Blayney Shire Council Improvement Proposal

Fit for the Future Response June 2015

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1 Council Details

1.1 Executive Summary

Blayney Shire Council (Council) resolved, in the interests of ratepayers, to continue to be an independent Council in the Central West Joint Organisation (JO) in accordance with the recommendation from the Independent Local Government Review Panel (ILGRP) Report (2013).

This Improvement Proposal demonstrates that Council will achieve all seven Sustainability, Infrastructure and Service, Management and Efficiency financial performance benchmarks within the five year Action Plan. An analysis of the 2013/14 audited financial statements identified that Council meets four out of the seven financial performance benchmarks. Council has validated that, in 2014/15, we will meet five and in the 2015/16 Operational Plan will progress to achieving six.

The improved financial performance is a reflection of Council's proactive Special Rate Variation (SRV) of 6% for the 2014/15 and 2015/16 years and an increase in mining land valuations. Population alone is not a measure of scale in a council that has a large revenue base from mining. In other words, our revenue base is comparable to a council with say 15,000 population who are predominately residential/rural ratepayers. Our scale and capacity is evidenced by experience in driving efficiencies through collaboration with neighbouring LGAs and the WBC Alliance, which has delivered in excess of $5.7million in savings over the past 12 years. Council is a focused provider of core local government services and in comparison to many rural and regional centres does not have ongoing 'cost-shifting' concerns.

The headline issues facing Council are:

- proximity to major regional cities, the geographic centre of the shire being almost equidistant from Orange, Bathurst and Cowra;
- building on Council's track record of collaboration with our adjoining LGAs in the new local government environment;
- expanding our capacity to partner with government agencies and the private sector to deliver major infrastructure projects;
- capitalising on the value and attractiveness of the unique historical villages in the Shire;
- reliance on mining rate revenue, mostly from a single ratepayer;
- fostering diversity amongst our seven elected Councillor positions; and
- achieving satisfactory and sustainable improvement in our infrastructure management benchmarks.

Having regard to the financial incentives offered, Council undertook an analysis of the merger options, particularly with respect to Orange City and Cabonne Councils, focusing on the financial, social aspects and communities of interest issues. The results of this review and feedback from the community consultation and stakeholder engagement strategy, demonstrated there is no significant financial benefit, and potentially adverse outcomes, to the residents of Blayney Shire if a merger were implemented.

In preparing Council's Improvement Plan the following goal and four key strategies were adopted.

The Goal is to ensure that Blayney Shire Council is Sustainable and Efficient.

The Key Strategies are:

1. Efficient and Cost Effective Service Delivery
2. Workforce and Councillor Capability and Capacity
3. Integrated Planning and Community Engagement
4. Regional Collaboration and Shared Services

A range of actions have been identified in each of the key strategy areas. Council expects for the foreseeable future to be able to continue to provide its communities with the services they require at an affordable cost. This is consistent with the ILGRP (2013) assessment that Blayney could remain sustainable as a separate Council for several decades.

Blayney Shire Council has a financially secure and independent future; its size belies its strategic capacity.

1.2 Scale and Capacity

Council has used the ILGRP preferred option as the starting point to assess if it has the appropriate scale and capacity to be financially sustainable delivering efficient and effective services to the community.

The recommendation from the ILGRP (2013) for Blayney Shire Council was as a *Council in Central West JO or merge with Orange*, being in Group E: Other potential mergers to consolidate major regional centres. Neither option was in bold text.

Council has undertaken an exploration of the merger option, as outlined in the separate Merger Analysis report, and after consideration this detailed and comprehensive review resolved to submit an Improvement Proposal as per the first option provided by the ILGRP.

The ILGRP also recommended that Council revise its Long Term Financial Plan (LTFP) and financial management strategy. With this view in mind, Council engaged NSW TCorp to undertake this independent assessment of the reviewed LTFP (2015/16 – 2025/26) in conjunction with the preparation of a response to government on FFTF. Council's Financial Sustainability Rating has been assessed as Moderate with an Outlook of Positive. A copy of this report is attached to Council's FFTF Improvement Proposal.

Council held a number of workshops with staff and councillors from December 2014 to May 2015. One of the tasks completed at these workshops was to assess Council's current scale and capacity and identify concrete examples which can demonstrate that Council meets the key elements of strategic capacity (as described by ILGRP, 2013) namely:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and Innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for state and federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

Additionally this evidence and assessment informed the development of the Improvement Plan where opportunities to enhance and strengthen our scale and capacity were identified.

Blayney Shire Council can demonstrate that, despite it relatively modest size in terms of ratepayer base and revenue, it has repeatedly demonstrated the necessary strategic capacity to remain an independent council whilst being an effective and fully participating member of the new Central West JO. Council can demonstrate that scale objectives of the ILGRP are broadly met and the strategic capacity requirements are satisfied.

(more detail can be sourced from the attached Report – **Evidence of Scale and Capacity**)

2 Council's current position

2.1 About Blayney Shire

Blayney Shire is located in the Central Tablelands region and encompasses an area of 1,525 square kilometres. The shire's main township of Blayney is the centre of a productive agricultural district, strategically located between the regional centres of Bathurst, Cowra and Orange. Blayney Shire is renowned for its Villages which have retained a significant proportion of late 19th century architectural heritage buildings and include historic Millthorpe, Carcoar, Mandurama, Lyndhurst, Neville, Newbridge, Hobbys Yards and Barry. The shire enjoys positive population growth, currently 7,400 with NSW Department of Planning estimate of 7,800 by 2031. There is an even distribution across the age groups and in 2006 the median age was 40 years (ABS, 2011).

