opportunity to gain input from key stakeholders. Council utilised a broad and inclusive combination of communication methods to invite people to attend and raise awareness of the priorities workshops including:

- Letters of invite to known interested groups and individuals on Council's data base from previous engagements
- Advertisements and articles in the local radio and print media (Annexure 2.d. Parkes Champion Post Article dated 28th March 2012, 18th, 27th April 2012, 11th and 14th of May 2012
- On line promotion via Council's website
- Emails to known addresses on Council data bases
- Articles in School news letters and flyers (Annexure 2.e. Sample flyer & Letter)
- Word of mouth through identified township leaders and key communicators

Workshops were conducted in all the towns and villages of the Shire at times and dates selected to maximise availability with due regard to local events, likely work/business commitments and seasonal farming imposts. This resulted in workshops at our very small villages with population catchments under 300 being Bogan Gate, Cookamidgera, and Alectown, as well as at our larger villages and towns being Tullamore, Trundle, Peak Hill and Parkes. Similarly, target economic interest groups were also engaged at specific workshops focused on farmers, business (via a business breakfast), miners (held at the Rio Tinto mine site). Social justice groups were targeted and included Mothers Groups, Senior Citizens (Neighbourhood Centre), Aboriginals and Youth. Councillors along with Council staff from all levels of the organisation were also included. In addition to the workshops a walk up kiosk style display was established at Parkes' busiest shopping centre being a Metroplaza facility. Members of the public were afforded the opportunity to identify, record and put forward meaningful projects and issues

to Council staff manning the display. Those who took time to contribute were recorded in the total tally taken. Attendance numbers regarding all the approaches are summarised below in Table 4.1;

**Table 4.1. Attendance at Priorities Workshops**

<b>INTEREST GROUPS</b>	
<b>Councillors and Senior Staff</b>	<b>27</b>
<b>Bogan Gate</b>	<b>20</b>
<b>Youth -Skate park</b>	<b>50</b>
<b>Cookamidgera</b>	<b>9</b>
<b>PSC Staff TOTAL</b>	<b>139</b>
<b>Tullamore</b>	<b>32</b>
<b>Indigenous</b>	<b>30</b>
<b>Farmers</b>	<b>11</b>
<b>Alectown</b>	<b>24</b>
<b>Metroplaza Shopping Centre</b>	<b>75</b>
<b>Neighbourhood Centre</b>	<b>23</b>
<b>Business Breakfast</b>	<b>42</b>
<b>Mothers Group</b>	<b>12</b>
<b>Parkes</b>	<b>45</b>
<b>Miners</b>	<b>15</b>
<b>Trundle</b>	<b>41</b>
<b>Peak Hill</b>	<b>64</b>
<b>Youth - High School</b>	<b>30</b>
<b>TOTAL</b>	<b>689</b>

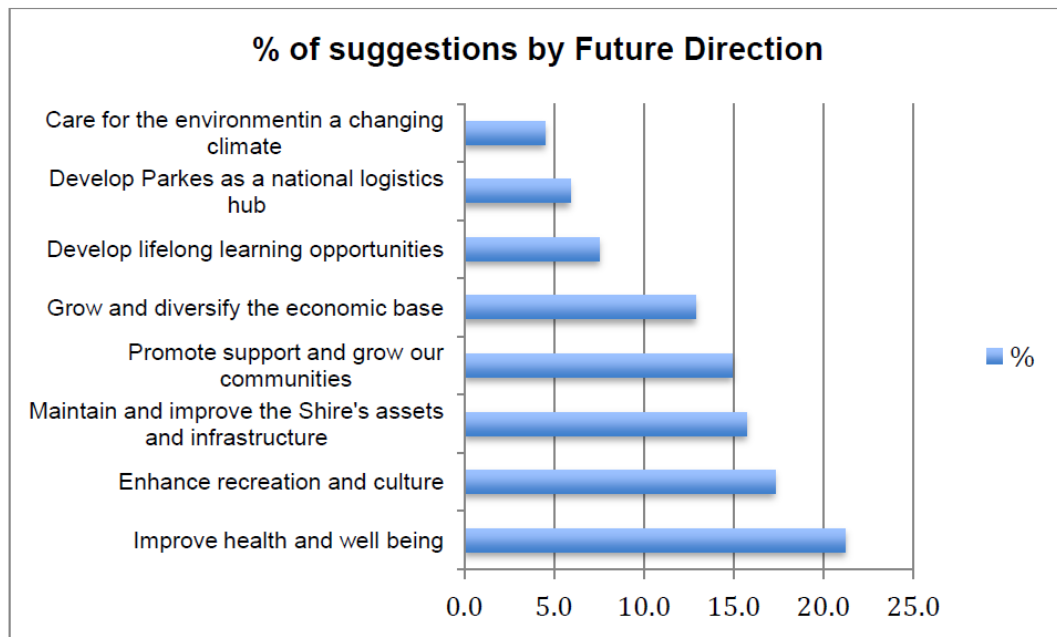
### **Your Priorities - The Outcomes**

The projects and initiatives resulting from the workshops undertaken have been collated and summarised in a report for Council (Annexure 2.f. Parkes Shire - Summary of projects and initiatives from community and staff workshops). In this Report, it identifies the 947 projects and initiatives to be considered for the Delivery Program. It then groups these into 61 categories under the eight Future Directions of the Parkes Shire Community Strategic Plan refer Tables 4.2 and 4.3;

**Table 4.2**

Future direction	Count	%	Categories
Improve health and well being	201	21.2	8
Enhance recreation and culture	164	17.3	14
Maintain and improve the Shire's assets and infrastructure	149	15.7	10
Promote support and grow our communities	141	14.9	6
Grow and diversify the economic base	122	12.9	9
Develop lifelong learning opportunities	71	7.5	6
Develop Parkes as a national logistics hub	56	5.9	4
Care for the environment in a changing climate	43	4.5	4
Totals	947	100.0	61

**Table 4.3**



In summary, the outcomes of the "priorities" phase can be broken down into two categories, being characterised by the role for Council identified in its Community Strategic Plan. Projects where Council is primarily deemed an Advocate or Facilitator have been termed "Broader Community Priorities". Those where Council is deemed to be the provider are termed "Council Specific Priorities". A table of these has been provided in the Community Engagement Strategy (Annexure 2 Parkes Shire Community Engagement Strategy "a continuum" pg 12). A key emphasis of the "Council Specific priorities" was centred around the condition of critical Council infrastructure such as roads, footpaths and drainage. It was clear that there was significant community concern and interest regarding the maintenance and renewal of Council assets across the Shire, and that the community wanted these addressed if the Shire was to achieve its vision by 2022.

## Your Services

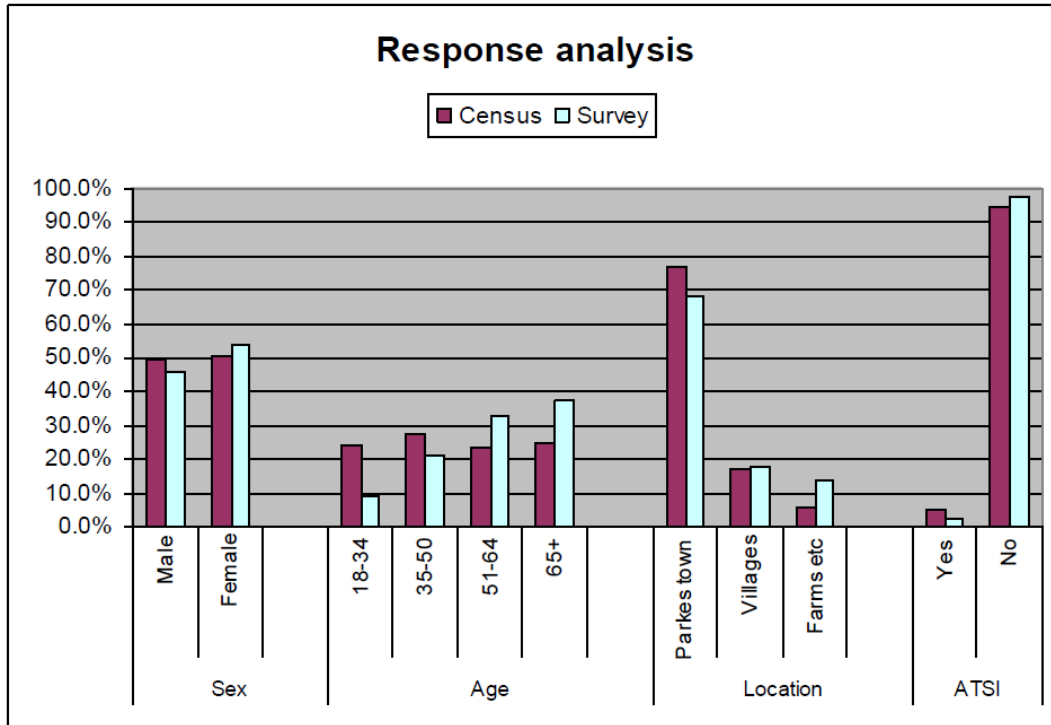
In this next phase of the engagement strategy Council wanted to establish the community's views and expectations with regards to its current service delivery levels. The survey was constructed by a qualified statistician (Mr Tim Sowerbutts of QRSC pty ltd) to quantitatively gauge both the satisfaction and importance of Council's current services. Council asked that the methodology used should be respondent friendly i.e. relatively quick and easy to do, to increase the likelihood of participation. Council also requested that the survey should not require significant resources. Given that the costs surrounding some survey methodologies were well outside Council's budget, the methodology selected had to be cost effective. In July 2012 Council undertook the survey across 8000 households in the Shire (Annexure 2.g. Parkes Shire Survey). This was accompanied by a media awareness campaign to promote the participation by the community (Annexure 2.h. Parkes Champion Post articles 16th of July, 20th of July and 3rd of August 2012) The survey delineated 35 "services" across six broader categories;

- Infrastructure
- Recreation & Culture
- Regulatory Services
- Community Services
- Economic Development
- Town and Village Appearance

The survey asked the respondent to answer two questions regarding the 35 areas. How important is the service to you? The respondent could then indicate one of three options as the answer being; Very Important, Somewhat Important or Not Important. The second question was, how satisfied are you with the service? The respondent could select from four options being, Very satisfied, Somewhat Satisfied, Not Satisfied and Not Applicable.

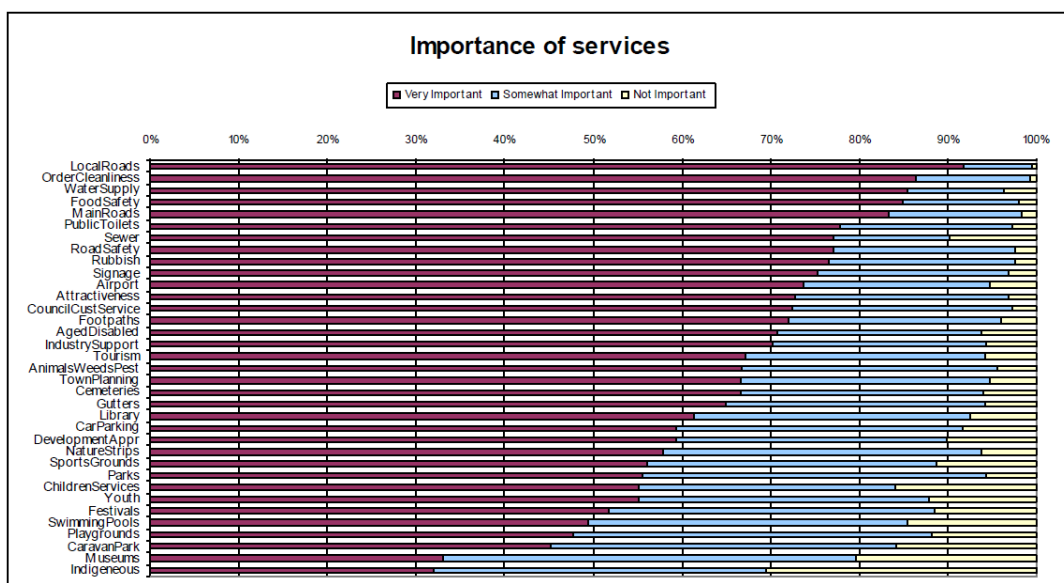
1062 surveys were completed of the 8000 that were sent out, this equates to a response rate, per person of 9.9%. Assuming few households returned multiple forms, the response per household is closer to 20%. The general conclusion is that the survey is slightly under representative with regard to young town dwellers however the discrepancies are not large enough to invalidate the survey, Figure 4.2 illustrates the response analysis.

Fig 4.2



The report and analysis of the results of the survey was reported to Council on the 18th of September 2012 being the first meeting of the newly elected Council. (Annexure 2.i. Parkes Shire Community survey on the importance of and satisfaction with Council services. Final Report August 2012, Parkes Champion Post Article "The results are in. 28th September 2012). Figure 4.3 shows the results regarding importance of services in graphical terms.

Fig 4.3



The top ten services rated as “very important” by respondents were:

- Local Roads
- Order Cleanliness
- Water Supply
- Food Safety
- Main Roads
- Public Toilets
- Sewer
- Road Safety
- Rubbish
- Signage

These top ten areas further validated the work of the priorities workshop as these tended to correlate rather than contradict the results of the "priorities" phase of the Engagement Strategy. Figure 4.4 shows the results across the 35 categories with regards to satisfaction.

**Fig 4.4**



The top ten services that respondents were “very satisfied” with were:

- Library
- Festivals
- Parks
- Sewerage
- Cemeteries



- Sports grounds
- Food safety
- Children's services
- Playgrounds
- Tourism

The top ten services that respondents were most "not satisfied" with were:

- Local roads
- Footpaths
- Animal weeds and pests management
- Gutters
- Youth services
- Public toilets
- Car parking
- Main roads
- Nature strips
- Development approvals

Once again these results were in line with sentiments gleaned in the earlier workshops, indicating to Council that these "not satisfied" areas were the areas of most concern for the Parkes Shire community and where Council should focus its future efforts. The prominence of these areas is further highlighted in Figure 2.5. In this analysis a comparison has been made of satisfaction compared with those deemed very important.

Those who thought services were Very Important services but had less 10% of those being not satisfied were;

- Library
- Sewer
- Festivals
- Parks
- Food Safety
- Cemeteries

Those who thought services were Very important services but had over 30% of those being not satisfied were;

- Public Toilets
- Car Parking
- Youth Service
- Gutters
- Animals Weeds and Pests
- Local roads
- Footpaths

**Fig 4.5**



The information taken from the survey combined with the earlier input from priorities sessions was collated to be part of an extensive analysis of Council's position with regards to the next delivery program and its ongoing sustainability beyond this period. This analysis phase formed stage three of the Community Engagement Strategy being "Your Council".

### Your Council

The new Council was formed after elections held on Saturday the 8th of September 2012. Council retained eight of its ten previous Councillors with two new Councillors being elected. Council staff had prepared a comprehensive analysis of Council's future sustainability focusing on three primary elements being; the state of the assets, the state of the finances, and the needs and expectations of the Parkes Shire Community. On the 9th of October, Council attended a developmental workshop facilitated by corporate development professionals who, along with Council staff, presented the overall findings of the analysis of these three primary elements. During this process Council examined three funding scenarios, these formed the basis of the three scenarios articulated in the current Parkes Shire 10 year Long Term Financial Plan (LTFP);

- Current Situation -** No rate income increases above the rate cap set
- Static -** 7% above the estimated rate cap est at 3% cumulative for 4years
- Progressive -** 10% above the estimated rate cap est at 3% cumulative for 4 years

Council recognised that in order to provide a delivery program over their term of office that responsibly managed the assets, finances and the community's vision, it must strongly consider the merits of a SRV application. Council requested staff to further engage with the community to ascertain community sentiment regarding the willingness to adopt the funding models of the LTFP and the delivery program resulting from these models. The community's view on a potential SRV application was to be measured and brought back to Council for consideration.

### Your Options

Considering all this information, Council conducted extensive analysis of its funding models with regard to the delivery program for 2013/14 to 2016/17. Council then prepared to conduct six workshops throughout the Shire between the 22nd of October and the 25th of October, to assist Council in assessing community sentiment regarding three resourcing options for Council's next Delivery Program. Senior staff from Council were to be involved in these 2 hour presentations which outlined the implications of all models across the varied functions of Council. Council in essence repeated the notification and awareness methodology utilised in the priorities phase to promote the workshops.

- Letters of invite to known interested groups and individuals, on Council's data base from previous engagements including Your Priorities workshops. (Annexure .j.)
- Advertisements and articles in the local radio and print media (Annexure 2.k. Parkes Champion Post Article dated 15th, 17th, 19th and 22nd, October 2012).
- On line promotion via Council's website
- Emails to known addresses on Council data bases
- Flyers (Annexure .j.)
- Word of mouth through identified township leaders and key communicators.

Due to the resource intensiveness of the format of these workshops compared to the priorities workshops, Council elected to hold a fewer number than those held in the March 2012 process, Council also had to ensure the process was

completed in October prior to the upcoming harvest due to take place over November and December. These workshops were to be held in the major towns and villages, Parkes, Peak Hill, Trundle and Tullamore. All but one of these workshops were scheduled at 6pm to facilitate attendance by as many people as possible. Two workshops were held in Parkes with one morning workshop to finalise the process in an effort to provide an opportunity for community members who could not attend other localised workshops or evening time frames.

## Your Choice

The workshops outlined the three delivery program options being considered; the Current Situation, the Static Delivery Program and the Progressive Delivery Program. The workshops conducted were in a format that may be termed as a informed survey approach. The presentations commenced with a summary of Council's current financial situation and asset assessment by the General Manager. Then senior managers from across Council's functional areas took part in the workshops presenting the impacts of the three scenarios to be considered on Council's service delivery and infrastructure (Annexure 2.I. Power point presentation of Priority Workshops). The process concluded with a summary by the General Manager. A sample of the power point can also be viewed by going to the PSC web site and going to the SRV page link below.