Blayney has ready access by road to Bathurst (35km), Cowra (69km) and Orange (34km). The town of Blayney is an important central freight and transport hub to these major regional centres radiating to Canberra, Sydney and western NSW districts with road and rail linkages connecting the shire to Canberra, Sydney, Western and Southern NSW.

A regional audit and prioritisation of water, transport and now health infrastructure assets undertaken by the Centroc JO identified the Blayney to Demondrille rail line, along with the Bells Line expressway as significant transport priorities of national importance. Whilst the main western railway traverses the shire providing a daily commuter and freight service between Blayney and Sydney, the main southern line to Demondrille via Cowra if re-opened would provide significant transport options for coal, gold and agricultural produce direct to Port Kembla. This remains an important regional infrastructure focus for the region and Council.

Blayney Shire is predominately rural in nature, supporting primary industries such as dairy, beef, lamb, wool, viticulture, orchards, potatoes, canola and other grains. Mining is also a key industry and the area supports other industrial activities such as manufacturing, transportation, warehousing and food processing (ABS, 2011).

The region boasts a strong mining heritage with the town, villages and localities spread throughout a beautiful landscape of undulating hills and tablelands. The spirit of community is strong and a history of supporting one another when times get tough continues today. The shire has quality schools and sporting facilities which support participation in sports, recreation and healthy lifestyles. Well serviced medical centres and a multipurpose health service provide 24 hour emergency care within easy reach of Bathurst, Orange or Sydney for specialist care services.

There are many opportunities for economic growth by building on agriculture, transport, tourism, industry and mining activities. Council manages community assets valued at $185m (2014).

Although our settlements are spread out, contemporary information and communication technologies offer an opportunity to improve connections between each of them and the rest of the world. Retailing needs to complement larger

neighbouring centres and also focus on differentiation. Many of our heritage and other buildings along with our town and villages would benefit from beautification and improved physical access. Like many rural areas we need to provide the opportunities and facilities for our younger and older residents to live in the shire and fully engage in sharing of cultural activities and community life

The large employment sectors are:

- mining 18.3%
- agriculture, forestry and fishing 14.6%; and
- manufacturing 12.6%,

closely followed by:

- workers engaged in construction 7.1%
- education and training 6.8%; and
- health services 5.7% and retail trade 5.4%.

This is appropriate given that we are home to the Cadia Gold and Copper Mine, Nestle Purina Pet Food Factory, in the middle of a productive rural area and close to transport and major regional centres. This aligns to the output contribution to the shire with:

- mining worth $593m
- food manufacturing worth $204m
- agriculture worth $75m and
- construction worth $74m.

With sound transport linkages, opportunities exist to travel to work each day throughout the central west. At least 39% of the workforce (946 people), travel into the Blayney LGA each day for employment. Similarly 52% of workers (1,560 people) live in Blayney LGA and travel to Orange, Bathurst or Cabonne LGAs each day for work. We see this as an opportunity to be the alternative to city living providing a rural and residential lifestyle adding value to the sense of community and family interests, which is demonstrated by the demand for small lot residential and village properties in the shire.

2.2 Key challenges and opportunities

Strengths	Weaknesses
• Robust and diverse rate base, mining rate income valuable source of funds for capital and asset renewal • Cash position healthy and low overheads • Efficiencies via regional collaboration WBC Alliance and Centroc (pilot JO) • Work practices and culture of multi-skilled, flexible workforce • Proximity to Bathurst and Orange • Councillor body – strategic, number, participation, free of party politics • Service provider IT and HR Management support to Central Tablelands Water • Highly engaged and interested community	• Mining rate accounts for 48% rating income • Reporting to community on achievements • Currently no female or ATSIC Councillor representation • Competency based salary progression • Having clear project briefs and roles in joint projects • No clearly documented levels of service
Opportunities	**Threats**
• Review of Council's assets and community expectations • Engaging community to determine service levels • Borrowing capacity and low interest rates on loans • New partnerships and regional collaboration, Pilot JO • Review CSP, Resourcing Strategy and new Delivery Plan and Operational Plan • Councillor induction and training September 2016 • Engage Social media for community feedback • Streamline reporting and business paper format • Boundary adjustments • Employment generating Industrial and Manufacturing development with capacity to accommodate residential demand	• Cost shifting and reduction of FAGS • Mergers destabilising staff and future recruitment • Loss of representation if were merged • Legislative changes outside Council control • Local media grabs contributing to small Council perception • Proposed re-zoning Industrial Land Orange Airport

2.3 Performance against Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	**2013 / 2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.142	No	0.0367	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	63.62%	Yes	68.63%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	103.31%	Yes	109.83%	Yes

Operating Performance Ratio

The historical figures for Council have not been achieved through various factors. Councils operating income was affected by the timing of the Financial Assistance Grants in 2013/14 skewing the results when compared to previous years. Also a review of depreciation is planned and is expected to reduce depreciation, providing a positive impact on the Operating Performance Ratio. Council also acknowledged the restriction of rate pegging and the increasing costs above this limited. Action was taken in 2012/13, starting the conversation with the community in regards to a special rate variation which was approved for 2014/15 and 2015/16.

Councils Operating Performance Ratio is now above the benchmark and also forecast positively in the LTFP over the next 10 years.

Infrastructure and service management				
Measure/ benchmark	**2013 /2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Infrastructure Backlog Ratio (Less than 2%)	7.72%	No	5.27	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	95.6%	No	112.69%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.24%	Yes	2.88%	Yes

Infrastructure Backlog Ratio

This ratio is improving into the future with 2019/20 meeting and exceeding the 2% benchmark as Council progresses with its comprehensive asset management strategies. Improved data and Long Term Financial Plan (LTFP) confirm Council's ability to renew infrastructure assets currently and into the future. With a comprehensive review of service levels with the community to take place in 2015/16, Council believes the backlog will reduce more rapidly than currently forecast.