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=309](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=309)

## The key elements of the Delivery Program models presented

### Current Situation

- There will likely have to be reduced levels of maintenance & services offered by Council
- The operating deficit will remain
- There would likely be no new capital
- There will not be enough funding to cover depreciation
- Existing capital spending is unsustainable
- Assets will deteriorate in the long term
- Reviews will be required regarding non critical positions i.e. not linked to core service provisions of Council
- It is likely a review will be required regarding some high cost services such as Pool Hours , Library Services, Tourism, Office Hours etc

### Static Delivery Plan - 7% Increase in General Rate + est rate cap set @3% each year for 4years

Key Features included;

- A return to a balanced budget (expenses matches income)
- A Capital program that marginally exceeds depreciation

- Additional income used to fund additional \$3M per annum renewal program
- Some asset maintenance backlog is being addressed
- No New Additional Assets

**Fig 4.7 - Key initiatives and Projects to be Delivered Static Delivery Plan**

	<b>4 Yr Total \$('000)</b>
<b>Pensioner Rebate</b>	<b>245</b>
<b>Airport Improvements</b>	<b>300</b>
<b>Town-up Town Improvement Votes</b>	<b>210</b>
<b>Improve Footpaths</b>	<b>800</b>
<b>Improve Roads &amp; Streets &amp; CBD</b>	<b>2,160</b>
<b>Renewal and Maintenance of other assets (Depreciation Backlog)</b>	<b>328</b>
<b>Improve Town Drainage</b>	<b>911</b>
<b>Noxious Weeds / Pests (inc Dogs)/Toilets/Vacant Lots (Increased Services)</b>	<b>300</b>
<b>POOLS - Trundle, Tullamore &amp; Peak Hill</b>	<b>300</b>
<b>Council/Community Initiatives (Identified in IP&amp;R Processes)</b>	<b>458</b>
<b>Sporting Grounds Maintenance/Improvements</b>	<b>356</b>
<b>Total Additional Funds over 4 years</b>	<b>6,368</b>

**Progressive Delivery Plan - 10% Increase in General Rate + est rate cap set @3% each year for 4 years**

Key Features included;

- Operating deficit turned into operating surplus (income exceeds expenditure)
- Capital programs now exceeds depreciation
- Surplus used to fund additional \$4m per annum capital program
- Asset maintenance backlog is being addressed

**Fig 4.8 - Key initiatives and Projects to be Delivered Progressive Delivery Plan**

	<b>4 Yr Total \$('000)</b>
<b>Pensioner Rebate</b>	<b>345</b>
<b>Airport Improvements</b>	<b>310</b>
<b>Top-up Town Improvement Votes</b>	<b>290</b>
<b>Improve Footpaths</b>	<b>1,050</b>
<b>Improve Roads &amp; Streets &amp; CBD</b>	<b>2,700</b>
<b>Renewal and Maintenance of other assets (Depreciation Backlog)</b>	<b>483</b>
<b>Improve Town Drainage</b>	<b>1000</b>
<b>Noxious Weeds / Pests (inc Dogs)/Toilets/Vacant Lots (Increased Services)</b>	<b>300</b>
<b>POOLS - Trundle, Tullamore &amp; Peak Hill</b>	<b>810</b>
<b>Council/Community Initiatives (Identified in IP&amp;R Processes)</b>	<b>515</b>
<b>Sporting Grounds Maintenance/Improvements</b>	<b>400</b>
<b>Possible NEW Infrastructure/Assets</b>	<b>1,166</b>
<b>Total Additional Funds over 4 years</b>	<b>9,369</b>

### **The Voting Process**

Approximately 150 people from various interest groups and demographics across the Shire attended the Program Planning Workshops in Parkes and the rural townships. At the completion of the presentations all participants were afforded the opportunity to vote on the delivery program options by way of a secret ballot which was oversighted by an independent scrutineer from the community. 135 votes were lodged during the process across the locations overall of these 3 were informal of the legitimate votes lodged;

- 6% were in favour of the Current Situation
- 16% were in favour of the Static Delivery Program model
- 78% were in favour of the Progressive Delivery Program model

**Fig 4.9 - Break down by location**

	<b>OPTION 1 CURRENT</b>	<b>OPTION 2 STATIC</b>	<b>OPTION 3 PROGRESSIVE</b>	<b>INFORMAL</b>	
<b>Location</b>					
Parkes 22/10/12	3	4	38	1	
Trundle 23/10/12	1	3	19	2	
Tullamore 24/10/12	0	4	18		
Parkes 25/10/12	2	2	21		
Peak Hill 25/10/12	2	8	7		
<b>TOTAL</b>	<b>8</b>	<b>21</b>	<b>103</b>	<b>3</b>	<b>135</b>

### **Continued Awareness Raising and Options for Input**

The results of the informed workshops was reported to Council on the 6th of November 2012. The outcomes from the workshop and the meeting of Council were actively reported in the local media. (Annexure 2.m. Parkes Champion Post article 14th of November 2012.) The headline reads "Residents support Council 13% rate increase."

To increase awareness and provide further opportunity for input Council published a comprehensive brochure explaining the reasons Council was considering the delivery program options and highlighting the impacts on general rate charges (Annexure 2.n. Progressing Parkes Shire). This was circulated via the Parkes Champion Post which has a circulation of approximately 2800 (Annexure 2.o. Article Parkes Champion Post dated 28th November 2012). The same publication was forwarded to Peak Hill (circulation approx 800), Trundle and Tullamore papers (circulation approximately 150 to 200 each), who distributed it as part of their regular issues. The same methodologies regarding likely impacts were used i.e. terms of consumable being cups of coffee and truck tyres. The financial impacts of delivery program options on all categories of rates in percentage terms accumulated across the four years, was explained. In the section "What does this mean over 4 years" the implications on average rates in weekly, quarterly and yearly amounts was highlighted. Key programs and capital components provided in the delivery program options were identified and further feedback was requested by way of an online survey (Annexure 2.p. Online Survey) and social media. The General Manager took part in a You Tube presentation providing a summary of the delivery program options and the likely impacts of the Current, Static and Progressive delivery program scenarios ([http://www.youtube.com/watch?v=LS\\_xbX58gak](http://www.youtube.com/watch?v=LS_xbX58gak)). In addition to increase awareness whilst the survey was running the General Manager released a question and answers article in the Parkes paper to address and further clarify key aspects of the proposed rate rise (Annexure 2.q. Parkes Champion Post

article "Information you need to know.." 3rd December 2012). In all 114 people undertook the online survey of these 104 actually voted for the delivery program options (Annexure 2.r. Survey Monkey results). The results of the online survey over the two weeks expressed a similar result to the "Informed Survey Workshops the online results were;

- 14.4% were in favour of the Current Situation
- 25% were in favour of the Static Delivery Program model
- 60.6% were in favour of the Progressive Delivery Program model

On the 15th of January, Council adopted a Hardship Policy. This once again raised community awareness regarding specifically the provisions in the proposed SRV for an additional pensioner rebate. This area is covered more comprehensively in section 5 of this application however the adoption of the Policy and what the impact it would have on the community was captured by the local media (Annexure 2.s. Parkes Champion Post article dated 25th of January "Hardship Policy for Rate Rise".)

The General Manager conducted a presentation on the SRV and impacts to a number of groups. These essentially provided the same information as the youtube presentation. Council thought it important to ensure staff were fully aware of the impacts both as employees and residents. The Chamber of Commerce and Rotary presentations were carried out on a request basis to assist in increasing awareness of the SRV.

- 140 Council Staff
- 29 Members of the Parkes Chamber of Commerce
- 28 Members of Rotary Parkes

### **Methodology for Explaining Financial Aspects to the Community**

The financial impacts for each of the Static and Progressive funding scenarios that would be subject to a SRV was explained clearly in weekly, quarterly and per year terms, showing the forecast cumulative result in quantum terms after four years. This was done in the same manner for the three classifications of average rates at Parkes Shire being Residential, Business and Farm rates as well as the minimum residential rate. The provisions made to minimise the financial impacts on pensioners was also communicated during the engagement process.

To illustrate the financial impacts Council explained to the community the proposed rise in terms of the cumulative percentages that compounded each year of the proposed increase, as well as indicating the actual part of the rates bill (General rate) that would be affected. Council also used images in terms of consumables such as the cost of cups of coffee were used to assist understanding for paying increased average residential rates and business rates



(note this should be viewed in terms of prices for Parkes Shire and not larger centres at the time a large take away cup of coffee was ~\$4.70). To further assist the farming ratepayers understand the likely impacts the prices of truck tyres and tonnes of wheat were used.

The use of these methods received a mixed response which was not surprising to Council. Council used the mix of methods to ensure that it was able to convey the information in as many different ways to match the many different ways people process data and information. It was a matter of interest during the submission phase that in some letters to Council and the media showed some people were very critical in the use of this type of comparison. These people indicated a desire to only hear about the rise in exact figures and dollar terms which they clearly had understood. Conversely during the priorities workshops, the use of the combination of methods appeared to be much more positively received. This diversity in reaction confirmed to Council that to use the many different methods on the whole was an effective means of heightening understanding and interest regarding the SRV. All these methods as well as media reports surrounding the SRV, are found on the below link.

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=309](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=309)

### **Awareness Through the Integrated Planning and Reporting Documents**

After careful consideration of all the elements surrounding Parkes Shire's future sustainability including the result of the community engagement processes discussed above, Council requested staff prepare a delivery program for 2013-2014 To 2016-2017 based on a SRV application under section 508 A of the Local Government Act 1993, being for a cumulative rate increase of 13% for four years of the life of the delivery program. In response, Council prepared its final Integrated Planning and Reporting plans and documentation including the provision of this SRV. Given that the LTFP scenario to be adopted was labelled with reference to "progress" and that "progress" was the key theme of the Vision espoused in the Parkes Shire Community Strategic Plan 2022, Council deemed it appropriate that the resulting delivery program should be titled the "Delivery Program for a Progressive Parkes Shire."

The resulting documentation prepared for the Integrated Planning and Reporting process (excluding the Local Environmental Plan LEP) contains an explanation of the process Council undertook to seek the SRV, and then how it will be utilised to fund the delivery program, in a section called "Funding the Delivery Program." In the Community Strategic Plan and Workforce Plan this section is titled "Funding the Strategic Objectives of the Community Strategic Plan", however it essentially provides the same information. The Asset Management Strategy discusses the implications of a SRV on pages 7 and 8. Whilst in totality this may appear to be somewhat repetitious to put in each of the documents, Council was conscious that any one of the IP & R documents may be sourced in isolation by interested community members or other stakeholders. Therefore it

was important to ensure the reader was aware of the impacts and mechanisms of the proposed increase in the General Rate on the document they may be reading in the context of the entire delivery program. These are spelt out under three main headings of the section ; Identifying the needs and wants of the community, Considering the reasonableness and impact of increasing the general rates and The SRV process and how it will be managed (Annexure 2.t. "Funding the Delivery Program".)

Council adopted the draft Integrated Planning and Reporting documentation based on the Delivery Program for a Progressive Parkes Shire including a 4 year cumulative rate rise of 13% per year, at its meeting on the 29th of January 2013, again this drew significant media attention (Annexure 2.u. Parkes Champion Post article dated 30th of January and 1st February 2013). The local television networks PRIME and WIN also carried stories in their evening news reports regarding the proposed "rate rise".

The documentation was placed on 28 day public display at the Council Administration Centre, the Parkes Library as well as the Peak Hill, Trundle and Tullamore Libraries. The plans were also available for view via the PSC website. Public notices were issued via all of the Parkes Shires newspapers regarding the display and a call for submissions regarding the plans over 28 days was called. (Annexure 2.v. Public Notice Draft Delivery Program and Budget 2013-1017).

On Thursday the 31st of January, 2013, Council issued a newsletter to its 5141 ratepayers in its 3rd quarter issue of the rate notices (Annexure 2.w. Delivery Program for a Progressive Parkes Shire). This document summarised the process Council had undertaken in preparing the delivery program including explanation of the proposed SRV using all the methods mentioned earlier. The document also advised the reader that they were able to make a written submission within the 28 days of the display of the Integrated Planning and Reporting documentation.

## **4.2 Outcomes From Community Consultations**

The outcomes of the many phases of Council's community engagement up until public submission of Council's IP&R, documents has been explained in the previous section 4.1.

### **Summary of Results of Public Submission Process.**

The Integrated Plans were on public display from 30 January 2013 to 27 February 2013 inclusive. A total of 15 submissions were received, all of which essentially related to the SRV. The submissions have been analysed to assist Council in its considerations of the issues raised. (Attached as annexure 2.x. with personal information redacted).

In analysing the submissions, particular attention has been paid to issues of "reasonableness". Figure 2.10 summarises the types of submission by rating category and by issue. There are two recurrent issues raised by the submissions. These were related to the "Rating structure and impact on rate payers" and the "Productivity and cost containment strategies" of Council. Commentary is provided on each of the issues in the subsequent submission analysis supplied in Annexure 2 x. These particular issues are also extensively dealt with in this application in addressing criteria 3 and 5 of the Division of Local Government guidelines. The information in annexure 2.x. was reported to Council at its meeting on the 5th of March 2013, and formed part of the final deliberations with regard to the submission of this 508A application. A copy of the report considered is provided (Annexure 2.y.)

**Fig 2.10 Summary of Delivery Program Submissions**

Rating Category	Farmland	Residential		Total
		General	Self Funded retiree	
<b>Total Received</b>	<b>12</b>	<b>1</b>	<b>2</b>	<b>15</b>
<b>Issue raised in submission by Criterion</b>				
Need for variation	1			1
Community Consultation	3			3
Rating structure and impact on rate payers	7	1	2	10
Delivery Program and LTFFP assumptions	2			2
Productivity and cost containment strategies	3	1	1	5
Letter of protest	5			5

### Consultation Conclusion

Council is aware that there are many community engagement techniques and methods available and that various approaches have been taken in recent years by Council's in seeking a SRV. In particular, Council considered the use of a random phone survey in the process, however in quotations received this approach appeared to be quite expensive given the funding available to PSC. The entire I.P & R budget for 2012/2013 is \$60,000, some of these estimates would have seen this budgeting at least double. It also appeared problematic to communicate Council's overall financial sustainability issues in what would have to be a relatively brief and uninvited telephone conversation. This is why the "informed survey" format adopted in the "Your Choice" workshops was chosen as

the preferred method to gauge willingness of the community regarding the SRV proposed, followed by the online survey.

In essence the entire consultation process has been carried out over a 12 month period, culminating with a mail out to the entire ratepayer base outlining the SRV process and alerting them to the submission process. It is Council's belief that given all the efforts and methods utilised as well as the extensive media coverage that has been referred to in this section 4 of the application, that there is a very high level community awareness regarding the proposed SRV. Council has utilised the resources available in a responsible and practical manner to ensure a high level of confidence that the Parkes Shire Community is fully aware of Council's stated need and subsequent decision to apply for the proposed SRV being requested.

## 5 Criterion 3: Rating structure and the impact on ratepayers

### 5.1 Proposed Rating Structure

The proposed rating structure mirrors the structure that has been in place for a number of years. Council's rating structure contains a mix of categories and sub categories in accordance with Sections 514 and 529 of the local government Act, 1993. The basic structure is as follows:

Category	Sub Category	Determination of Sub Category (Section 529)
Residential (General)	Residential Parkes	centre of population
Business (General)	Business Parkes CBD	centre of activity
	Business Peak Hill	centre of activity
	Business Trundle	centre of activity
	Business Tullamore	centre of activity
	Business Bogan Gate	centre of activity
Mining (General)	Mining Copper/Gold	type of mining
Farmland		

The structure attempts to strike a balance between the two taxation principles of capacity to pay and the benefit derived. The categories of residential, farmland, mining and business apply to the whole Shire. The sub categories have been implemented over time where it has been thought appropriate to better distribute the rates payable according to the different capacities to pay, and services provided to different categories of ratepayer. The Parkes Shire has quite a disparate valuation set for the various centres of population and centres of business activity throughout the Shire. The Shire also has vast areas of farming land as well as two metalliferous mines. Council has a uniform minimum rate which attempts to provide a recognised level of taxation for the benefit derived in lower valuation areas. It is not proposed to alter the current structure as part of the special variation application. Should the variation be approved, the structure will

remain unchanged with each of the categories and sub-categories experiencing the increase equally based on the current burden. The variation is not intended to redistribute the burden as it stands. The variation will have no effect on the number of properties at which point the minimum rate payment would revert to ad valorem calculation.

## 5.2 Impact on Rates

The cumulative impact of the proposed increase is the same for each category of rate. That is, ratepayers in the various categories will contribute the same proportion of total income under the Progressive Program scenario as the proportion under the Current scenario. The following table details the average rate increase for each overall category in percentage and dollar terms:

Category	Average rate 2012/13 (\$)	Average rate 2016/17 (\$)	Increase (\$)	Increase (%)
Residential	524	850	326	63%
Business	1,416	2,288	872	63%
Mining	813,516	1,328,509	514,993	63%
Farmland	1,638	2,650	1,012	63%

As mentioned elsewhere in the application, Council commissioned the Western Research Institute to examine the progressive rate rise scenario under a test of reasonableness. Please refer to the findings in Section 5.3 for a more detailed analysis of the test of reasonableness in concert with a description of the community's capacity to pay.

A further analysis examines the number of properties above and below the average in the Progressive Program for each category as well as the percentage of the number of overall properties. The table below details the impact by category for the proposed increase:

Category	No. of properties	Average (\$)	Number Above	% above	Number below	% below
Residential	5,746	850.00	2,613	45%	3,133	55%
Business	637	2,288.00	326	51%	311	49%
Farmland	1,396	2,650.00	838	61%	558	39%

The balance of properties above the average for each category seems in balance with the principles of capacity to pay. The Farmland rate percentage above the average is slightly higher, but would be influenced by a number of properties with very high land values.

In gauging if the structure (which will remain unchanged in the Progressive Program) is acceptable to ratepayers and therefore predicting future performance given the findings of the WRI Report (Annexure 3.b), the following analysis of Council's Rates and Annual charges Outstanding Ratio for the past 4 years is beneficial.

	2011/12	2010/11	2009/10	2008/09
Ratio	4.54%	5.28%	6.23%	7.34%
DLG Group Average	Not applicable	7.66%	8.26%	8.16%

The Division of Local Government's Comparative Information on NSW Local Government's publication suggests a ratio of less than 5%.

The very low level of outstanding rates and charges would indicate that ratepayers are accepting of the structure and the attempt to strike a balance between capacity to pay and benefit derived.

### 5.2.1 Minimum Rates

Does the Council have minimum rates? Yes

Council sets a minimum rate for all of its categories and sub-categories. It is uniform across the Shire. Under the Progressive Program it will increase from \$300 in 2012/13 to \$489 in 2016/17. Council is mindful that a minimum rating strategy recognises the low unimproved capital value of the properties in the areas in which the minimum is invoked. However, Council has a very low minimum rate which is well below the current statutory (maximum) minimum of \$475.

The minimums are most evident in the smaller towns (centres of population).

The total yield from minimum rates under the Progressive Program equates to 5.5% of the total yield. Council is also providing a voluntary pensioner rebate for all pensioners which will assist those in the lower unimproved capital valuation areas of the Shire under the capacity to pay principle. In return, the smaller towns are significant beneficiaries of capital works under the Progressive Program, including increases to the small town capital improvement funds. This increase in expenditure will also give balance to the benefit provided principle.

Council is aware that the yield from minimum rates in the business sub-categories in the smaller towns approach and in one town exceeds 50%. The Division of Local Government have for some time encouraged all Council's to re-examine their structures should any yield from any category or sub-category exceed the 50% benchmark. The most recent National Yield Report relating to Council's rating levy provided by the Division of Local Government (for the 2012/13 rating year) contained a comment to this effect. The Division advised as follows:

*"Although Council's minimum rates are below the statutory maximum, the majority of ratepayers in the following sub-categories are on the minimum:*

<i>Residential - General.....</i>	<i>67.0%</i>
<i>Business - Peak Hill.....</i>	<i>67.0%</i>
<i>Business - Trundle.....</i>	<i>64.0%</i>
<i>Business - Tullamore.....</i>	<i>82.0%</i>
<i>Business - Bogan Gate.....</i>	<i>56.0%</i>

*The overriding characteristic of local government rating is that the assessments that are produced will be primarily and predominantly determined via the ad valorem method whereby the incidence of any rate burden is split differentially according to the value of rateable property.*

*It is recommended that Council review its rating structure to ensure that Council is satisfied it meets the requirements of the Act".*

The number of properties in the sub-categories affected by minimums are so few and the valuations so low, it is difficult to maintain a uniform minimum rate without exceeding the suggested threshold. Given the relatively small yield from these centres when compared to the total rate effort, Council is satisfied that the ratepayers in these sub-categories are not unduly burdened.

### **Integrated Planning and Reporting Documentation Linkages to "Reasonableness".**

All of the Integrated Planning and Reporting documentation apart from the 10 year Asset Management Strategy and the Local Environmental Plan (LEP), have reference to the reasonableness included. In the sections common to the Plans headed "Funding the Delivery Program" and in the case of the Community Strategic Plan and Workforce Plan "Funding the Strategic Objectives of the Community Strategic Plan," there is a section titled "Considering the Reasonableness and impact of increasing the General Rate, it summarises the work carried out by the Western Research Institute in this area and summarises the conclusions which are discussed later in detail in Section 5.3 of this application (Annexure 3.a. "Funding the Delivery Program).



### **5.3 Community's Capacity to Pay Proposed Rate Increases**

In developing the Static and Progressive scenarios of the Long Term Financial Plan, Council had a level of comfort that the quantum in dollar terms resulting from a SRV would be viewed as providing a tangible value when compared with the intended projects and programs to be gained. This was providing Council had made provision for those disadvantaged through the mechanisms of a pensioner rebate and hardship policy (see Annexure 3.e). It was generally thought the amounts modelled would be deemed reasonable and within the community's capacity to pay. Council believed however, that it was important that an objective assessment be made by qualified researchers to determine if indeed this view was valid. Council commissioned the Western Research Institute (WRI) to examine the "reasonableness" of the proposed rate variations under the Static and Progressive Delivery Program models. WRI considered three main criteria in their methodology being; Price Comparisons (other goods usually purchased), Impact (on incomes), and Peer Comparisons (other Council's). The report also considered the impacts on those possibly less advantaged using the SEIFA ranking (Annexure 3.b. WRI Report on Proposed SRV for PSC).

#### **Summary of the Report Conclusions**

The reports conclusions regarding the three criteria set are outlined below. The full WRI report including the methodology, analysis and technical notes is provided as (Annexure 3.b. WRI Report on Proposed SRV for PSC).

#### **Price Comparisons**

Price comparisons (households) - under both the Static and Progressive plans rates increases do not exceed the past and anticipated price increases of the services most closely aligned to local government services. These services include utilities and child care with local government itself usually providing water and some child care services. The static rate increase does not even exceed the price increases of services in general over the relevant period.

Price comparisons (farm and non-farm business) - except for input prices to electricity and rail freight, even the static rate increase exceeds the past and anticipated input price and wage increases over the relevant period.

#### **Impact**

Impact (households) - rates represent less than 1 per cent of the household expenditure of 80 per cent of Parkes households so that even with the 64 per cent rate increase of the progressive plan implementation, rates remain below 1 per cent of household expenditure and the increase represents less than one percentage point of household expenditure.

Impact (farm and nonfarm businesses) - overall the impact is relatively small on non –farm business with rates representing less than 1 per cent of value added. Even with the progressive plan implementation, rates will increase by less than 1

percentage point of value added. Therefore the impact of even the progressive rate increase is insignificant for non-farm business. However rates are more significant for farm businesses representing up to 4 per cent of value added in Scenario 2 (growing agriculture) and up to 6 per cent of value added in Scenario 1 (stagnating agriculture) and hence, so too is any rate increase. Nevertheless concern about this impact should be mitigated to some extent because the significance of rate increase for farm businesses is in part due to the growing number of hobby farms. In addition, the assumption of stagnating agricultural value added may be less plausible than the assumption of growing agriculture, and hence the impact of the rates increase in Scenario 1 may be indeed overstated.

### **Comparison with Peers**

Comparison with peers - The average household incomes of Parkes is just above the median income of Group 10 and 11 LGAs while its current rates are well below the median for Group 10 and Group 11 LGAs. Under the progressive rate increase Parkes rates would rise just above the median for these 2 groups of Council's. By itself this would suggest that the progressive rate increase is consistent with Parkes' peers. However Parkes is well below the median of these Council's in terms of the SEIFA index. This suggests that Parkes has a relatively large proportion of relatively disadvantaged households. This issue is addressed through Council monetary rebates and hardship policies.

### **Overall Conclusion**

In summary, even the rates increases under the progressive plan pass most of the tests for reasonableness. Both the static and progressive plans result in rates increase exceeding the rise of input costs for businesses. For non-farm businesses the rates as a percentage of value added is less than 1 per cent, suggesting that the impact is low. However, for farm businesses, the rates/value added ratio is higher due to the growing number of 'hobby farms'. This overstates the real impact of rates on farm businesses. Additionally, Parkes Shire has low SEIFA ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation and policy action that are included in both plans. Overall, even the progressive plan broadly satisfies reasonableness test.

### **Consideration by Council**

The findings of the WRI report were reported to Council at its meeting on the 18th December 2012 where Council considered the contents of the Report (Annexure 3.c. Report Regarding Reasonableness of Proposed SRV.) In addition to receiving and noting the Report Council resolved;

*"That existing policies are reviewed for the next meeting of Council to ensure adequate provisions are included for hardship and the voluntary rebates proposed in the Progressive and Static Delivery Programs."* (Annexure 3.b. Ordinary Meeting Minutes - 18 December 2012 Resolution 12 - 594)

At its meeting 5th March 2013, Council considered submissions made on the Integrated Plans including the "Delivery Program for a Progressive Parkes and the Financial Forecasts and Annual budgets that included the proposed SRV. As discussed in part 4.2 of this application, one of the recurrent issues raised included the impact on rate payers as determined by the WRI report. A point of contention raised was that the inclusion of hobby farmers in the rural rate may have distorted the impact on farmers more generally. This fact was identified in the Report and picked up by some of the submissions as being inconclusive and possibly masking the real impacts.

Council recognised the importance in clarifying this issue and requested a follow up report on the issues raised by a particularly clear submission made regarding this issue. WRI published this report on the 4th of March and this was tabled at Council's meeting on the 5th of March 2013 to be considered in its deliberations on submissions for a SRV. This follow up report found that if hobby farms, as defined by the Australian Bureau of Statistics are removed from the data set, the stated impact on farmers from the proposed rate rise in the original WRI report was significantly reduced when looking at single grain crop productions known to be undertaken in the Shire. The follow up Report can be found in (Annexure 3.d.), the submissions and Council's response can be found in (Annexure 2.x.)

#### 5.4 Addressing Hardship

Does the Council have a Hardship Policy in place? Yes

If Yes, is the Policy identified in the Council's IP&R documentation? Yes

(Attached Annexure 3.e.)

Does the Council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Yes

Council reviewed and adopted its "Rates and Charges Pensioner Rebate and Hardship Assistance Policy at its meeting held on the 15th of January 2013. (Annexure 3.e. Policy Development - Rates and Charges Pensioner Rebate and Hardship Assistance Policy. Resolution 13-013). Clause 1.2 of the policy outlines the mechanism that enables pensioners to access the specific provisions made for an increased rebate in this proposed SRV in preparation for a Delivery Program for a Progressive Parkes Shire.

If IPART was to approve the 13% rate increase sought each year over the next four years, Council would offer the following rebates to eligible pensioners over and above the standard pensioner concessions in place;

- Year 1 2013/2014 - \$25
- Year 2 2014/2015 - \$40
- Year 3 2015/2016 - \$70
- Year 4 2016/2017 - \$105

Council is fully aware that this additional rebate will not attract subsidy from the NSW State Government. Any vulnerable or disadvantaged ratepayer who is not a pensioner as defined in the Policy will be entitled to be considered under the general hardship provisions set down in the NSW Local Government Act 1993 as prescribed in the Policy.

### **Possible Correlations Pensioners, Minimum Rate and SEIFA ratings**

Due to low property valuations in the smaller villages and towns, Council's rating structure includes a number of properties that pay the minimum rate currently set at \$300. In the first year of the proposed variation it would rise to approximately \$339. Whilst it cannot be conclusively verified, Council believes that there is a likely correlation between this number of low rating properties in the outer towns and villages and the low ranking the Parkes Shire LGA holds in the SEIFA rankings as articulated in the WRI Report (Annexure 3.b). This would support that those ratepayers captured as part of this SEIFA ranking, are most likely to be subject to have the lowest rate. This impact would be further reduced in the not unlikely event that they also may be in receipt of pensioner concessions under the subject Policy.

Taking this into consideration it would see a ratepayer who is pensioner, who is also on the minimum rate, have a real increase of approximately ~\$2.91 a week in the fourth year of the variation reduced to approximately ~\$0.90 a week or ~\$46.80 a year.

A pensioner who is on the average residential rate would, under the increased subsidy, see a reduction from the real increase of approximately \$5.15 a week or \$267.80 per annum to approximately \$3.13 a week or \$162.76 per annum in the fourth year of the variation sought.

### **Integrated Planning and Reporting Documentation Linkages**

All of the Integrated Planning and Reporting documentation, apart from the 10 year Asset Management Strategy and the Local Environmental Plan (LEP), have reference to the community's capacity to pay and the hardship policy included, although not explicitly stated. In the sections common to the Plans headed "Funding the Delivery Program" and in the case of the Community Strategic Plan and Workforce Plan "Funding the Strategic Objectives of the Community Strategic Plan,." there is a section titled "Considering the Reasonableness and impact of

increasing the General Rate" (Annexure 3.a. "Funding the Delivery Program). In the overall conclusions the WRI finding states;

*"Additionally, Parkes Shire has a low SEIFA Ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation and policy action that are included in both programs. Overall, even the progressive program broadly satisfies the reasonableness test. "*

Additionally, line items can be found in both the 4 year Delivery Program Financial Forecasts and the Operational Budget that fund the SRV additional pensioner rebate identified as "General - Council Pension Rebate" (Annexure 3.f.).

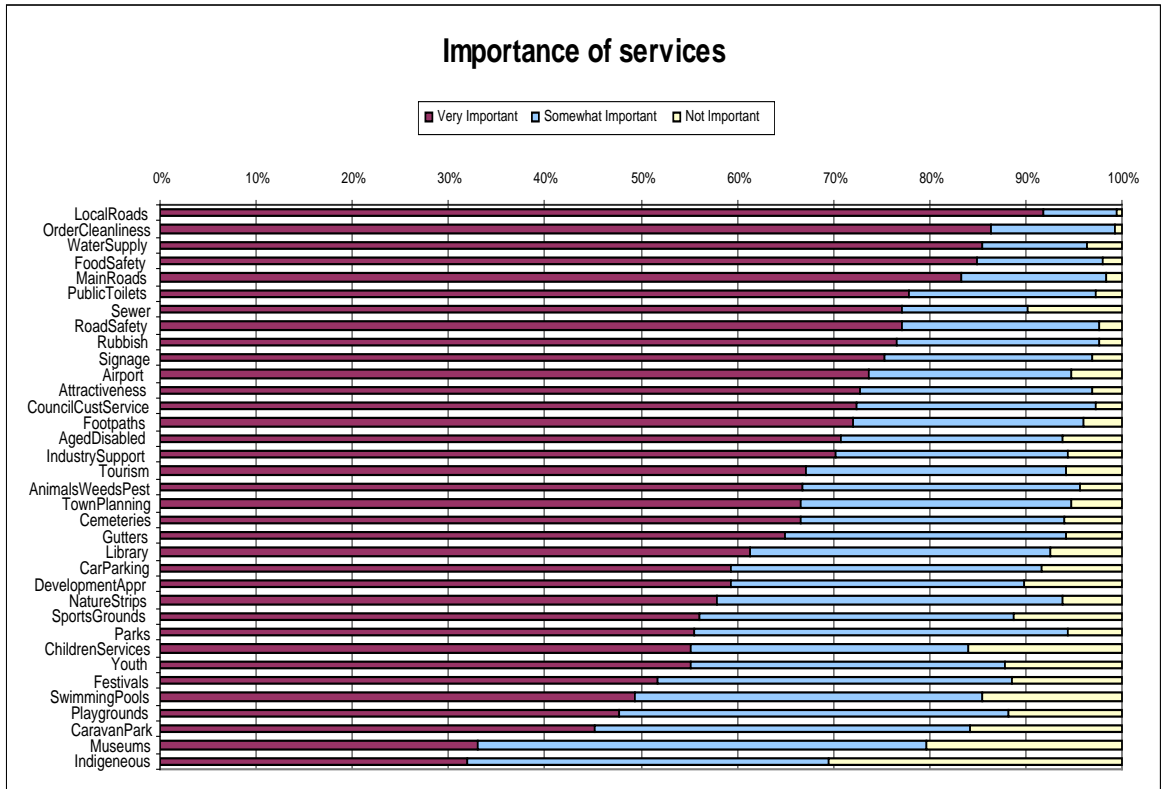
## **6 Criterion 4: Delivery Program and Long Term Financial Plan assumptions**

### **Appropriate Scope Given Financial and Community Outlook**

Council in its analysis has determined the income shortfall required to address its ongoing sustainability. Council has structured the SRV accordingly at the level of 13% cumulatively for the 4 years based on a fundamental belief in the rational of the NSW Integrated Planning and Reporting legislation. The SRV proposed whilst large in percentage terms, is still reasonable with regard to the ratepayers capacity to pay as discussed in part 5. Therefore Council believes that in having the variation in place over the four years corresponding with their period of office and subsequently the Delivery Program, that Council is showing strong adherence to its Civic Leadership obligations. This sees the Council responsible for the instigation of the SRV also responsible for ensuring the delivery of the funded projects and programs as promised. This also sees that the SRV is not in place for the term of office of the Council to follow who were not necessarily involved in the decision making process. The projects, programs and services for the delivery programs to commence 2016/2017 under IP&R will not be fully determined until a contemporary assessment can be made of the needs and aspirations of the Parkes Shire community via Council's Community Engagement Strategy being a continuum as well a review of Council's assets and finances.

As discussed previously the scope of the Delivery Program for a Progressive Parkes Shire is based on a three (3) pillared assessment. Firstly, extensive community consultation was completed to determine the needs and wants of the community. This was then followed by a community survey to determine if a reduction in service levels was an option to reduce expenditure. Over 1000 surveys were returned and analysed (~20% of households) to reveal that all services supplied were in fact considered important, which limited the opportunity to make savings by reducing service levels. Figure 1 below shows that even in the lowest scoring service that 70% of respondents consider the service either very important or important.

**Fig 6.1: Importance of Council Services**



**Figure 6.2: Satisfaction with Council Services**

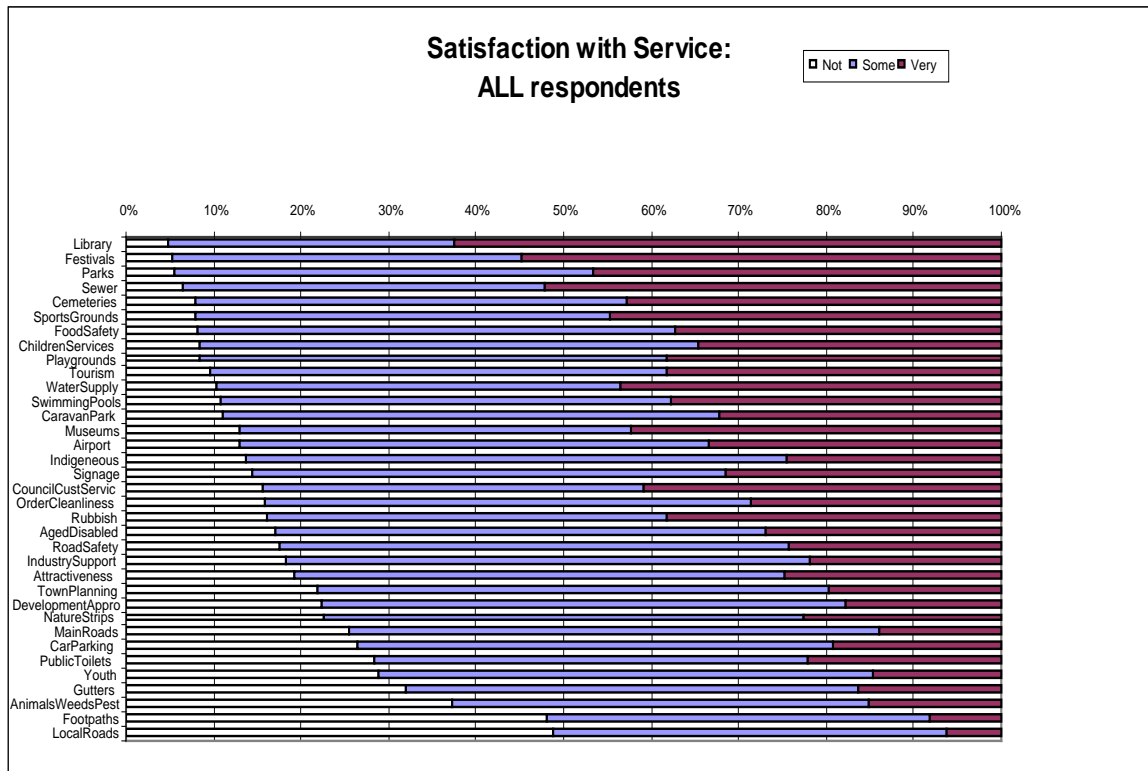


Figure 6.2 above shows the level of satisfaction with Council services. Considering figure 1 and 2 together identifies service gaps (such as roads which is considered very important but respondents were not satisfied).

No services were identified as not important with high satisfaction, which would indicate opportunity to reduce the level of service in that area to save financial resources.

Accordingly under the Progressive Program existing services are maintained. Community consultation did identify areas where service needed to be improved, these included in Ranger services (to attend to dogs and un-kept land) and noxious weed management, accordingly a small provision has been included to increase service in these areas.

The second pillar is asset management. The community strongly identified the need to maintain existing infrastructure such as roads, foot paths and drainage. This was also apparent from the suite of Asset Management Plans which indicated a gap in maintaining assets. Accordingly, the SRV income is substantially directed towards asset maintenance.

The third pillar is financial management. The previous Long Term Financial Plan 2010-12 identified a continuing trend of operating deficits, and flagged that the issue of additional increases in rates needed to be discussed. In addressing financial management as part of Council's three pillared approach to addressing its future sustainability an extensive review found that the current situation was unsustainable, with increasing operating deficits and also that the rate of depreciation was not being covered by the level of Capital renewals, which was substantiated in the New South Wales Treasury Corporation (TCorp) financial review. This was impacting significantly on Council's asset backlog which was \$33m in the general fund and increasing.