Asset Maintenance Ratio

In recent years Council has not been able to resource all maintenance and capital works, resulting in maintenance and capital renewals expenditure figure below that identified in Asset Management Plans. During the mining construction period Council was competing for resources but unable to match the packages offered by the mines. The large mine within the LGA has now finished major capital upgrades allowing Council to increase resources and is confident that the required maintenance levels will be met from 2015/16 onwards.

Efficiency				
Measure/ benchmark	**2013 /2014 performance**	**Achieves FFTF benchmark?**	**Forecast 2016 / 2017 performance**	**Achieves FFTF benchmark?**
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	Increasing	No	Decreasing	Yes

Real Operating Expenditure

In the 2009, 2010 and 2011 financial years Council experienced a major increase in the Infrastructure, Property, Plant and Equipment due to revaluations resulting in an increase in depreciation of $1.5m. In 2012 Council undertook a one off major project for NSW Roads and Maritime Services (RMS) resulting in an increase of operating expenditure of approximately $1.5m. Also regular asset revaluations resulted in an increase in depreciation of $400K. The above have been the major factors in affecting this measurement.

2.4 Water utility performance

Blayney Shire Council currently achieves the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework. Council manages all sewerage services for the shire and so the following data relates only to this service.

Central Tablelands Water County Council (CTW) is an independent and regionally strategic local water supply authority constituted under NSW Local Government Legislation.

Blayney Shire Council is a constituent member of CTW which currently has approximately 5,700 water connections and provides potable water to around 11,000 consumers in 14 towns and villages. CTW meets all requirements of the NSW Government Best Practice Management of Water Supply Framework and is a full member of CENTROC and the Central West Pilot JO.

Council's current (2013/14) water and sewerage infrastructure backlog is $1.058m

Planned capital works include:

Capital works			
Proposed works	**Timeframe**	**Cost**	**Grants or external funding**
Lining Replacement of Sewer Mains	Rolling replacement program that commenced in 2013/14 to be completed by 2019/20	$1m	Savings achieved through CENTROC Water Utilities Alliance Joint tender for relining of sewer mains through CEEP 2 Federal Funding

Improvement strategies include:

Improvement strategies		
Strategy	**Timeframe**	**Anticipated outcome**
Sewer Load Management • Minimise hydraulic loads due to infiltration, inflow and illegal connections and manage any industrial and commercial pollutant loads • Implement Inflow/Infiltration program Implement Liquid Trade Waste Policy	June 2019	• Inspection regime of mains for Inflows/ Infiltration completed • Sewer relining/replacement program completed • Sewer manhole rehabilitation program completed • Liquid Trade Waste register reported to NOW • Liquid Trade Waste awareness campaign undertaken • Ongoing Liquid Trade Waste Inspections
Operations and Maintenance • Operate and maintain assets to provide agreed levels of service at minimum life cycle costs	August 2016	• Preparation and adoption of Operations and Maintenance Plans • Sewerage Asset Management Plans reviewed and completed within the Best Practice guidelines • Business Continuity Plan completed • Sewer reticulation model finalised • Review of operational procedures for quality assurance and WHS risk management • Undertake mains cleaning/ root cutting/ foaming program • Review and update system schematics and maintain engineering records

3 Becoming Fit for the Future

3.1 Sustainability

Strategies

1. Undertake a complete review of Council's assets and depreciation
2. Rewrite and update of Council's Resourcing Strategy including Asset Management Plan 2016/17 – 2025/26, Long Term Financial Plan 2016/17 – 2025/26 and Workforce Management Strategy 2016/17 – 2019/20
3. Undertake a full service level review and benchmarking program to ensure efficiency and effective delivery of services
4. Enhance regional collaboration with a new sub-regional Strategic Alliance

Assumptions

Council was successful in attaining a SRV for 2014/15 for two years, with a permanent general rate increase of 5.11% in 2015/16 used to focus on the Asset and Infrastructure Renewals programs. An existing SRV is forecast to finish in 2015/16 as opposed to the original date of 2017/18 which results in a reduction in Council's operating surplus of approximately $550k over those two years.

A review of Domestic Waste Management resulted in an increase of the annual waste charge in anticipation of increased contract costs expected in the 2015/16 year. A service review will again be undertaken to determine the true cost of the service delivery.

Council has factored in the reduction of income ($300k) as a result of the freezing of Financial Assistance Grants indexation up to 2017/18. Council has taken into account an increase to salaries and employee on-cost of 3.5% including salary step increases. A review of budgeted maintenance works within the Asset Management Plan framework resulted in a reduction of maintenance spending ($195k in 2015/16) and using the excess to increase capital renewal funding.

3.2 Infrastructure and service management

Strategies

1. Take advantage of Council's borrowing capacity to spread capital renewal expenditure providing intergenerational equity
2. Review and rewrite of Council's Workforce Management Strategy
3. Engage with each village and town to review and develop Council's Community Strategic Plan 2016/2036
4. Utilise the current elected representative Councillor cohort to attract and mentor new Councillors

Assumptions

A review of budgeted maintenance works within the Asset Management Plan framework resulted in a reduction of maintenance spending ($195k) in 2015/16 compared to previous years and with the excess applied to capital renewal project funding. In recent years Council has not been able to resource all maintenance and capital renewal works, resulting in a maintenance and capital renewal figure below that identified in Asset Management Plan. Council is increasing resources in this area and is confident that the required maintenance levels will be met from 2015/16 onwards.