Given all of the above considerations we believe the Delivery Program for a Progressive Parkes Shire is appropriate given the financial outlook and the community's priorities.

### **Are Estimates in LTFP Feasible and Efficient Use of Resources**

The delivery program has been built up from below using costings and assumptions that are well known to Council. There are 49 Activities within the General Fund that are the basic core business of Parkes Shire. The estimated costs of providing these activities to the community are based on well known historic cost of provision. The Workforce Plan explains the minimal increase in FTE staff to achieve the delivery of the proposed projects, using the strategic provision of contracts and outsourcing.

The estimates are therefore based on best effect considerations and represent the most efficient use of Council and outsourced resources.



## **Are Cost Components Including Labour Feasible in the LTFP**

The largest cost driver is employee numbers which have been factored by forecast labour cost increases. The level of Salaries and Wages is about \$10.6m, which accounts for about 50% of Cash Expenses. The LTFP is based on 150 FTE employees. The current staff level is 146 FTE and we expect to fill these positions. The proposed additional works of \$0.78m in year 1 to \$3.8m in Year 4 are expected to be mainly delivered by contractors. About one third of the work will be completed by existing staff. There is expected to be a modest increase in Council staff so as to manage the contracts of these projects. Funding for these positions will be offset within the expected expense projections.

Expenditure on Materials and Contracts is expected to be maintained at about \$6.5m during Years 1-4. The major components of materials are contracts for office equipment maintenance, electricity for street lighting, electricity for buildings and pools, domestic waste services, commercial waste services, pool maintenance, parks maintenance and airport maintenance. The cost drivers for these are realistic. A higher index for the supply of electricity has been factored in.

It is intended to hold Other Expenses around the level of \$2.3m. The major components of this category are insurance, contributions to Government Agencies, telephone and postage, printing and stationery.

## **Have we incorporated realistic forecasts of growth in the LGA**

Parkes Shire has a population of 14,592 based on the Australian Bureau of Statistics Census of 2011. The population has increased from the 2006 Census of 14,281. This is equal to an average increase of 0.5% per annum, over the past 5 years.

However, the increase in new dwellings has not been significant. Parkes Shire has about 5,800 residential dwellings. It is expected that new dwellings will only increase by 0.1% per annum over the next 10 years (ie sufficient to accommodate the increasing population). The LTFP has used a growth in Rates income of 0.01% per annum. Therefore, there is not expected to be any significant natural growth of Rates Revenue.

Parkes has significant growth and development potential, but substantial growth is contingent on external factors which can not be relied about for future revenue. Projects such as the Inland Rail, expansion of Northparkes Mines and large retirement villages are all project which if realised will add significantly to the growth of the town, but the externalities involved can not ne relied upon.

### **6.1.1 Community's Priorities & Expectations, in Order of Importance**

Considerable effort was deployed to determine community priorities. Initial objective was to review the Future Directions of the Parkes Shire Community Strategic Plan (CSP) and in so doing, to also determine the key priorities of the Parkes Shire Community for the four years of the delivery program, 2013/2014 to 2016/2017. It was considered important to ensure that Council was clearly able to

determine the needs and wants of the community and how they related to the CSP. This information was deemed vital to inform and gauge the likely impacts on Council's ability to resource the Delivery Program being developed in combination with the financial modelling and asset planning processes that similarly had to be undertaken

This "Your Priorities" phase included a total of 18 individual workshops, these were staged to provide the maximum opportunity to gain input from key stakeholders. Council utilised a broad and inclusive combination of communication methods to invite people to attend and raise awareness of the priorities workshops including.

- Letters of invite to known interested groups and individuals on Council's data base from previous engagements
- Advertisements and articles in the local radio and print media (Annexure 2.d. Parkes Champion Post Article dated 28th March 2012, 18th, 27th April 2012, 11th and 14th of May 2012.).
- On line promotion via Council's website
- Emails to known addresses on Council data bases
- Articles in School news letters and flyers (Annexure 2.e. Sample flyer & Letter)
- Word of mouth through identified township leaders and key communicators.

Workshops were conducted in all the towns and villages of the Shires at times and dates selected to maximise availability with due regard to local events, likely work/business commitments and seasonal farming imposts. This resulted in workshops at our very small villages with population catchments under 300 being Bogan Gate, Cookamidgera, and Alectown, as well as at our larger villages and towns being Tullamore, Trundle, Peak Hill and Parkes. Similarly target economic interest groups were also engaged at specific workshops focused on farmers, business (via a business breakfast), miners (held at our large Rio Tinto mining site). Social justice groups were targeted and included Mothers Groups, Senior Citizens (Neighbourhood Centre), Aboriginals and Youth. Councillors along with Council staff from all levels of the organisation were also included. In addition to the workshops a walk up kiosk style display was established at Parkes' busiest shopping centre being a Metroplaza facility. Members of the public were afforded the opportunity to identify, record and put forward meaningful projects and issues to Council staff manning the display. Those who took time to contribute were recorded in the total tally taken. Attendance numbers regarding all the approaches are summarised below in Table 6.1;

**Table 6.1 Attendance at Priorities Workshops**

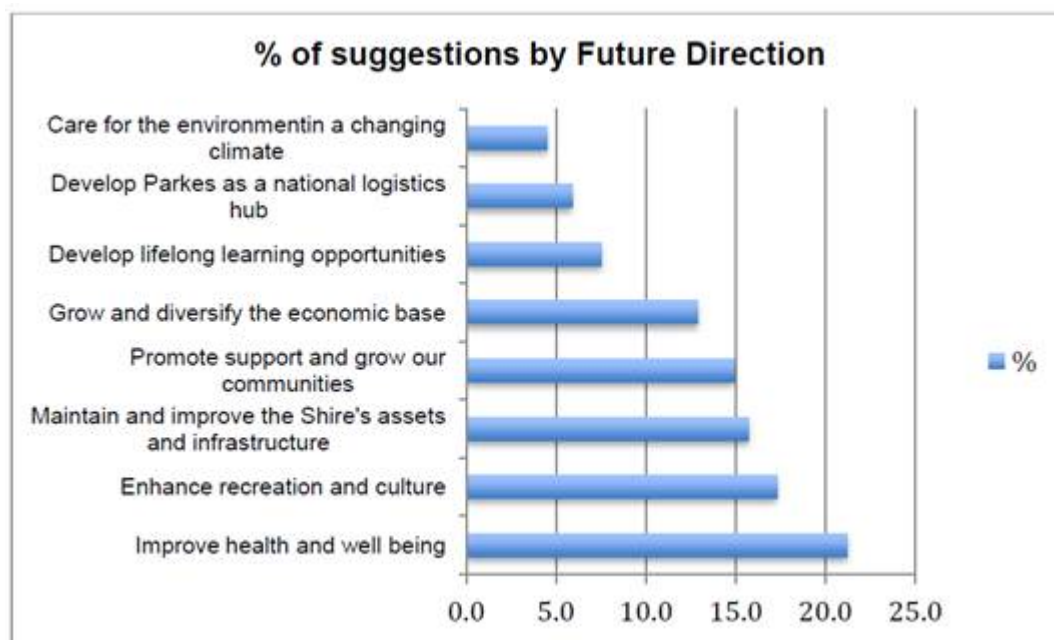
<b>INTEREST GROUPS</b>	
<b>Councillors and Senior Staff</b>	<b>27</b>
<b>Bogan Gate</b>	<b>20</b>
<b>Youth -Skate park</b>	<b>50</b>
<b>Cookamidgera</b>	<b>9</b>
<b>PSC Staff TOTAL</b>	<b>139</b>
<b>Tullamore</b>	<b>32</b>
<b>Indigenous</b>	<b>30</b>
<b>Farmers</b>	<b>11</b>
<b>Alectown</b>	<b>24</b>
<b>Metroplaza Shopping Centre</b>	<b>75</b>
<b>Neighbourhood Centre</b>	<b>23</b>
<b>Business Breakfast</b>	<b>42</b>
<b>Mothers Group</b>	<b>12</b>
<b>Parkes</b>	<b>45</b>
<b>Miners</b>	<b>15</b>
<b>Trundle</b>	<b>41</b>
<b>Peak Hill</b>	<b>64</b>
<b>Youth - High School</b>	<b>30</b>
<b>TOTAL</b>	<b>689</b>

The projects and initiatives resulting from the workshops undertaken have been collated and summarised in a report for Council (Annexure 2.f. Parkes Shire - Summary of projects and initiatives from community and staff workshops). In this report it identifies the 947 projects and initiatives to be considered for the Delivery Program, it then groups these into 61 categories under the eight Future Directions of the Parkes Shire Community Strategic Plan refer Tables 6.2 and 6.3;

**Table 6.2.**

Future direction	Count	%	Categories
Improve health and well being	201	21.2	8
Enhance recreation and culture	164	17.3	14
Maintain and improve the Shire's assets and infrastructure	149	15.7	10
Promote support and grow our communities	141	14.9	6
Grow and diversify the economic base	122	12.9	9
Develop lifelong learning opportunities	71	7.5	6
Develop Parkes as a national logistics hub	56	5.9	4
Care for the environment in a changing climate	43	4.5	4
Totals	947	100.0	61

**Table 6.3.**



In summary the outcomes of the priorities phase can be broken down into two categories, being comprised of the role for Council identified in its Community Strategic Plan. Projects where Council is primarily deemed an Advocate or Facilitator have been termed "Broader Community Priorities". Those where Council is deemed to be the provider are termed "Council Specific Priorities". A table of these has been listed in the Community Engagement Strategy (Annexure 2 Parkes Shire Community Engagement Strategy "a continuum" pg 12).

A key emphasis of the "Council Specific priorities" was around the condition of critical Council infrastructure such as roads, footpaths and drainage. It was clear that there was significant community concern and interest regarding the maintenance and renewal of Council assets across the Shire, and that the community wanted these addressed if the Shire was to achieve its vision by 2022. The resulting programs are provided in section 3 "Benefits of Works".

### 6.1.2 Proposed Level of Service of Assets

Asset management is fundamentally about delivering a defined level of service at the minimum lifecycle cost. It is important to clearly define levels of service to inform customers of the proposed level of service to be offered, and to define strategies in order to deliver this level of Service in the most cost-effective manner. Council's current service levels are detailed in each asset management plans. The Level of Service provided by Council's assets is primarily governed by the Condition of these assets. Refer to related asset management plans found on below link:

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=309](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=309)

While it is important to focus on the proposed level of service, it is more critical to understand the current level being delivered and to understand and address the gap between the current and proposed Level of Service.

There are a number of sources that define how to apply the Level of Service methodology. The methodology that is applied in Council's asset management plans is customer and technical. Council has defined service levels in two terms.

**Community (Customer) Levels of Service** - measures how the community receives the service and whether the organisation is providing community value.

**Technical Levels of Service** - Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the Council undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

The PSC Asset Management Plans for each category of infrastructure identifies the estimated maintenance and capital expenditures required to provide an agreed level of service to the community over a 20 year period, this is then input into a 10 year Long Term Financial Plan to provide the service in a sustainable manner.

Over the years, Council's ability to carry out maintenance and renewal of infrastructure has been limited by financial constraints brought about by factors such as rate pegging, rising costs and cost shifting from other levels of government. This has meant that works currently undertaken are restricted to what Council can afford rather than what is optimal.

The only other alternatives to a rate increase are to either reduce services or service levels in Council's general operations or do nothing and allow infrastructure assets to deteriorate. Council has strived to maintain financial sustainability without additional rates increases but feels it is now the only responsible action to take. Not addressing asset maintenance needs now will only result in accelerated deterioration of assets, placing a greater burden on future generations.

Council provides and maintains a broad range of infrastructure assets for our community including:

- Transport (roads, bridges, footpaths)
- Stormwater drainage,
- Water,
- Sewerage,
- Open Spaces (parks and recreation),
- Buildings, and
- Parkes Regional Airport

These infrastructure assets, with a replacement value of over \$760 million, are essential to our quality of life and contribute to a cohesive, healthy and safe community.

A snap shot of the shires assets is provided below;

## Transport

- 2174km of roads :
  - 769.2km Sealed road with replacement value of \$341 million;
  - 1291.6km Unsealed road with replacement value of \$36.2 million;
  - 86.3km formed road with value of \$143,000;
- 23 Bridges and Bridge size culverts with replacement value of \$24 million;
- 28km footpath with replacement value of \$5.6 million;
- 64km kerb and channel with replacement value of \$3.1 million;
- 11 car parking and 6 bus shelters with replacement value of \$3.5 million;
- Road side furniture with replacement value of \$9 million.



## Stormwater drainage

- 6.6km open pipe with replacement value of \$527,000;
- 43.6km pipe with replacement value of \$18.6 million;
- 4 head wall, 210 stormwater pits ,4 retention basin and 2 retention tank with replacement value of \$2.6 million;



## Water

- Including dam, pipes, pumps, reservoir, treatment works and truck mains with replacement value of \$178.9 million;



## Sewerage

- Including dam, pipes, pumps, reservoir, treatment works and truck mains with replacement value of \$54.5 million;



## Open space

- 30.2ha parks with replacement value of \$3.8 million;
- 4 swimming pools with replacement value of \$7.7 million
  - (it is not included the Parkes swimming pool refurbishment project value)
- 57.8ha sporting fields with replacement value of \$28.8million;
- 27.5ha reserves with replacement value of \$1.2 million;
- 4 Cemeteries with replacement value of \$258,000;
- 3.5 ha Caravan Park with replacement value of \$288,000



## Building

- 119 Buildings located at 72 Sites with replacement value of \$37.5 million



## Parkes Regional Airport

- Including 102,000 m<sup>2</sup> Runway- 36,000 m<sup>2</sup> Apron, 23,000 m<sup>2</sup> Taxiway, Lighting, furniture with replacement value of \$11.5 million





Asset Condition Assessment is the process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action, hence determination of what level of service is provided currently and the cost to meet a higher level of service.

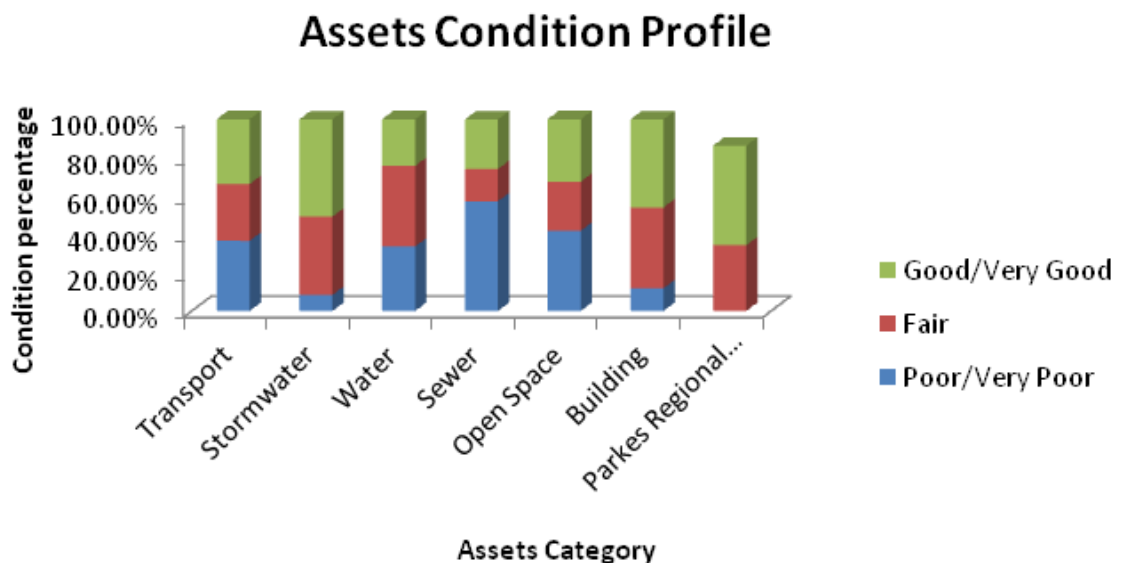
The condition of assets within PSC has been assessed using a 1-5 grading system as detailed in table 4 below:

**Table 6. 4: Asset Condition descriptors**

Condition Grading	Description of Condition
1	<b>Very Good Condition:</b> Only planned maintenance required
2	<b>Good Condition:</b> Minor maintenance required plus planned maintenance
3	<b>Fair Condition:</b> Significant maintenance required
4	<b>Poor Condition:</b> Significant renewal/upgrade required
5	<b>Very Poor Condition:</b> The asset is physically unsound and/or not performing as originally intended

In figure 6. 3 below a profile of the condition of Council assets based on the above assessment is provided.

**Figure 6.3: Asset Condition profile - Parkes Shire Assets**



As can be seen the condition of Council's infrastructure varies considerably. The vast majority are in a serviceable condition, although significant maintenance is required in some areas.

In May 2012, PSC engaged in a series of consultations with the Parkes community regarding the quality of public services provided by Council and the possible expansion of services delivery. In September 2012 Council conducted a survey on this matter.

The community unequivocally called for improvements to assets. The focus is always on improvements, but to reduce our renewal backlog and meet our target for renewing our asset PSC integrates planning focus on both capital and Renewal projects along with our routine operation and maintenance program.

The following table sets out the current situation and the impact of the Progressive Program. Asset Management plans will be carefully redeveloped to determine a more precise effect on the overall level of service, however table 6.5 below clearly shows substantial improvements can be achieved with the Progressive program.

**Table 6.5: Current versus Progressive Service level impacts**

	<b>Current</b>	<b>Progressive</b>
<b>Sealed Roads</b>	\$700k budget Roads resealed every 30 years	\$1.5 million budget Roads resealed every 15 years
<b>Unsealed Roads</b>	\$635/km roads graded every 5 years Gravel resheets every 30-80 years	\$1,000/km roads graded, watered & rolled every 3 years, Gravel resheets every 15-20 years, New works program
<b>Footpaths</b>	\$80k for maintenance No renewals No new footpaths	\$1.05 million budget, Upgrades to village footpaths, Parkes school precincts, township and improved access for mobility vehicles. New walking tracks and exercise paths

<b>Drainage</b>	Maintenance budget \$120k Drainage/ Flood plan for Trundle (85% state funded) Network improvement budget \$250k	Maintenance budget \$220k Drainage/ Flood plan for all villages Network improvement budget \$450k
<b>Airport</b>	Regular maintenance No capital improvements	Runway lighting renewal Terminal improvements Carpark development Apron reconstruction
<b>Pools</b>	\$620k operating deficit Opening hours and entry fees reviewed No upgrades or new works	\$830k extra capital over 4 years for high priority works such as amenities, shade structures and medium priority works, especially in smaller towns
<b>Playgrounds</b>	\$27k budget p.a. resulting in ageing equipment Reliant on grant funding	\$40k budget p.a. Replacement and upgrade of ageing equipment New works possible
<b>Sporting Facilities</b>	Business as usual No extra funding	Master plans for sports facilities completed \$120k p.a. for Master Plan projects and upgrades
<b>Library</b>	Review of library collection exhibitions hosted and provided Review of programs and opening hours	Increases in budget mean new & improved collections New programs available Refurbishments to village libraries
<b>Community</b>	Possible reduction of youth events and services Possible withdrawal from partnerships with Northparkes, Charles Sturt University and others	Increased funding for Town Improvement Votes Improve and increase youth services and facilities Support increased youth participation in Council planning Secure co-funded partnership positions
<b>Culture</b>	Possible reduction of cultural grants Review of Arts Outwest support to events	Continue to support and maintain cultural activities Investigations continue for a cultural space

### 6.1.3 Speed at which asset backlog are to be addressed

The infrastructure gap described in the Asset Management Strategy is the difference between what Council should be spending and what Council is actually spending on asset maintenance and renewal. The Gap with "Current" funding is a deficit of -\$3,812,000 while the gap with Progressive Scenario of Funding is an apparent improved situation, albeit remaining a deficit of -\$2,500,000.

Additional to life cycle gap which has been analysed in asset management strategy, PSC has a significant amount of backlog as shown in table 6.6 below.

**Table 6.6 Asset Backlog**

Overview of PSC backlog up to 2012	Year	Renewal Cost(\$'000)
Transport	2004	\$13.17
	2005	\$19.88
	2009	\$660.00
	2010	\$24,563.87*
	2011	\$677.05
	2012	\$1,934.00
	<b>Total</b>	<b>\$27,868</b>
Building	2010	\$38.13
	2012	\$19.44
	<b>Total</b>	<b>\$57.57</b>
Open Space	1996	\$8.76
	2006	\$92.67
	2011	\$161.93
	2012	\$320.76
	<b>Total</b>	<b>\$584.12</b>
<b>Total Backlog</b>		<b>\$28,510</b>

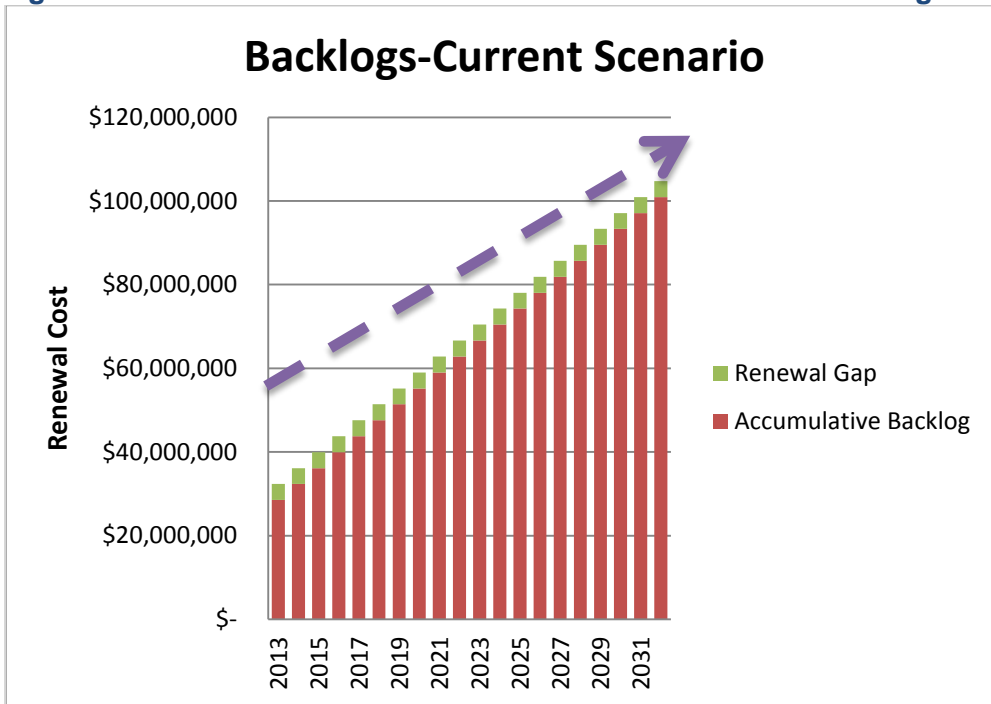
\*Estimate backlogs from condition assessments during 2010/2011 valuations.

The gap is effectively added each year to the backlog, creating a greater problem for the future. The infrastructure backlog is the sum of the work we should have done but haven't had the resources required to renew our assets.

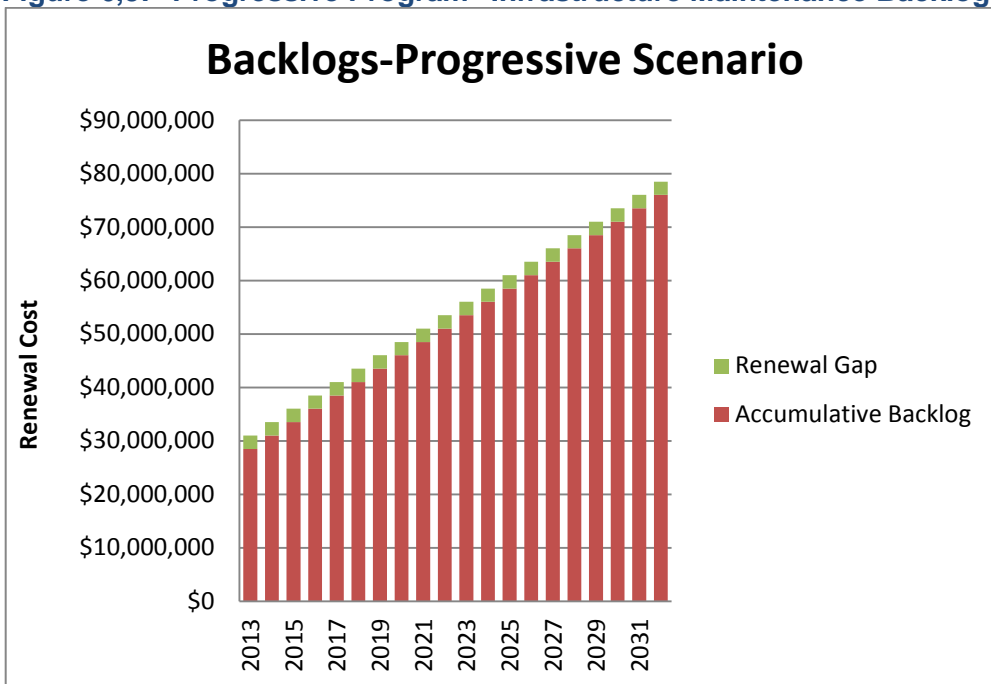
There are a number of assumptions that will influence the Backlog calculation, including the chosen level of service. The asset management effort over the next four years will focus on better understanding the backlog assumptions and robustness of the calculations. Levels of service may need to be revised to ensure backlog does not become unmanageable.

With the current assumptions, the infrastructure backlog is forecast to continue to increase as shown in figure 4. If the Progressive model is applied the backlog will still theoretically continue to increase but at a much lesser rate, as show in figure 6.4, which shows a reduction of over \$26m.

**Figure 6.4: "Current Situation" Infrastructure Maintenance Backlog**



**Figure 6.5: "Progressive Program" Infrastructure Maintenance Backlog**



Since 2007 (First adoption of PSC asset management plan) Council has undertaken a range of actions to address the asset renewal gap, including:

1. Achieved and planned operational savings for reinvestment in capital asset renewal;
2. An increased focus on gaining grants for improvement programs such as; Roads to Recovery, FAG road component, Special Grant for MR354.
3. Significant investment in asset management improvement programs including resource (hiring more staff for Asset management team), System (Purchasing new asset management system –Assetic), information, analysis and planning improvements;
4. Improve the valuation process and accuracy of asset values and renewal investment needs;

A Combination of the following strategies will need to be taken to redirect funding towards the asset backlog:

- Review and study capacity, hierarchy, serviceability, Condition and usage of backlog assets, with the possibility for disposal of some assets or reducing the level of service for underutilised assets;
- Allocating a greater proportion of internal capital funding to asset renewals rather than new assets; and
- Reducing internal costs;
- Improving operational efficiencies;
- Seeking additional external funding for new assets

We will continually streamline processes, validate our infrastructure backlogs, develop more interactive opportunities for our community engagement, and set clear expectation on service level and priorities.

In terms of other services the Progressive Program maintains existing services. Community consultation did identify areas where service needed to be improved, these included Ranger services (to attend to dogs and un-kept land) and noxious weed management, accordingly a small provision has been included to increase service in these areas.

## **Conclusion**

While ever there is a difference between what Council should (theoretically) be spending on assets and what Council is actually spending, the backlog will continue to grow. However, the Progressive delivery program seeks to fully fund depreciation which is the normal accrual accounting expectation of asset management.

There are a number of assumptions that will influence the Backlog calculation, including the chosen level of service. The asset management effort over the next four years will focus on better understanding the backlog assumptions and robustness of the calculations. Levels of service may need to be revised to ensure backlog does not become unmanageable.

With the current assumptions, the infrastructure backlog is forecast to continue to increase as shown in figure 6.4. If the Progressive model is applied the backlog will still theoretically continue to increase but at a much lesser rate, as show in figure 6.5, which shows a reduction of over \$26m over 20 years when compared to the current situation.

## 6.2 Long Term Financial Plan Assumptions

The LTFP is based on a number of assumptions and these are incorporated into the Financial Projections for each scenario.

The LTFP is assuming that there will be no substantial growth in the Rating base based on historical and Department of Planning forecasts. Therefore there will be no real natural increase in revenue as a consequence. Parkes Council is optimistic about growth opportunities however these are based on externalities beyond the control of Council and are therefore not considered in these figures.

It is assumed that revenue from FAGS and other Government Grants will not increase at a rate that is greater than the expected inflation rate of 3%. The LTFP expects that salaries and wages will increase by 4% in each of the first two (2) years of the program due to existing industrial agreements. Year three (3) and beyond it is expected that wages growth will be around 3% per annum.

The cost of Materials and Other Expenses are expected to increase consistently at a rate of 3% per annum. It is expected that these cost pressures will remain for the LTFP.

Future borrowings are fully disclosed in the LTFP.

For transparency and as an independent review, Council engaged the New South Wales Treasury Corporation (TCorp) to review the financial impact of the progressive delivery program in comparison to the Current situation. The full report is found in Annexure 4.

The following conclusion has been excerpt from that report.

*If IPART approves the SRV:*

- Council forecasts returning to surplus in the medium term with surpluses steadily increasing in the long term
- Council's rating base will improve giving Council more financial flexibility in the future

- Council forecasts capital spend sufficient to address their asset maintenance and infrastructure backlogs as well as some new capital spend

*If IPART does not approve the SRV:*

- Council forecasts operating deficits averaging 12.8% p.a. over the forecast period
- The limited size of the Council's rating base makes it difficult for Council to address the forecast operating deficits, manage unforeseen financial shocks or any adverse changes in its business
- Council is forecasting insufficient capital spending which will likely lead to their infrastructure backlog increasing in the medium to long term

## **Conclusion**

The development of the Delivery program has involved considerable consultation with the community over the past year. The program is based on a three pillared analysis of Council's future sustainability being, Financial Management, Asset Management and the Community's needs and aspirations.



## **7 Criterion 5 Productivity improvements and cost reduction strategies**

### **Efficiencies**

PSC's decision to proceed down the SRV path has not been an easy one, but has been necessary. This has been driven by the steady escalation of expenses above income, exacerbated by the community's increasing expectations of service delivery. Over a number of years this has seen increasing pressure on operational budgets and the need for ever increasing cost control and innovative approaches to efficiencies.

As annual budget deficits in excess of \$1.5m were forecast into the future and infrastructure backlogs were escalating, it was apparent that efficiencies alone would not address the forecast deficits. If the deficit was to be reduced without exacerbating the infrastructure backlog, funds would need to come from "services" rather than diverting them from asset maintenance.

Council's approach to cost containment and improved efficiency in the face of escalating costs and the community's increasing service delivery expectations is outlined below.

### **Clear and appropriate priorities**

It is of very high importance in ensuring costs are contained and Council operates efficiently to have clear organisational direction, clear priorities and a prioritisation of services provided. This was the first priority in terms of efficiency and cost containment. In so doing, Council went about the faithful implementation of the IPR Framework, to unite in a considered way, the aspirations of the community, the fiscal responsibility of running the organisation and the appropriate stewardship of our assets. The full suite of IP & R documents can be found on Council's website using the following link:

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=article&id=496910:delivery-program-2013-2017&catid=2436:strategic-plans-and-reports-parkes&Itemid=2922](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=article&id=496910:delivery-program-2013-2017&catid=2436:strategic-plans-and-reports-parkes&Itemid=2922)

The comprehensive service provision survey conducted in mid 2012, indicated to Council that the range of services currently provided were not able to be reduced in pursuit of efficiency, given the high level of importance assigned to all services by the community. Refer (Annexure 2.i. Parkes Shire Community survey on the importance of and satisfaction with Council services. Final Report August 2012). The scope of service delivery has therefore, as much as practicable, been left at current levels. This will not however be possible if the SRV is not approved. The asset management plans and the long term financial plan (IP&R document see above link) provide the framework for clear direction and priorities. Parkes Shire asset management plans can also be viewed at SRV page of Council's Website via the following link;

[http://www.parkes.nsw.gov.au/index.php?option=com\\_jentlacontent&view=enhanced&id=496868&Itemid=309](http://www.parkes.nsw.gov.au/index.php?option=com_jentlacontent&view=enhanced&id=496868&Itemid=309)

## **Enterprise Risk Management**

In December 2010, PSC implemented an Enterprise Risk Management (ERM) system. ERM is defined as “an organisation-wide approach to developing techniques that assist to have the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

Council recognises that risks are an integral part of normal everyday life that is unavoidable. Taking control of informed risks is part of good business practice, and allows for risks to be identified, analysed, evaluated and treated.

Council is adopting a proactive approach in committing resources and energy to implementing Enterprise Risk Management. The ultimate objective of this Enterprise Risk Management approach is to embed the principles of risk management in all aspects of Council's operations. It is recognised that this is a long-term goal, and will require a phased implementation to ensure that risk management is effective and sustained across all of Council's operations.

Enterprise Risk Management requires Council to consider the objectives of its internal and external stakeholders, and those factors that may impact on each stakeholder's ability to achieve their own objectives, as they relate to PSC. This approach is an integral part of its Governance Framework. Council aims to:

- maintain the highest possible integrity for services it provides
- safeguard Council's assets, including but not limited to people, property and financial resources
- create an environment where all Council employees assume responsibility for managing risk
- ensure that Council can appropriately deal with risk
- demonstrate transparent and responsible risk management processes aligned with accepted best practice standards and methods

PSC is committed to implementing systematic risk management that will realise opportunities for improvement of Council's business activities whilst minimising the potential for losses.

This Risk Management Policy and supporting Risk Management Plan is being incorporated into Council's Integrated Planning and Reporting activities to facilitate best practice risk management in accordance with International Standard AS/NZS ISO 31000:2009.

Application of a structure assessment of organisational risk as provided in the ERM system significantly reduces the potential of all risks facing Council, but particularly financial and reputational risk.

## **Establishment of a Risk Review Committee**

In its Circular 09/03 dated 4 February 2009, the Department of Local Government (DLG) highlighted the importance of the internal audit function within Council, as well as the need for Internal Audit Committees. In April 2011, Council endorsed the creation of a Risk Review Committee (being the name chosen by Council for its "audit committee) with its continued development of its Governance Framework. These developments have been promoted in response the DLG best practice review and growing expectations with regard to improved corporate governance. The existence of External Audit, Enterprise Risk Management and Internal Audit functions all act together to provide strong business assurance and compliance practices in Council's operations and management.

The PSC Risk Review Committee was established to assist in ensuring that;

- an adequate system of internal controls has been established by management;
- Council entities, business systems and processes are operating with efficiency and effectiveness;
- key business risks are effectively managed;
- the internal audit process is sufficiently comprehensive to ensure that all major risks are assessed, and internal controls reviewed;
- the audit process (both internal and external) is effective;
- the annual Financial Statements to Council for signature, are endorsed.

Since the establishment of the Risk Review Committee audits have been conducted on; purchasing, Contracts, Overtime; WHS arrangements and Development application process review is scheduled. The charter for the committee is attached, (Annexure 5a)

## **Establishment of the Project Management Group**

The management of major projects is an area where substantial budget over-runs can occur if tight controls are not in place. To address this very substantial risk area PSC has moved to a Project Management best practice framework.

Council established a project management group represented by each department of Council, whose role is to provide oversight of Council projects to ensure risk is managed, records kept, quality ensured, and outcomes reviewed. A structured software system has been implemented to guide and document every step of a project. The Group meet monthly and operates in conjunction with the Project Implementation & Management Program Methodology Guide (Annexure 5 b).

The purpose of the Project Management Group is:

1. Provide a point of reference for Senior Staff and project teams to assist with Project Management Policy compliance
2. Review Project Overview Statements
3. Provide advice on the project scope and any changes to the scope
4. Guide, direct and review the projects from a strategic perspective

5. Monitor projects progress against their plan, particularly important milestones and project deliverables
6. Monitor the process through each phase gate review
7. Assist in the resolution of major project related issues or risks
8. Assist in the resolution of inter and intra organisational conflicts within the project

In the relative short operation of this group project control has improved dramatically and the risk of project over-runs has been significantly reduced.

### **Development of the Management Team**

Parkes Council is fortunate to have a young and technically competent management team, many of which have risen to office through demonstrated capability in their chosen fields of endeavour. The disciplines of management, leadership and financial acumen were identified as an area of opportunity where additional organisational investment was warranted. Bi-monthly two (2) day training sessions were held with senior corporate development specialists over the past year and sessions were also conducted with specialists to train in financial acumen. Elected Councillors were also included in a leadership and financial acumen session.

In support of the financial training new financial analysis software was introduced to simplify the financial reporting process. Each manager can now simply produce reports on their respective areas to ensure budgets are on track.

Improved financial and leadership capacity is considered to have very tangible impacts on efficiency and cost control.

### **Critical Services Review**

A specific task assigned to the management team was a "critical services review (Annexure 5.c.). The results of the critical review of all areas is reflected throughout this document

### **Budget Estimates & Containment of Expenses**

In the critical review a forced cost containment strategy was implemented and one (1) percent was cut from variable costs in the 2012-13 budget, with the initiative effectively yielding approximately \$70,000 per annum.

As a platform for containing expense into the future variable costs in the long term financial plan have been increased by only 2.5%, which is below the forecast rate peg. Managers will be required to operate within these budgeted figures

### **Efficient Deployment of Resources - Asset Management**

One of the most significant roles Council undertakes is the management of large asset portfolios. Parkes Council has infrastructure assets with a replacement value of \$760 million. Inappropriate or ineffective allocation of resources to assets can lead to considerable waste and inefficiency. To ensure appropriate deployment of

resources a strategic approach is essential. In pursuit of this goal Council has developed a suite of asset management plans and an overarching assets management strategy (See aforementioned links to access Asset Management Strategy and Plans)

The asset management strategy is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future,
- enable Council's asset management policies to be achieved, and
- ensure the integration of Council's asset management with its long term strategic plan.<sup>1</sup>

The asset management task is inordinately large and requires dedicated and skilled staff to achieve meaningful outcomes. Parkes Council has a team of five (5) staff dedicated to the asset management to ensure in the mid to long term assets are well understood, service levels are affordably set and scarce funds are applied to best effect. The National Frameworks on Asset Planning and Management and Financial Planning and Reporting define ten (10) elements and eleven ( 11) core competencies have been developed from these elements<sup>2</sup> to assess 'core' competency under the National Frameworks.