Condition assessments and yearly asset revaluations will improve data for Asset Management Plans. As asset management systems and data continue to be refined, the accuracy, reliability and quality of the backlog information will improve. Council believes that this will show our backlog position to be better than currently reported.

Council's future outlook is strong therefore the need to borrow is small. Given this, Council is in a flexible position to undertake projects when needs arise and has a strong capacity to seek loan borrowings for these projects in line with intergenerational equity principles. Having a robust Asset Management Plan has allowed Council to plan ahead as was shown in the combination of using loans through the LIRS scheme in 2014 and cash reserves held by Council.

3.3 Efficiency

Strategies

1. Improve efficiencies in delivery of services, reducing costs by shared services and improvements in technology
2. Build on WBC Alliance experience to formalise an enhanced new sub-regional Strategic Alliance
3. Grow the population and employment opportunities of the shire by supporting residential land strategy
4. Maximise the access to industrial and manufacturing land which is available

Assumptions

The projected local government cost index of 2.5% was used as well as 3.5% forecast increase of employee benefits and on-costs, taking into consideration performance increases by staff.

New South Wales State and Local Government Area Population Projection (NSW Department Planning): 2014 final forecasts were used with a projected population growth to 2031 around 8%.

Council has not forecast any one-off private works that could affect this ratio negatively as these are difficult to predict.

Council regularly re-values assets and a small increase to depreciation is forecast each year however a review of depreciation methods could reduce the depreciation expense affecting this measurement positively.

3.4 Improvement Action Plan

Key improvement actions

Councils are required to provide a detailed Improvement Action Plan which will ensure that Council becomes more efficient and sustainable over the next four year period.

This plan was developed in consultation with the community, councilors and staff.

The key **GOAL** is to ensure that Blayney Shire Council is Sustainable and Efficient

The **KEY STRATEGIES** are:

1. Efficient and Cost Effective Service Delivery
2. Workforce and Councillor Capability and Capacity
3. Integrated Planning and Community Engagement
4. Regional Collaboration and Shared Services

The Detailed Action Plan is attached at the end of this report.

3.5 Action Plan development

Blayney Shire Council has successfully managed the development and completion of the FFTF submission utilising the resources, professional skills and experience of its staff to undertake this project in-house. From the outset in February 2014, when the ILGRP Report was published and subsequent announcement of the NSW Government FFTF reform program, Councillors were engaged and have committed much time and energy into the process via Council meetings and FFTF workshop sessions.

In September and October 2014 Blayney Shire Council, Mayor and then Acting General Manager met separately with the Mayor and General Manager of Bathurst Regional Council and Orange City Council. Similarly Blayney Shire Council representatives attended various meetings including the OLG facilitated Pilot JO sessions in November and December 2014 to discuss the FFTF program and the region's options at the WBC Alliance and Centroc Board level. In February 2015 a meeting was hosted by Oberon Council and included Blayney, Bathurst and Lithgow Councils to discuss each Council's FFTF preferred options.

The Mayor and General Manager attended the OLG Rural Council information meeting in Dubbo in December 2014. Initially separate staff and Councillor workshops were held in December 2014 and January 2015. This was followed by joint staff and Councillor sessions to review the financial benchmarks, merger options and assess the key challenges and opportunities in March and April 2015.

The Central West Pilot JO included Central Tablelands Water (CTW), whose chairman is a Councillor from Blayney Shire Council, so providing additional insight into the regional strategic response. CTW senior staff were included in the staff workshops to maximise collaboration between our WBC Alliance partner and Council.

Council and the community were briefed via regular monthly reports and Councillors were included in all FFTF workshops and the community engagement strategy.

Staff and WBC Executive attended LGNSW FFTF bootcamps, OLG FFTF information sessions and most recently the IPART consultation in Dubbo held in May 2015 in regards to the process and methodology for FFTF assessment.

The establishment of Central West (Centroc) as a Pilot JO means Blayney Shire Council has been involved at every opportunity to ensure that this is a successful trial. Of note is the research and work undertaken by a Blayney Shire Councillor who has prepared a discussion paper drafting the legislative framework for the JOs moving forward. This contribution by one of our Councillors at the regional level is viewed as very positive for the region and local government overall.

Upon appointment of a new General Manager in November 2014, the senior executive team (MANEX) appointed a small multi-disciplinary project team of staff with expertise and interests in strategic planning, asset management and finance.

From February 2015, this project group met fortnightly and the tasks of each section of the Improvement Proposal submission allocated to the department where that particular expertise sits. In February 2015, Council appointed a Chief Financial Officer, who added another level of expertise to this FFTF working group.

Orange City Council formally invited Blayney and Cabonne Councils to participate in a Merger Business Case study in February 2015. Following analysis of the options available, Council made the very important decision in March 2015 to focus entirely on submitting an Improvement Proposal resolving that staff prepare a stand-alone position being Template 2.

FFTF strategy workshops held again in May 2015, involving Councillors, Senior Staff, Supervisors and key staff provided input into the development of the 4 Year Action Plan. The whole process was undertaken in partnership with the WBC Alliance with Executive Manager undertaking much of the collation of Council's evidence and supporting documents which have been attached to this Improvement Proposal.

Finance and asset management staff, whilst dealing with the completion of the 2015-16 Operational Plan and normal QBRS schedules, have undertaken a review and updated the LTFP. This has provided the necessary data for the financial benchmarks moving forward. Key to this submission are the assumptions for the 2016/17 – 2019/20 period and the Action Plan strategies, milestones and projected outcomes. All of these were presented to Council for feedback and final approval both at workshops and at formal Council meetings in May and most recently in June 2015, when the final resolution to submit Template 2 Improvement Proposal was unanimously endorsed.