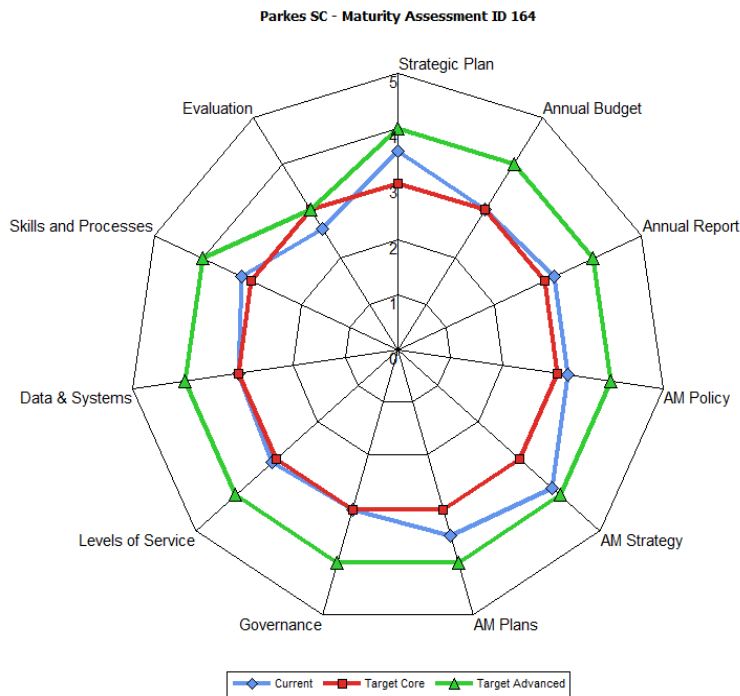
A Council's maturity assessment (or competence) for the core competencies can be quantitatively measured to provide an objective assessment of the Council's asset management capability. The capability of PSC so determined is summarised in following Figure 5.1 and in detail in the Asset Management Strategy. PSC's current maturity level is shown by the blue line. The maturity gap to be overcome for Council to achieve a core financial and asset management competency is shown by the red line. The green line shows the target competency and future goal.

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<sup>1</sup> LGPMC, 2009, Framework 2 *Asset Planning and Management*, p 4.

<sup>2</sup> Asset Planning and Management Element 2 *Asset Management Strategy and Plans* divided into Asset Management Strategy and Asset Management Plans competencies.

**Fig 5.1 Core Asset Management Maturity - Maturity Score Spider**



The Maturity Score spider (ie Figure 5.1) shows PSC is operating above core competence in nine (9) of the ten (10) areas, providing a high level of assurance the asset management task is effectively undertaken and resources will be appropriately and effectively deployed. The long term effect of efficient asset management is potentially in the multiple-millions of dollars.

### **Regional Leadership, Networking and Alliances**

Parkes Council strongly believes in cost saving by collaboration at a regional level and demonstrably takes leadership roles in that regard to ensure benefits are realised. Some of the regional leadership, networking and alliance roles and benefits are provide below.

#### **Central NSW Council's (Centroc)**

Parkes Council currently is the Chair and Secretariat for Central NSW Council's (Centroc). Centroc represents over 236,000 people covering an area of more than 70,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Harden, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young and Central Tablelands Water. It is arguably one of the most effective ROC's in NSW.

The Mayor of Parkes is the Chair of Centroc and GMAC, the General Managers group for the Centroc, is Chaired by the General Manager of Parkes Council. Council staff also Chair the Infrastructure Group and Water Utilities Alliance (see

below for further details on the major savings created by the operation of this alliance), all of which operate under Centroc.

Council staff also actively participating in the Centroc Procurement Team. Contracts that Council has participated in with Centroc recently include:

- Bitumen Emulsion,
- Road Signs,
- Fuel (savings of 2 cents per litre equating to **\$4,900** per year) and
- Electricity (savings of **\$525,075** over the term of the three (3) year contract).

In addition to the larger Centroc contracts mentioned above, the organisation also provides an ongoing suite of cost saving programs. The savings since implementation in Dec 2009 to current, are shown in Figure 5.2 below.

**Fig 5.2 Ongoing Centroc Cost savings**

	Corporate Express	Training Service	e21 savings to date	Completed Programs (Telephony Audit & Diesel Tax Rebate)	Total Savings
<b>Parkes</b>	6,545	66,764	60,000+	83,943	\$217,252

Council is also an active participant in the Centroc WHS/Risk Management Group and the Orana WHS/Risk Management Group, which has assisted PSC deliver large WHS performance improvements. Improvements in the WHS and risk areas have very large cost saving and cost avoidance potential for the organisation, however this is often difficult to quantify.

### **Regional Leadership in Waste Management**

Council's Director Planning & Environment has served in the voluntary position of Executive Officer for the NetWaste Regional Waste Group since 1997. This is a collective of 28 Council's that have combined as a group with the primary aim of providing a collective approach to regional waste and resource management. NetWaste has been sponsored by the NSW Governments Office of Environment and Heritage for the past 15 years and has continued to deliver significant improvements to the manner in which waste is managed across the region. Council supports this officers involvement and benefits greatly from the projects of the group. See later section on the savings associated with the Waste collection and recycling contract.

### **Friendship Agreement Canada Bay City Council**

Parkes Council and the City of Canada Bay Council established a friendship agreement during the record drought of the 2000's. A recent reciprocal agreement has produced financial support for a solar energy program with a direct benefit to Parkes Council of **\$30,000 per annum** for three (3) years.

## **Mid Lachlan Alliance (MLA)**

Parkes Council is a founding member of the Mid Lachlan Alliance (MLA). The MLA is an organisation comprising Lachlan, Forbes, Parkes and Weddin Shires. The MLA was formed in 2004 to formalise previous arrangements between Parkes and Forbes Council's (dating back to 1987) and has subsequently been enlarged to include Lachlan and Weddin Council's. The MLA is active on the issues affecting our region and represents over 35,000 people across nearly 30,000 square kilometres. Aside from the direct costs is the saving in not having to duplicate the development of documentation and the buying power associated with the larger contracts. The MLA also currently share a Road Safety Officer, which is further discussed below.

## **Newell Highway Taskforce**

Parkes Council Mayor is the Chair of the Newell Highway Taskforce and has successfully lobbied for improvement funds for the Newell Highway. As Parkes is positioned as a National Logistics Hub, arterial road support this is crucial to the prosperity of Parkes Shire.

## **Shared Staff**

Council often works in partnership with other organisations such as Northparkes Mine, and the Roads and Maritime Services to co-fund positions within Council. These include;

- The Aboriginal Project Officer; which is joint funded by the Federal; Government, Northparkes Mines and Council. By sharing this position important services are made available to the local aboriginal community. The estimated annual saving is currently around \$40,000 per annum. This position would be critically reviewed if the SRV was not approved.
- Grants Officer; similarly to the position mentioned above the grants officer is jointly funded by Northparkes Mines and Council. The position has a very high benefit to cost ratio as it secures grant income many times the salary, however the grant funds can not be used to offset employment costs. Thus the position is an extra cost to Council but a significant benefit to the community. The estimated annual saving by sharing this position is currently around \$40,000 per annum. This position would be critically reviewed if the SRV was not approved
- Road Safety & Injury Prevention Officer; is a position which is shared between the Mid Lachlan Alliance of Council's (excluding Weddin) and the Roads and Maritime Service. The shared officer has won numerous awards for the innovative road safety work undertaken, and has become an important service provider to the community. The shared arrangement saves Parkes Council over \$38,000 per year.



## Workforce Planning

### Organisational Structure

A review of Council's organisation structure is undertaken annually, however a critical workforce review in 2011 resulted in a restructure of the Department of Operations and the Department of Infrastructure. The result of the restructure included the two Directorates merging under a single Engineering department. This reduced the number of Directors reporting to the General Manager from four (4) to three (3).

### Workforce Strategies - Previous

Council has continued to demonstrated their ability to manage costs through the reduction in salary and wages costs in 2011 and salary and wage costs remained contained in 2012 in line with award increases. Council experienced a 3.6% (-**\$0.4m**) reduction in total employee costs in 2011, and a below benchmark increase of only 2.4% (\$0.3m) in 2012. This has been achieved by initiatives to manage worker's hours and minimise overtime hours and this in the face of large flood events across the Shire. In the Delivery Program Council has been proactive in developing mentoring programs through traineeships/apprenticeships and cadetships going forward in recognition of training new staff as it is recognised many staff are approaching their respective retirement. (Refer Delivery Program Action 1.5.4)

Clearly wages and salaries are the largest component of most Council's operating costs. Consequently, any containment of costs in this area can have significant effects. PSC has had a prudent and measured approach to employing additional staff and workforce numbers have been contained below industry averages as a consequence. The figures below have been included to demonstrate Council's situation in that regard;

**Fig 5. 3 : Full Time Equivalent Staff (FTE)**

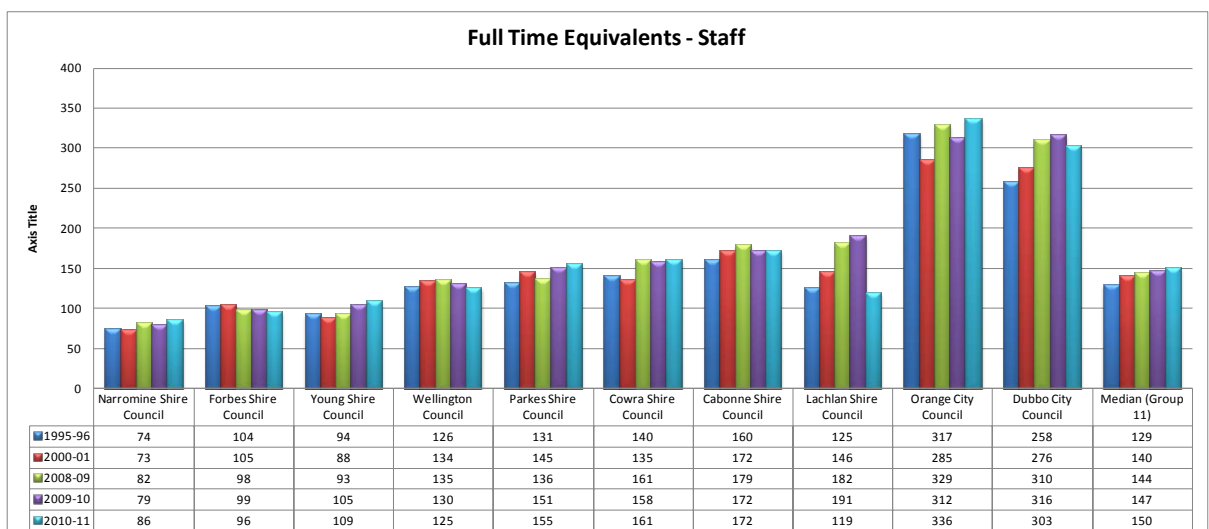


Figure 5.3 previously displayed shows Parkes Council's full time equivalent (FTE) staff in comparison to several neighbouring Council's. It also provides in the last column the DLG group 11 averages. As can be seen Parkes Council's FTE staff are close to the average of the Group 11 Council's and as such are not an outlier in that regard.

**Fig 5.4 : Ratio of Employee Costs to Continuing Operations**

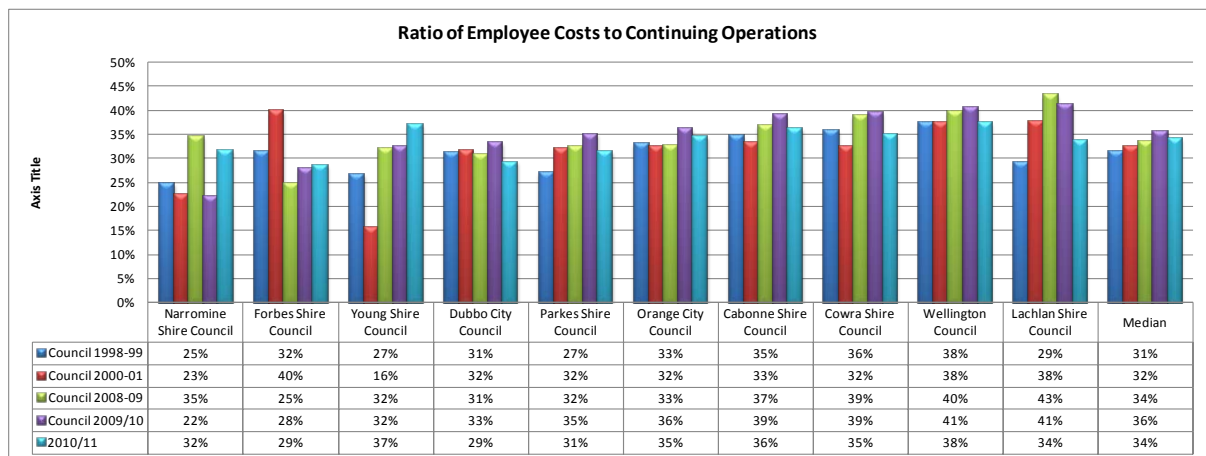
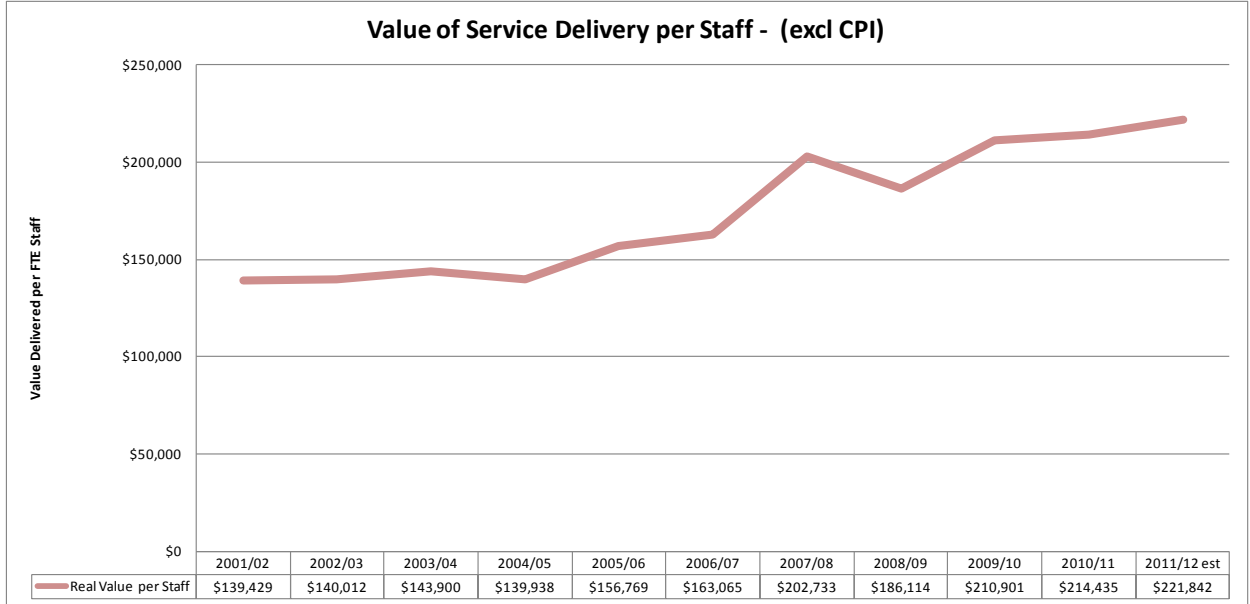


Figure 5.4 above shows the Ratio of Employee Costs to Continuing Operations of various Council's neighbouring Parkes. The ratio of Employee Costs to Continuing Operations allows a high level, normalised, comparison between Council's of different sizes. Parkes, with a ratio of 31% is below the median of other group 11 Council's and below larger centres such as Orange. This would indicate that the workforce, relative to other Council's is lean and Parkes Council relatively efficient in terms of delivery.

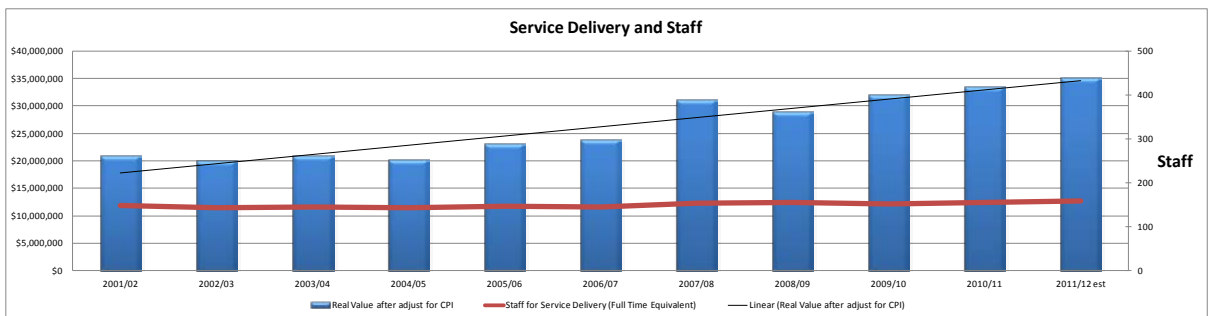
Organisational efficiency is difficult to definitively measure, however by taking the Expenses from Continuing Operations as a ratio of the number of FTE staff, it is possible to produce a year to year trend of the organisations output per employee, and therefore a pseudo measure of the efficiency of the organisation. Figure 5.5 below, which has been adjusted for CPI shows a positive efficiency trend over the past decade. In the financial year 2001/02 an amount of \$139,000 can be attributed to each staff member, whereas in 2011/12 that amount has increased to \$221,000 in real terms, which in very broad terms means staff are delivering more now than ever before.

**Fig 5.5. Ratio of Expenses from Continuing Operations to FTE Staff (adjusted for CPI)**



An alternate presentation of the workforce versus the quantum of work to be done, is provided in figure 5.6 below. As can be seen the "real" quantum of work to be done (represented by the annual Expenses from Continuing Operations adjusted for CPI - blue bars) has increased well beyond the growth of the workforce (Red line). A mathematical trend line shows the stark increase of Expenses from Continuing Operations in comparison to the workforce. The diagram shows a relatively tight containment of the size of the workforce.

**Fig 5.6. Expenses from Continuing Operations (Blue bars) and FTE Staff (red line)**



**Workforce Strategies - Future**

In preparing the various options for Council's General Fund Delivery program it is apparent that containment of costs will be critical to optimise the use of funds collected under any special rate scenario. However, it is also recognised that an expanded works program will require additional resources. Council's approach to this conundrum has been carefully considered and an overview of the proposed strategy to contain costs is discussed below.

In recognition of the need to contain costs the expenditure on salaries in the general fund has been based on approximately 150 full time equivalent (FTE) staff. While we do not explicitly undertake to maintain FTE staff at this level, the expenditure quantum in the General Fund does not predict an increase, beyond the four additional FTE staff specifically identified in the various programs. This is reflected in the Long Term Financial Plan and also in the Workforce Plan. (Refer Work Force Strategy in IP&R documents via link).

As indicated the existing budget is based on the 150 FTE staff (General Fund only), however, the actual fully occupied workforce would be 154 FTE, assuming all current vacant positions were full. The current (December 2012) workforce with positions vacant is around 146 FTE, with a number of positions vacant. Latency between an employee leaving and the recruitment of a new employee results in a normal deficit to full employment of approximately 5-10%, which has been considered in the Budget.

It is recognised that under the Delivery Program for a Progressive Parkes Shire there will be a real increase in the works program of approximately \$0.8m in the first year increasing to approximately \$4.0m in the fourth year. Resources scheduling for these works has indicated that approximately 68% of the work will be completed by contractors and the remaining works by Council's existing workforce. It is anticipated that this additional work will be absorbed into the normal duties of existing employees.

Another strategy which has several objectives is the gradual increase in apprentices. It is proposed to not only use apprentices to address the ageing workforce issue but also to take advantage of the lower wages and government subsidies (up to \$4000 each apprentice) to potentially increase the workforce at no net cost increase. To achieve this a target of 10% apprentice/structure traineeships has been set in the long term and 5% during the four year term of the delivery program. As indicated this will create the potential to increase the FTE staff for the same costs and have the additional benefit of providing succession opportunities, a younger workforce and provide skill development for the region.

The non-contracted portions of the delivery program will potentially create resourcing requirement peaks, where internal resourcing will be insufficient to meet the delivery needs of the works program. Strategies to address this will include such things as outsourcing, short term labour hire arrangement and more flexible work arrangements with current staff.

We fully anticipate that at the fourth year of this delivery program there will be a measurable increase in productivity per employee.

### **Innovation and Technology**

Council has reviewed cost savings and improving efficiencies through the use of technological advancements.

In practical terms, costs associated with printing and stationery have been reduced by providing detailed reports and Business Papers to Councillors by electronic means through the purchase of IPADS for Councillors and senior staff.

In July 2012, Council invested in a Business Intelligence System, and this will enable managers to review online their expenditure 'live' against budgets. Council has also purchased an Asset Management System which will streamline and facilitate the management of Council's extensive infrastructure.

### **Consolidation of Multifunction Function Devices saves \$15,000 per year**

The introduction of iPads for Councillors has reduced the need for a large volume copier that was used to print the bi-monthly business paper. This, together with the office reorganisation has resulted in one machine being identified as being surplus to requirements. Savings include ongoing copy costs and electricity charges. Additionally, the distribution of business papers to Councillors across the Shire, requiring trips of up to 100 kilometres is now completed instantly from the administration building. The estimated saving is estimated to be in excess of **\$15,000** per year.

Council has also replaced three departmental Office MFD machines with more energy efficient models that use LED technology to scan and print pages. LED technology is brighter and uses significantly less energy to run. These machines are also set to automatically print black and white pages.

### **Virtualisation of Servers**

Council began replacing its physical servers with virtual servers 1 year ago. This has resulted in reduced management costs and electricity requirements.

### **CCTV**

Council has endeavoured to reduce unnecessary recurrent expenditure. In 2012-13 it is planned to install a CCTV system in Council's main park (Cooke Park) which historically has been subjected to vandalism. In 2010-11 costs associated with vandalism amounted to \$18,429, in 2011-12. Costs associated with vandalism amounted to \$39,025, and to date for the 7 months ended 31st January 2013 costs associated with vandalism have been \$18,939 so it is intended that these acts can be deterred by the implementation of the CCTV system. It is anticipated, as proven in other areas, that the CCTV cameras will have a very short return on investment and then produce net saving into the future of multiple thousands of dollars per annum.

### **Distributed Energy Plan**

In 2011 Council sought expressions of interest for specialist consultants to develop a plan to reduce the cost of Council's energy (costing around \$1.3m annually) and minimise the environment footprint of our operations. The Institute of Sustainable Futures was subsequently engaged and developed the Distributed Energy Plan (DEP) (see Annexure 5.d) for PSC. The Parkes Distributed Energy Plan identifies how PSC can cut energy use, reduce its carbon footprint and generate energy from renewable and low carbon sources. With eight recommendations already in place, the Council is saving around \$375,000 a year and 1,150 tonnes of greenhouse gases.

In 2012 the Parkes Distributed Energy Plan was awarded the winner of the Local Government & Shires Association Excellence in the Environment 2011-2012-Climate Change Action award.

In 2012, Council implemented renewable energy infrastructure on its administration centre, library and cultural centre, Henry Parkes Centre Visitor Centre, and other Water Buildings in accordance with the DEP. These measures have offset the pressure from increasing electricity pricing. For the period from the date of installation 05/05/2012 to 07/02/2013, savings of \$10,229 have been achieved, with the production of 56.8 MWh, which has represented savings to date in CO<sup>2</sup> Emissions of 22,277 KL, equivalent to the planting of 74 trees and sufficient energy to power 172,213 light bulbs for a day.

Council is committed to investigating new opportunities for the use of renewable / alternative energy sources (Refer to the Delivery Program, Action 7.2.1). For example, in 2012-13, Council has planned to fund \$100,000 towards the construction of Pilot Demonstration Renewable Energy Project, and is pro-active to review these opportunities, and to date progress has been achieved to minimize the increasing costs of electricity being subsidised by the community in managing Council infrastructure.

Council is a member of the Federal Governments Community Energy Efficiency Program (CEEP) which will enable Council to derive the benefit of funding for energy efficiency works within our LGA.

PSC has completed comprehensive reviews of energy usage at each of its large scale energy consumption sites such as water pumping locations, depot, administration building, pool and museum site. A combination of projects have been implemented to decrease the total energy consumption via efficiency measures as well as reduce the reliance upon high tariff, grid connected power. Efficiencies have included installation of variable frequency drives at pump sites, reducing consumption in these locations by up to 20%, as well as power factor correction which has small increases in efficiency but significantly reduces the demand charge levied by the energy providing, providing savings of a further 5% or \$384,000. Other efficiencies include replacement of lighting with more energy efficient bulbs in buildings, installation of automated lighting with timers as well as staff education and programs designed to reduce consumption such as turning off equipment or lighting when not in use.

Comprehensive reviews of tariff plans available for the electricity provider have also been undertaken using the e21 software package with savings of **\$60,000** per annum realised through merely changing plans and switching some processes to off-peak. On top of this, PSC relies heavily on remote water sources for it's raw water supply to the treatment plant, consequently the specific energy embodied in the water supply is considerably higher than other water utilities in the area of a similar size. Reductions in demand for water as well as a comprehensive water loss management planning program including the detection and repair of major leakage, has further reduced energy consumption by 7%.

## **Debt Collection**

Debt collection is a key performance criteria for any business, accordingly PSC has deliberately ensured that debt collections strategies are fair but diligently applied and followed-up. Council's current outstanding rates and charges is 5.28%, which compares very favourably with the DLG group average of 7.66% and the NSW State average of 5.26%<sup>3</sup>. The financial statements for the 2011-12 financial year has revealed a further improvement to 4.54%.

## **Fleet Management**

Two aspects of PSC plant and vehicle fleet are closely monitored, the replacement program and plant operation, to ensure optimal operation and therefore maximum cost savings.

As part of the quotation evaluation process for fleet vehicles, Council not only considers whole of life price, but further considers environmental considerations as outlined in the Green Vehicle Guide and ANCAP Ratings for vehicle occupant safety.

Every month a report is generated identifying the percentage utilisation of major plant and equipment. Major plant which falls below 80% utilisation receives critical scrutiny before the replacement decision is made. A twenty year rolling plant replacement program has been developed which is annually research and market tested to achieve optimum change-over cycles for plant.

For example Council formerly owned a prime-mover truck dedicated to plant movements only. This truck only travelled approximately 16,000km per year. In the current financial year, Council replaced the truck with a prime-mover that has an interchangeable quick release tipping body and a ballrace turn table. This allows the unit to be used as a bulk haulage vehicle for when the truck is not being used for plant movements. The additional bulk haulage truck has enabled more productive operational works as gravel supplies to worksites has increased. Since purchasing the new truck, it has travelled 8,000km in two (2) months, which will equate to approximately 48,000km per year, a 300% increase. Utilisation of this truck is three (3) times greater than the truck it replaced. This ongoing approach has oversight by a procurement committee.

## **Rationalisation of Small Plant Hire Costs**

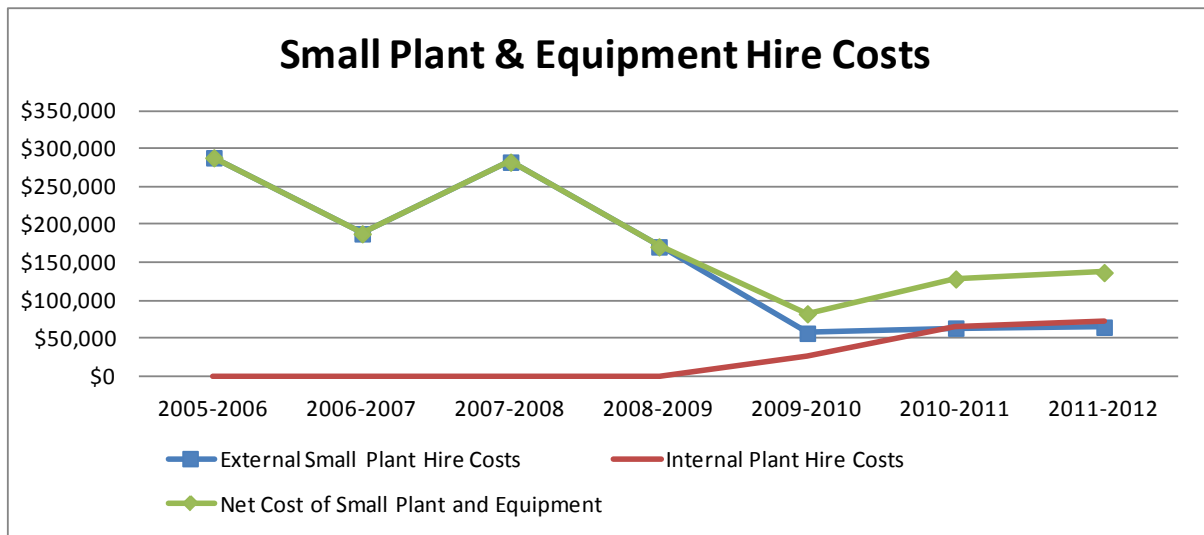
As part of a critical services review PSC closely scrutinised the hiring of small plant and equipment. It was found that as an organisation a common practice had developed over many years, of externally hiring small plant and equipment in preference to owning and operating equipment. A comprehensive review was conducted and as a consequence a loan library was established with a substantial range of small plant and equipment. Over approximately two years external hire has reduced considerably with a far less commensurate increase in the cost of

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<sup>3</sup> NSW Division of Local Government, Department of Premier and Cabinet, "Comparative Information on NSW Local Government Councils 2010/11" (2012), Table 1.4, pp 43.

internal hire, for a net annual saving of approximately \$60,000 per annum after capital costs, see figure 5.7 below.

**Fig 5.7 : Small Plant Hire Rationalisation**



**Motor Vehicle Leaseback**

As part of the critical services review PSC found its leaseback vehicle rate was not in line with industry benchmarks, accordingly leaseback rates have now been increased for private use of Council vehicles, to bring the rates into line with current industry standards. This provided additional income and reduced fringe benefit tax.

**WHS Practices**

Council is a member of StateCover Mutual which is the Local Government Workers Compensation Insurance provider. As part of complying and participating in the StateCover WHS Audit, Council receives a rebate of 0.4% of its Workers Compensation Premium.

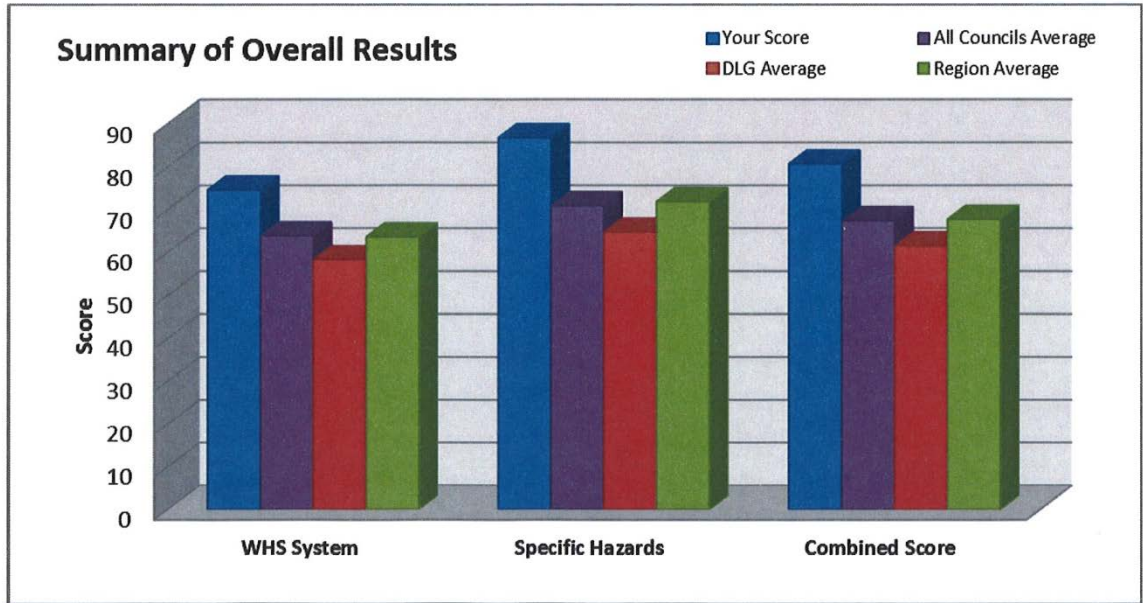
Council has implemented a range of initiatives over time to reduce the very high costs associated with an injured worker. A poor performance in this area can lead to very large ongoing costs. Figure 5.8 below shows the summary of overall results from the StateCover WHS Audit<sup>4</sup>. The results indicate that PSC overall performance is 80.6% which is well above the average when compared to the average score for all Council's.

Council is assisted in its efforts by actively participating in the Centroc WHS/Risk Management Group and the Orana WHS/Risk Management Group to encourage the sharing of resources and knowledge across both regions.

<sup>4</sup> StateCover Mutual Limited, "StateCover WHS Audit Report 2012; Parkes Shire Council" (2012), p2.

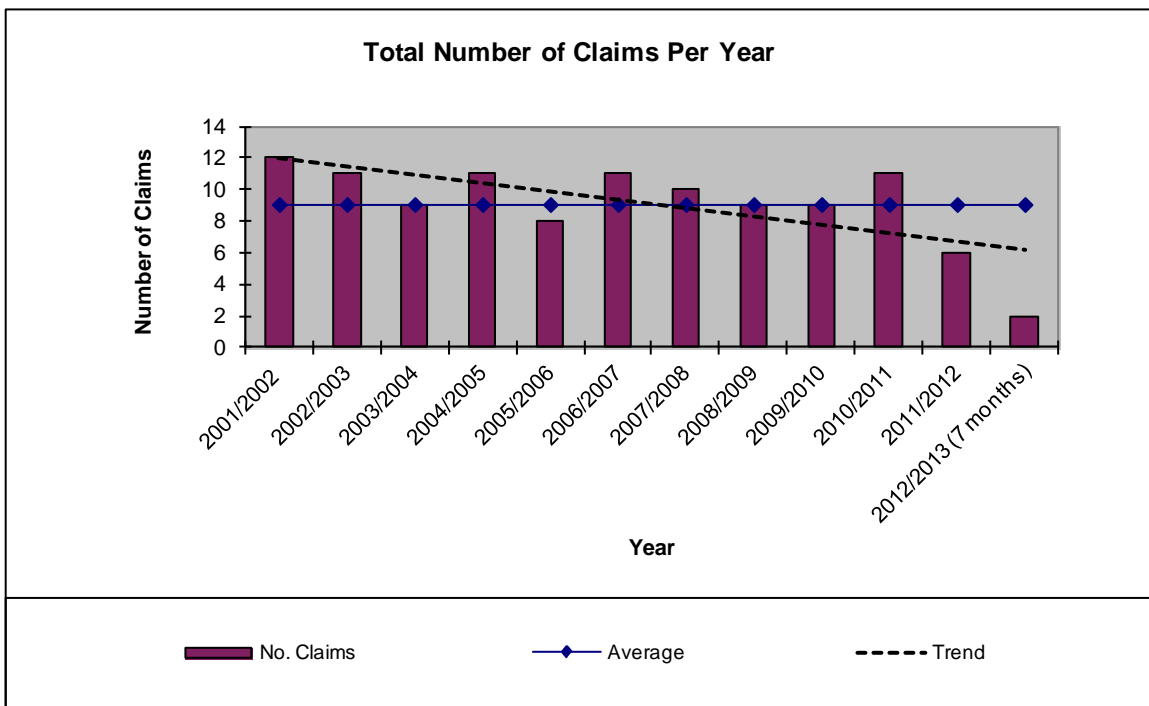


**Figure 5. 8 : StateCover WHS Audit - Summary of Overall Results**



The consequences of Council's efforts in terms of WHS are demonstrable. The following figure 5. 9 shows a strong trend in declining claims and figure 10 shows a similar declining trend in terms of days of absenteeism due to workers compensation.

**Figure 5.9: Number of Workers Compensation Claims per year**



Council has also implemented a Wellness Program to improve the general "wellness" of the workforce, this is partly in recognition of the ageing workforce (average age is 42). To improve fitness for work, Council has implemented a range of Health initiatives which are funded by the StateCover rebate.