Blayney Shire hosted an Office of Local Government and LGNSW Improvement Proposal Peer Review day on 3 June 2015. This meant staff involved in preparing their FFTF Improvement Proposals representing 15 Councils from the Central West and Orana region were able to exchange ideas, share resources and experiences. This event is an example of how Blayney Shire Council has the capacity and leadership to work collaboratively and is prepared to help improve Local Government in the region.

As a further independent check NSW TCorp (TCorp) was engaged to undertake a review of the revised LTFP in preparation for the FFTF submission. In updating the analysis completed for the previous reports; being April 2013 and November 2013 for the SRV which was approved by IPART in 2014, TCorp's work included:

- Assessing of the performance of Council based on its last 5 years financial results including (2013/14);
- Reviewing the revised LTFP (2015/25) and key assumptions and methodology;
- Analysing the extent to which the forecast operating performance will support the long term sustainability of Council; and
- Updating the assessment of the FSR and Outlook for Council

Based on this independent review of both the historic financial information and the 10 year financial forecast within Council's LTFP TCorp consider Council to be in a satisfactory, and improving financial position. TCorp believes Council's current financial Sustainability position is Moderate, with an Outlook of Positive. At this rating, Council is currently achieving a level of performance broadly consistent with the TCorp benchmarks.

Furthermore TCorp state '*The LTFP indicates that, if achieved, Council's position is expected to improve over the next 3 years which is based on the following points:*

- *Council has demonstrated a willingness to seek approvals for SRV's to assist in addressing its need for additional revenue to meet infrastructure costs.*
- *Council's financial position has been improving, particularly when the timing differences associated with the FAG payments are taken into account.*
- *Council is forecasting operating surpluses, sound levels of liquidity and own source revenue is at sound levels to support the operations*.' (TCorp, 2015)

TCorp have raised the point that should the forecast increase in population occurs, Council will need to adjust its planning in future to take any impacts of that into account. This will be addressed in the future Delivery Plans and reviewing of LTFP into the future.

The community and staff engagement strategy has been ongoing, with the FFTF story on the agenda in weekly General Manager Updates and Mayoral Comments via the website, quarterly community newsletters, Blayney Chronicle, Mayoral Radio interviews, staff meetings and staff communications. In addition the General Manager and Mayor made the most of any opportunities made available to speak at various community organisations and Council Committees about the FFTF program and Council's position.

The Community Engagement Strategy was approved at the April 2015 meeting. A Council FFTF roadshow to Blayney and the villages was organised from the end of May and early June 2015, where the General Manager and Mayor, with Councillors presented the Draft Improvement Proposal and merger options for discussion. Eight individual community meetings were held, hosted by each Village Association in Millthorpe, Barry, Newbridge, Carcoar, Neville, Mandurama, Lyndhurst and Blayney. These meetings were well attended with over 120 community members participating in this process.

A survey sought community input about the options for Blayney Shire Council. 'Have your Say' was distributed online, at community meetings and promoted online and in media channels, opening on Monday 19 May 2015 and closing Friday 12 June 2015.

193 surveys were collected online and via paper forms, representing 5% of the number of ratepayers in the shire. Key themes indicated by respondents about what they value in the Blayney Shire include:

1. Country Lifestyle – 39.01%
2. Good services/ facilities/ staff at Council – 24.73%
3. Community spirit – 21.43%
4. Farming Country/ landscape – 12.64%
5. Friendships/ Family – 8.79%

The Stand Alone preferred option accounted for 86% of respondents. A merger with Orange and/or Cabonne accounted for 9% of respondents. Preferred governance options numbered from 1 to 4 are summarised as follows;

Option	1st Preference	2nd Preference	3rd Preference	4th Preference
Stand Alone	167	9	3	2
Merge with Orange and/or Cabonne	18	34	18	10
Merge with Bathurst and/or Oberon	2	32	34	10
Other	6	19	7	21
TOTAL	**193**	**94**	**62**	**43**

Refer attached 'Blayney Shire Council Financial Assessment and Sustainability Report' (NSW Treasury Corporation, 2015).

3.6 Other actions considered

Council has undertaken a rigorous process to consider the options available to secure the future sustainability of the shire.

This has included:

- a comprehensive series of workshops with Councillors and staff in December 2014, January, February, March and April 2015;
- completion of a merger assessment review to identify the similar and different services provided, and the cultural and community of interest fit;
- a robust analysis of the strengths and weaknesses of a merger with Orange/Cabonne and Bathurst/Oberon;
- identification of the organisation's key challenges and opportunities;
- review of the scale and capacity of the current and future Council operations;
- a comprehensive testing of financial performance benchmarks against our assumptions; and
- identification of future strategies to strengthen the long term sustainability of Council.

Whilst a formal invitation was made by Orange City Council to undertake a Merger Business Case Study, given the body of evidence produced from this work noted above, Council resolved to focus its resources preparing a submission as a Council in the Central West JO, in accordance with the recommendation from the ILGRP (2013).

We now know from the Orange and Cabonne Merger Business Case Study (May 2015) that the outcome did not demonstrate a significant benefit. In fact the independent study proved that both Orange and Cabonne have the scale and capacity to achieve the FFTF financial performance benchmarks as stand-alone entities. In summary the merger of a very urban and a very rural council with opposing purposes, priorities and service levels was inconclusive and the risks identified in the merger analysis far outweighed the estimated savings. With significant community angst demonstrated against any merger, both Orange and Cabonne Councils have resolved to stand alone as individual Councils in the Central West JO.