Some of the results from the Health Initiatives include

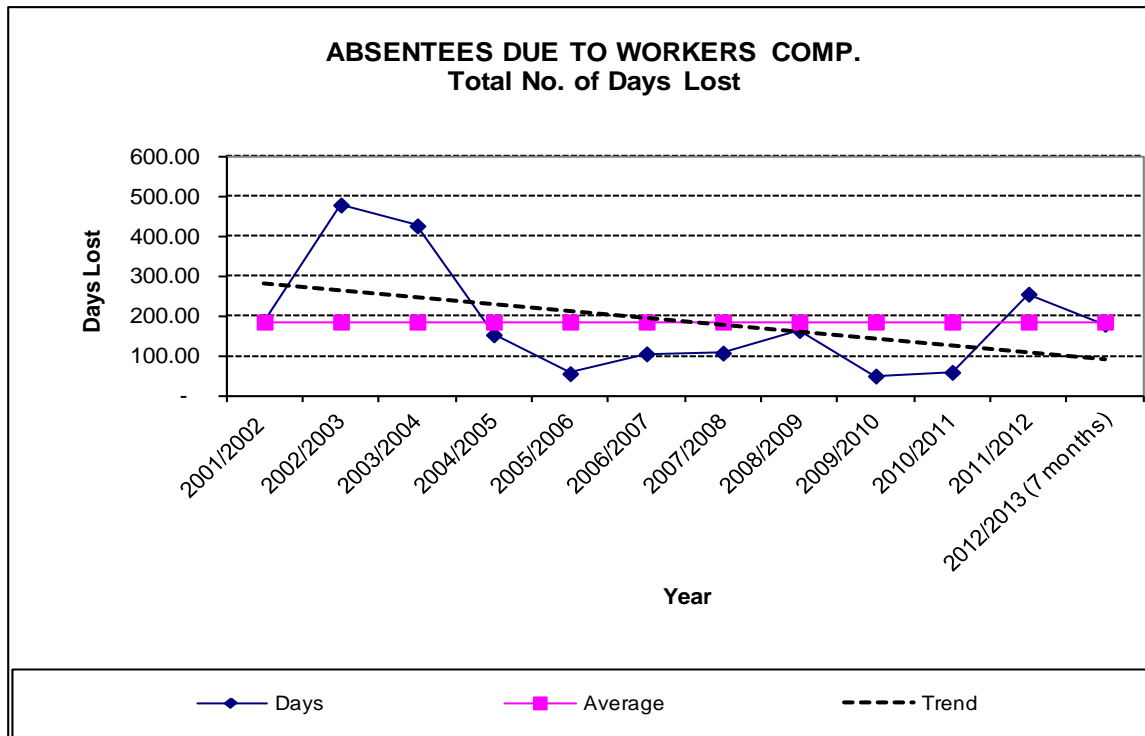
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- Weight loss - across the organisation - 356kg
- Walking Challenge - 27% of staff participating - 14,862km
- Dietician visits - 19% of staff participating
- Flu Vaccinations - 34% of staff participating
- Hearing Assessments - for all staff affected by noise

Since the implementation of the Health and Wellness Initiatives there has been a reduction in Workers Compensation Claims - 2010/2011 - 11 claims, 2011/2012 - 6 claims, 2012/2013 (year to date) - 2 claims. The Council record for Lost Time Injury Free is 231 days.

Investment in WHS and risk are considered imperative in terms of organisational cost savings and avoidance of potentially very large expenses.

**Figure 5.10: Absenteeism due to Workers Compensation**



## Operational Efficiencies Workforce Planning

In the following figure 5.11 it shows the Total Expenses from Continuing Operations per capita for the year 2010/11<sup>5</sup>

As can be seen from the figure Parkes Council's costs per capita at \$1789, is below the group 11 average of \$1960 and compares favourable with neighbouring Council's. Given the relatively sparse population of the Parkes Shire this would indicate that the operations of the Parkes Council are competitive compared to its peers.

**Fig 5.11 : Total Expenses from Continuing Operations per capita 2010/11**

	Cost (\$/Cap)	Employee Costs (%)	Employee Costs (\$/Cap)	Population density (pop/km <sup>2</sup> )
Parkes	1789.49	31.42	562	2.5
Dubbo	1521.39	29.26	445	12.2
Orange	1271.12	34.56	439	138.5
Forbes	2584.74	28.69	742	2.1
Lachlan	3025.86	33.69	1019	0.5
Narromine	2252.89	31.72	715	1.3
Cabonne	2008.99	36.32	730	2.2
Cowra	1594.89	35.08	559	4.6
Young	1140.62	37.13	424	4.9
<b>Group 11</b>	<b>1960.89</b>	<b>33.37</b>	<b>654</b>	
<b>NSW</b>	<b>1169.63</b>	<b>36.42</b>	<b>426</b>	

### Insurance

The critical services review also involved a risk based approach to Council's insurance coverage. A review of the claim history facilitated a decision to increase the excess from \$12,000 to \$60,000. As a consequence an ongoing saving of \$60,000 per annum was achieved. To mitigate the risk of the increased excess a sinking fund has been established where a portion of the savings is retained each year to offset any claim which falls within the lower limit.

### Swimming Pools

Parkes has recently upgraded and refurbished the Parkes Swimming Pool at a cost of \$2.37m. The interest costs of borrowings for this project have been reduced by \$0.41m over the life of the loan through successfully procuring the NSW Local Infrastructure Renewal Scheme interest subsidy. The Capital Expenditure Review of February 2012 into the construction of the upgrade to the Pool identified cost savings from eliminating water leakages in the ageing pool

<sup>5</sup> NSW Division of Local Government, Department of Premier and Cabinet, "Comparative Information on NSW Local Government Councils 2010/11" (2012), Table , pp.

structure, and since its opening, there has been \$ 8,000 kl saved in the first three months as compared to the previous year. This equates to \$ 11,600 saved in the first three months of operation. These annual savings had been estimated to be \$ 15,000 in the Capital Expenditure Review. Similarly as the Infrastructure backlog is addressed through the Progressive Delivery Program other efficiencies in reducing maintenance costs will be achieved as the respective assets are upgraded and refurbished.

The Capital Expenditure Review also identified an additional \$20,000 per annum as a result of increased attendances and the increase in user charges to assist with servicing the new loan for the refurbishments. As at January 31, 2013, revenue from Parkes Pool admissions was \$129k, as compared to January 31, 2012 of \$89k, and the total for 2011-12 of \$101k. The improvement to this recreation infrastructure has led to an increase in attendance at the Parkes Swimming Pool, (see figure 15.2 below) and in turn reduced the swimming pool costs being subsidised by all ratepayers. The Delivery Program outlines further improvements to the Swimming Pool infrastructure in outlying townships of Parkes Shire, and it is expected to see a similar flow on effect to the revenue from these pools as well. (Refer Action 6.1.1.P PSC Delivery Program for a Progressive Parkes Shire)

Admission figures have been obtained comparing the 2011/12 and 2012/13 pool seasons up to 30 November. Figure 5.12 below indicates the effect on patronage to the pool as a consequence of the upgrade:

**Fig 5. 12 : Shire Swimming Pool admission numbers 2011-2013**

	Admissions		Season Ticket Users		Season Tickets Sold	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
<b>Parkes</b>	6223	6614	8059	9454	239	292
<b>Peak Hill</b>	704	736	493	737	69	56
<b>Trundle</b>	331	729	696	1331	52	52
<b>Tullamore</b>	211	394	857	931	34	33

### Library Services

As part of the critical services review Parkes Shire Library staff have assessed how processes are carried out and where items are purchased. Small efficiencies are made regularly, for example:

- A new supplier for book covering materials was found who could supply materials that were of the correct quality at bulk cheaper prices.
- Large print, talking books, DVDs are purchased through a standing order process, which provide cheaper prices.
- A new disc cleaning machine was purchased. Investigations into types of machines lead us to purchase a higher prices machine that had significantly less daily running costs.

The most significant efficiencies achieved by Parkes Shire Library is identified in the following figure 5.13:

**Fig 5.13 : Parkes Shire Library Services - Service improvements & efficiencies**

<b>Program</b>	<b>2008/09</b>	<b>2011/12</b>	<b>% change</b>
Story time sessions	23	53	56% ↑
Rhyme Time sessions	12	45	73% ↑
Children attending story time	603	956	37% ↑
Children attending Rhyme Time	134	1663	91% ↑
Events and activities	58	85	31% ↑
Attendance at events and activities	1466	3233	54% ↑
New borrowers joining	731	878	16% ↑
Visitors to Parkes Library	55,904	58,963	5% ↑
Items borrowed	84142	88547	5% ↑
Items purchase	3086	3730	17% ↑
Items discarded	4267	5924	27%
Libraries	5 2 operated by volunteers	4 all operated by staff	
Staffing, FTE	4.5	5.15	12% ↑

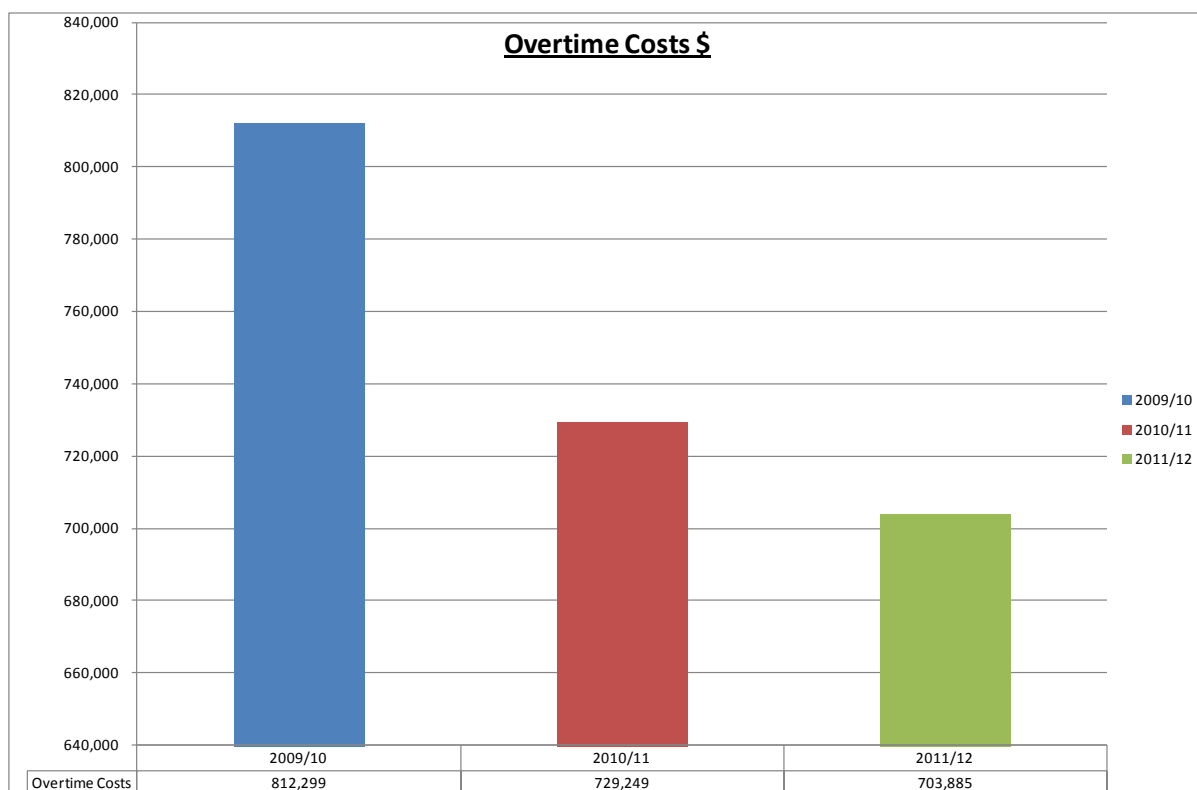
As indicated above there has been a significant increases in the number of programs and events offered, and attended. There has been increases in borrowers joining, increases in the volume of items purchased and discarded. Increases in visitors to the library and items borrowed.

This has all been achieved with only slight increase in full time equivalent staff hours, which occurred to offset the WHS implications of volunteer library staff.

### **Overtime**

A critical services review identified overtime as an area where significant annual savings could potentially be made without significantly affecting the delivery of services. Measures included a worksite review of existing scheduled overtime and mandatory approval system for overtime authorisation. Figure 5.14 shows the impact of the measures implemented. Annual savings of over \$100,000 per annum have resulted, however this is across the Water, Sewer and General funds.

**Fig 5.14 : Cost of Overtime Worked**



### Waste & Recycling Collection Regional Contract

Parkes Council together with Orange, Blayney, Cabonne & Forbes Councils entered into a joint Regional Waste & Recycling Collection Contract in December 2005 for a term of 10 years. This resulted in a number of efficiencies and cost savings for Council such as financial estimated at \$69,900 annually (2005 figures), diversion of approx 1000 tonnes of waste for recycling, Consolidation of Infrastructure, Single Customer Service Centre, Common Legal Contract, Recycling and Waste Minimisation Education Strategy, Reporting of KPI's and Learning for staff and Best Practice Service. The process has now recommenced by the 5 Councils plus interest from 7 others to develop a specification for a new service commencing in 2015 which will include organics collection in addition to the current residual waste and recycling service.

### Landfill Management

Council is currently developing a Master Plan for the Parkes Landfill which will see an upgrade in facilities including installation of a weighbridge and a more concentrated approach to waste diversion. The works which will be carried out during the current delivery program will be some \$1.7 Million in value and result in more efficient and safe disposal of wastes. Savings will also be made due to diversion of the full range of materials leaving only residual waste for disposal. Financial modelling is presently being undertaken to estimate the true cost of landfill which will be in the range of \$40.00 to \$100.00 per tonne. It is anticipated that the installation of weighbridge with inspection point will not only significantly

increase revenue but improve environmental outcomes as there will be much greater sorting/recycling of refuse.

### **Water savings**

PSC has worked heavily over the past 6 years to produce demand side reductions in water consumption. A combination of community education, water efficiency promotion programs and restrictions have significantly reduced total water consumption in the Shire by up to 30%. On top of this, PSC has completed a comprehensive water loss management plan including increased monitoring of flows, to pro-actively locate system leaks before they become non-revenue water losses. This has further reduced consumption by another 10% with further work planned that could reduce a further 10%.

### **Water and Sewer**

PSC has taken the lead in helping to form and progress an alliance of the 17 Councils that make up the Central West Region of Council's. Through this alliance, PSC has realised significant economies of scale for the procurement of contract and professional services. Savings currently include 15% for contracted water and sewer asset maintenance contract work and up to 25% savings for the production of mandatory State Government Best Practice Planning documents. The alliance has also helped to realise significant reductions in training costs due to better buying power for services and the ability to bring training to the region due to the larger numbers of staff requiring training.

Within PSC's own management of its water and sewer business, several efficiencies have been implemented including improvements to the Shire wide telemetry and SCADA system which significantly reduces the amount of time required by staff to visit remote locations. Further to this, the installation of drives at remote pump sites as well as motorised valving arrangements negate the need for staff to visit these locations daily. On-line monitoring, dosing and back wash equipment in the water treatment plant have significantly reduced the need for manual staff input as has the purchase of significantly improved mains cleaning equipment and a fibre optic camera for the inspection of assets.

### **Councils Ongoing Commitment**

In passing the resolution to proceed with the SRV application, Council also considered a report outlining the above efficiencies in place and forecast in future. Council resolved the following:

*"That Council instigate a formal, risk based, business process review, and that the outcomes of the review be reported to the risk review committee annually." (See Council resolution 13 -87 supplied in part 8)*

Council is committed to the notion of continued business improvement practices as a key factor in assuring its ongoing sustainability as an organisation.

## 8 Other information

### 8.1 Previous Instruments of Approval for expiring special variations

PSC has made no prior requests relevant to this section.

### 8.2 Reporting

Reporting is fundamental to Integrated Planning being the "R" in IP&R. Below are the reporting activities identified in the Community Engagement Strategy 'The Continuum', that will support PSC's continued commitment to the Integrated Planning and Reporting framework. The programs and projects identified in the Delivery Program for a Progressive Parkes Shire including those funded by the SRV will be reported upon in the IP&R cycle.

- **Each quarter:** Through Council, the Quarterly Budget Review will be tabled.
- **Every six months:** Through Council, the progress of the Operational Plan and Delivery Program will be provided. Council would look to also issue a specific newsletter to the community on the progress of SRV projects and programs each six months.
- **Annually:** The Annual Report will be tabled and promoted as well as forwarded to the Division of Local Government. This will specifically outline financial reporting on the SRV funds.
- **Mid-Term Reporting** (August 2015): In the community, presentations and workshops will be held to report on progress and reconfirm priorities. (This is not mandated by IP&R however, Council feels this will be an appropriate timing and means of ensuring the community gains assurance regarding funding from the SRV is being spent appropriately and provides opportunity for more feedback).
- **End of Term Reporting** (May 2016): There will be community facilitated workshops which will review the Community Strategic Plan and priorities of the Delivery Program. This will enable the incoming Council to have an understanding of the community's preferred future and what it needs to do to help deliver it. There will also be an End of Term Report published on the objectives of the Community Strategic Plan that will include many of the projects funded through the SRV.

NB: Council will also report to IPART and/or the DLG as required under any legislative or regulatory requirements if any SRV was to be granted.



### 8.3 Council resolution

Below is the Council resolution unanimously passed at Council's meeting on 5th March 2013. A copy of the full report considered by Council leading to the resolution is also provided as Annexure 2.y.

#### **Resolution 13 - 87 from the Ordinary Meeting of PSC held on Tuesday 5 March 2013 at the Peak Hill EX Services and Citizens Club Caswell Street Peak Hill**

1. That the draft Progressive Delivery Program be adopted, which includes provision for a SRV of 13% increase per year for the four (4) years of the delivery program. The Delivery Program consists of the following documents:
  - Community Engagement Strategy
  - Community Strategic Plan
  - 4 year Delivery Program
  - 4 year Financial Forecast
  - 10 year Asset Management Strategy
  - 10 year Long Term Financial Plan
  - 4 year Workforce Strategy
  - Operational Plan
  - Operational Budget
2. That the draft schedule of fees and charges made under Section 608 of the Local Government Act, 1993 and included in the draft Revenue Policy be adopted.
3. That pursuant to section 405 of the Local Government Act, 1993 the draft Statement of Revenue Policy be adopted for the year 2013/14.
4. That Council hereby approves and votes the expenditure in the 1 July 2013 to 30 June 2014 Operational Plan and Operational Budget.
5. That the statement of amounts and rates to be charged for works on private land for 2013/14 contained with the draft Operational Plan be adopted.
6. That Council lodge a Section 508A SRV by the 11th of March 2013 to IPART for a SRV of 13% increase per year for four (4) years, as set out in the Progressive delivery program.
7. That Council instigate a formal, risk based, business process review, and that the outcomes of the review be reported to the risk review committee annually.

Moved Councillor Michael Greenwood, seconded Councillor Alan Ward.

**CARRIED**

## 9 Checklist of application contents

Item	Included?
Community Engagement Strategy, Community Strategic Plan, Delivery Program & Draft Operational Plan extracts	<input type="checkbox"/>
Long Term Financial Plan extracts	<input type="checkbox"/>
Asset Management Plan extracts	<input type="checkbox"/>
Contributions Plan documents (if applicable)	<input type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input type="checkbox"/>
Hardship Policy (if applicable)	<input type="checkbox"/>
Productivity/cost containment examples	<input type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Reporting mechanisms	<input type="checkbox"/>
Resolution to apply for the special variation	<input type="checkbox"/>

## **10 Certification by the General Manager and the Responsible Accounting Officer**

I certify that to the best of my knowledge the information provided in this application is correct and complete.

General Manager: Kent Boyd

Signature Date:

8 March 2013

Responsible Accounting Officer: Les Finn

Signature Date:

8 March 2013

Once signed, this certification must be scanned and submitted with the Council's application.