Additionally a key element in this decision was the commitment to shared services delivery with like-minded councils. Blayney, through the WBC Strategic Alliance, has been a long-time advocate of the benefits of shared services. In 2013/14 the WBC Alliance committed significant resources and engaged KPMG to develop a methodology and structure for the delivery of shared services across a range of 20 functions with estimated benefits of over $1.1m in efficiency savings whilst maintaining the local democratic representation and presence that the community demands.

Council is of the opinion that the opportunities for sharing of resources and services, is a viable and more attractive future option for Blayney than a wholesale merger with a large urban centre.

The desired objective for a council merger should be to achieve both economies of scale and economies of scope. In preparing the stand-alone position, Blayney Shire Council has critically assessed and tested both positive and negative impacts, including what economies of scale and scope could be accomplished by a merger with either Orange City or Bathurst Regional Councils.

Blayney Shire Council can demonstrate that by working collaboratively with the Wellington, Blayney and Cabonne (WBC) Alliance (or indeed an enhanced sub regional Strategic Alliance of neighbouring councils) provides efficient and a diverse range of services. This partnership and resource sharing is extended to the current arrangements for Central West Libraries, CENTROC and the new Central West JO, Netwaste, Blayney Cabonne Family Day Care, Local Land Services and Local Government Procurement

The partnership with community groups and the village associations adds value and delivers local improvement projects to community infrastructure which is vital for the continued growth of our community. The creation of individual Village Community Plans, an initiative facilitated by Council and the individual local village association which is already underway.

The launch of the 'Your Carcoar' Village Community Plan strategy was held in mid June 2015. These individual and locally based vision and project setting forums will provide valuable input into the Blayney Shire Community Strategic Plan 2016-2036. This process is an important capacity building project that will support place management approaches to community engagement, practices and ownership. Building on this volunteer enthusiasm and community value add is recognised as an important feature of Council's Action Plan.

Refer attached '**An Analysis of the Merger Options**'

4 How will the plan improve performance?

Measure/ benchmark	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.053	0.037	0.033	0.029	0.035	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	66.11%	68.63%	70.10%	72.16%	73.12%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than100% average over 3 years)	114.9%	109.8%	123.5%	122.5%	125.9%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	5.49%	5.27%	3.84%	2.56%	1.68%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	107.14%	112.69%	112.69%	112.69%	112.69%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.37%	2.88%	2.26%	1.65%	1.61%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	decreasing	decreasing	decreasing	decreasing	decreasing	Yes

5 Putting the plan into action

The Improvement Plan will remain the responsibility of the General Manager supported by MANEX which includes Council's 3 Directors. Actions and tasks will be allocated to the General Manager, Directors, Chief Financial Officer and/or various Managers depending on their specialist skill area and responsibility. This cooperative approach and sharing of resources is important for our continued staff professional development.

The community and staff FFTF engagement strategy will be ongoing. Information about Blayney's FFTF status and Action Plan and the NSW Government reform of local government will continue to be communicated widely via General Manager Updates and Mayoral Comments on Council's website, facebook, twitter, community newsletters, local newspaper (The Blayney Chronicle) and regional media, community and staff meetings and staff communiqués.

A number of Actions will result in the production and publication of certain plans, strategies or reports which will be reported to Council and made available to the community within the next 18 months. These include;

- Village and Town Community Plans (Carcoar, Millthorpe, Lyndhurst, Newbridge, Neville, Mandurama, Barry, Blayney);
- Blayney Shire Community Strategic Plan 2016/2036;
- Delivery Plan 2016/17-2019/20 and Operational Plan 2016/17;
- Asset Management Plan 2016/17 – 2025/26;
- Long Term Financial Plan 2016/17 – 2025/26;
- Workforce Management Strategy 2016/17 – 2019/20; and
- NSW TCorp Infrastructure Management Assessment and Financial Sustainability Rating and Outlook Reports.

Formally, Council will provide a detailed report on is progress to becoming FFTF to the community and NSW Government annually via the Annual Report. In addition, the Action Items will be included in the new Delivery Plan 2016/17 that will be adopted by Council in June 2016 and further endorsed by the newly elected Council post September 2016. The six monthly reporting cycle from July 2016 and final Council report of the Delivery Plan in 2020 as per the IP&R guidelines will further ensure that the organisation provides the feedback to ratepayers and the public on the achievements and report progress against the key strategies and action items.

Financial benchmarks will be reported quarterly as part of the Quarterly Budget Review Statements (QBRS) in November, February and May each year and annually via the publication of Council's audited Financial Statements. The Auditor General would reassess performance periodically as part of the Audit Office of NSW's new auditing role in the sector.

Blayney Shire Council is Sustainable and Efficient

The following detailed action plan was adopted by Council as part of the Fit for the Future Submission

June 2015

6 Detailed Action Plan

Blayney Shire Council is committed to retaining local presence as a local government service provider. This Improvement Plan has been developed to include strategies and actions planned for the next 4 years to ensure Council improves efficiencies in service delivery and strengthens its sustainability.

This plan has been developed in consultation with elected members, staff and the community. It was developed in consideration of:

- Councils ability to meet the Fit for the Future financial benchmarks by 2020
- The desire of the community to retain a fit and sustainable local government organisation representing their interests and providing cost efficient services to the rural towns and villages of the Shire

The ***GOAL*** is to ensure that Blayney Shire Council is Sustainable and Efficient

The ***KEY STRATEGIES*** are:

1. Efficient and Cost Effective Service Delivery
2. Workforce and Councillor Capability and Capacity
3. Integrated Planning and Community Engagement
4. Regional Collaboration and Shared Services

A number of actions, milestones and outcomes have been incorporated under these 4 Key Strategies and are outlined in the following detailed Improvement Plan.

1. Efficient and Cost Effective Service Delivery

Objective	Actions	Key Milestones	Outcome
1.1 Obtain a thorough and realistic understanding of the cost and efficiency of council's services	1.1.a Develop Service Review Program to be undertaken over 15/16 1.1.b Complete pricing model for costing of internal construction staff to assist contestability	Program developed by Sept 2015 Reviews commence from September 2105	Unit cost of service is calculated Identify those services or resources that could be provided on a shared basis with other partners
	1.1.c Undertake a benchmarking program with other councils to measure the efficiency of the services currently provided	Benchmark against similar councils and region the operational effectiveness of Council services and operations Participate in Local Government Operational and Management Effectiveness Survey	Council can demonstrate efficient and cost effective service delivery comparable with other providers of similar services
	1.1.d Implement full cost recovery for Council's discretionary services	Review of fees and charges for services council provides Complete a fully attributed costing of all services	User pays and cost effective services delivered Reduction in loss making activities and cost of service is transparent and validated
	1.1.e Include new pricing in Revenue Policy for 2016/17	Cost structure discussed with community and council and	Services provided on cost recovery basis

Objective	Actions	Key Milestones	Outcome
		adopted	
1.2 Service levels are known and agreed with community	1.2.a Once cost of service is identified consult with community to agree on service levels	Complete community consultation in relation to service levels by June 2016	Fully documented statement of service levels for all assets and services
1.3 Improve efficiency of service delivery	1.3.a Implement a Business Improvement Program linking internal audit, service reviews, risk management	Complete Promoting Better Practice Review and measure improvements (Dec 2015)	Improve workplace efficiencies to increase productivity by 5%
	1.3.b Undertake a benchmarking program with other councils to measure the efficiency of the services currently provided	Utilise alliance practitioners to work cooperatively with staff to identify ways to improve efficiencies and work practices	Service levels and efficiency rank meet or exceed industry/regional benchmarks
	1.3.c Staff training, benchmarking, professional development and audits/assessments	Training and project based learning is completed by March 2016	Continuous improvement is driven internally by staff capable of implementing business improvement

Objective	Actions	Key Milestones	Outcome
1.4 Improve procurement and contract management performance	1.4.a Implement ArcBlue Procurement Roadmap and spend analysis 1.4.b Roll out a “Think Local Buy Local” campaign to local and regional contractors	Programs have been implemented by June 2016	Achievement of 5% cost savings in purchasing and contracts through Best Buy and smart procurement Increased number of local contractors on preferred supplier panels Procurement Map Action Plans in place
1.5 Improve efficiency through technology	1.5.a Provide innovative and leading technology interface including: - - Increased use of mobile devices - Online DA Tracking system operational and utilised - Electronic Housing Codes - Electronic timesheets and payslips	Enhanced use of technology particularly in the area of remote access for staff and on-line customer access	Increased efficiencies in processing of data More accurate and timely data available
	1.5.b Implement a unified communications solution	NBN implementation to provide further technological improvements New internal system in place by June 2016	Reduction in overall telecommunications costs and ability to streamline our internal and external communications with the latest technology

Objective	Actions	Key Milestones	Outcome
	1.5.c Improve electronic customer interface introducing more online options for customers including online payments	System capability defined Engage with WBC partners on same system to develop joint solutions E-timesheets developed with WBC partners	Enhanced customer experience Ability to redirect internal resources Savings in processing time
1.6 Ensure Councils operations are planned, managed and cohesive	1.6.a Complete an audit of fleet management functions including fleet utilisation and identify savings in fleet management or rationalisation	Audit completed by March 2016 Recommendations for improvement adopted by April 2016 Roll out of new fleet management system and processes from May 2016	Savings identified and redirected Improved fleet management practices and systems in place
	1.6.b Review processes involved in administrating and managing RMS work contracts	Review completed early 2016 Process and system improvements implemented	Maintain or improve Council's RMS Performance Rating Increase in work from RMS

2. Workforce and Councillor Capability and Capacity

Objective	Actions	Key Milestones	Outcome
2.1 Improve the capability and efficiency of staff	2.1.a Develop contemporary recruitment and retention strategies	Strategies are developed and implemented by Dec 2015.	Council is recognised as a Local Government Employer of Choice Enterprise Agreement and performance management practices implemented
	2.1.b Review Workforce Management Strategy (WMS)	Trainee Works Operators appointed in 2016 Cadet Engineer appointed in 2016	New WMS completed which integrates more fully with the Delivery and Operational Plans
2.2 Provide a workplace environment where employees have the opportunity to advance their career	2.2.a Implement new policies and processes for: - Succession Planning - Acting and Higher Duties Policy and training program - "Preparing for Retirement Program Policy" (incorporating capture and transition of corporate knowledge)	Mentor program introduced Transition to retirement program introduced	Enhanced ability to employ a wider range of skilled staff Knowledge, creativity and innovation improved
	2.2.b Review the competency based salary system and investigate Performance management frameworks	Review is completed in consultation with consultative committee by April 2016	Market competitive salaries Enhanced ability to attract staff Higher levels of performance and morale

Objective	Actions	Key Milestones	Outcome
2.3 Build and strengthen leadership skills	2.3.a Improve internal capability in project and financial management - particularly Managers and Supervisors 2.3.b Implement leadership and team building training for Managers and Supervisors	Training program developed and funded for 15/16 and ongoing	Staff undertaking post graduate qualifications and people management training incorporated into Learning and Development plans High quality managerial leadership
2.4 Enhance Council's capacity to deal with change and manage projects/contracts	2.4.a Provide training in change management 2.4.b Provide training in project management	Programs delivered during the 15/16 training plan period	Enhanced capability of staff to respond to change and take on new projects or functions
2.5 Improve the Asset Management capability of elected members and staff	2.5.a Targeted capacity building programs including: - Community service level negotiations - Risk management and infrastructure vulnerability assessments - Identification critical infrastructure	Training provided by Dec 2015	Stronger assets management capability Decision making is based on sound asset plans

Objective	Actions	Key Milestones	Outcome
2.6 Give the community confidence in the leadership of its council by enhancing knowledge and skills of Council management and elected officials particularly in respect of importance financial and asset management	2.6.a Foster and encourage Councillor training, information sessions and professional development opportunities 2.6.b Actively promote Councillor positions to woman and ATSI community members	More representative council group elected in 2016	New Councillor training implemented post 2016 elections Participation and involvement at LGNSW and regional Alliance meetings

3. Integrated Planning and Community Engagement

Objective	Actions	Key Milestones	Outcome
3.1 Obtain a thorough and realistic understanding of council's depreciable assets	3.1.a Undertake a comprehensive review of all assets 3.1.b Support lobbying to review the basis of depreciation of LG assets 3.1.c Results of road revaluation process are incorporated into assets and financial plans	Complete implementation of asset management software by December 2015 Adjust agreed assets classification and hierarchy Council endorsed and adopted resourcing strategy by 30 June 2016 including asset management plan, workforce management plan and long term financial plan	Asset rationalisation Improve reliability of depreciation expense Attain a TCorp Infrastructure Management Assessment Rating of Strong Achieve TCorp Financial Sustainability Rating of Moderate with an Outlook of Positive
3.2 Develop finance function, systems and processes which deliver timely and relevant information	3.2.a Review the General Ledger to provide better level of financial data to improve financial planning and budget allocation	Review is completed in preparation for 16/17 budget cycle	Improved reporting to Council and the community Auditors approve Financial Statements

Objective	Actions	Key Milestones	Outcome
3.3 Develop more robust own-source revenue base	3.3.a Undertake a review of the rating structure 3.3.b Identify future options to mitigate reliance on mining rates revenue 3.3.c Develop rating options 3.3.d Lobby government to be able to include mining rates revenue to become supplementary to rate cap	Review is completed and new structure implemented for 16/17 financial year	Implement new rating structure Reduce the reliance of mining rate revenue on operational and core council activities Quarantine mining rate income for infrastructure renewal only
3.4 Minimise unforseen liabilities	3.4.a Implement Risk Management Strategies 3.4b Train and develop staff skills	Risk Management Action Plan approved and adopted by Council	Achieve Industry Benchmarks for Risk Management Practices

Objective	Actions	Key Milestones	Outcome
3.5 Broaden the rates base	3.5.a Complete an assessment of areas of interest including community consultation 3.5.b Develop recommendations for adjustments in concert with neighbouring councils	Review of local government area boundaries is completed by Dec 2017	Boundary adjustments approved by NSW Government
3.6 Maximise non-rates own-source income	3.6.a Develop private works program and targets 3.6.b Complete a critical analysis of full cost recovery for each business unit (activity) of council (in conjunction with Service reviews Action 1.1.a)	Adopt pricing structure for private works which are in demand at profitable rates Identify workforce capacity to meet requirements of both internal and private works	Generate additional profitable and sustainable revenue from private works

Objective	Actions	Key Milestones	Outcome
3.7 Maximise funds available for asset renewals and replacements	3.7.a Identify local priority projects and move to shovel ready status 3.7.b Work with Central West JO to ensure council projects have appropriate regional priority 3.7.c Adopt intergenerational equity approach for fast tracking of major capital works programs	Set targets for grant funding and take a more focussed and strategic approach to grant applications Realise opportunities for subsidised borrowings (as a FFTF council)	Local projects completed by council with grant funding Bridge renewal/replacement program brought forward
3.8 Empower communities to be engaged and strategic, enhancing their local capacity for decision making	3.8.a Engage with each Village and Town in reviewing Council's Community Strategic Plan 2016/2036 3.8.b Provide opportunities for community to engage on future and place making	Individual Village Community Plans are completed for Carcoar, Millthorpe, Lyndhurst, Mandurama, Blayney, Newbridge and Neville Corporate Partners are engaged in Financial Assistance Program	Community participation and local involvement in developing individual Community Plans Council endorsed and adopted Community Strategic Plan 2016/2036 by 30 June 2016 Village Enhancement Programs in place Financial Assistance Program provides funding for community projects

4. Regional Collaboration and Shared Services

Objective	Actions	Key Milestones	Outcome
4.1 Reduce costs through shared services	4.1.a Develop an enhanced Strategic Alliance 4.1.b Pursue resource sharing and collaborative partnerships with neighbouring Councils	Review experience and expertise of the WBC Alliance Rebuild with new partners and purpose Identify opportunities for Blayney and neighbouring Councils to share resources	Blayney Shire and neighbouring Councils formalise an enhanced sub-regional Strategic Alliance Identify operational functions that can be delivered via resource sharing or fee for service basis within JO and within Alliance
4.2 Engage in regional collaboration and partnerships	4.2.a Maintain effective partnerships with current strategic alliances and networks	New Joint Organisation for Central West is constituted from June 2016	Blayney Shire Council is a board member of the newly established and legislated Centroc JO Councillors and staff are involved in professional groups such as LG Professionals, IPWEA, LGNSW, Arc Blue and the Central West Water Utilities Alliance
4.3 Grow the population of the Shire	4.3.a Develop strategies for the Shire to leverage off the growth of Orange and Bathurst as a residential satellite area	Increased rate of population growth	Operating expenditure spread over a larger ratepayer base