

Template 2

Fit for the Future

Council Improvement Proposal

(Existing structure)



Getting started . . .

Before you commence this template, please check the following:

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

Council name:

Gunnedah Shire Council

Date of Council resolution endorsing
this submission:

24th June 2015

1.1 Executive Summary

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

Gunnedah Shire Council (GSC) currently meets all the required benchmarks under the Fit for the Future (FFTF) program and has adopted a sustainable Long Term Financial Plan (LTFP)^[1] that will allow the Council to continue to meet the FFTF benchmarks into the year 2020 and beyond. The Council's journey toward becoming 'Fit for the Future' started in 2012 when, during development of the Community Strategic Plan (CSP)^[2] and the associated resourcing plans, a future revenue shortfall was identified which led to the Council taking proactive action to ensure it remained sustainable through an application for a Special Rate Variation (SRV).^[3]

GSC was granted a Special Rate Variation of 39.7% cumulative increase over four years starting in 2014, this was predicated upon funding debt servicing associated with its capital works program aimed at addressing a backlog in infrastructure renewal and improving its financial sustainability. This decision was supported by the majority of the community to ensure that current service levels were continued and that current community assets could be maintained.^[4]

GSC has long been regarded as having a strong financial and asset management performance. This is supported by independent reports from Treasury Corp NSW,^[5] who have classified GSC as ‘Sustainable’ and the 2013 Local Government Infrastructure Audit,^[6] which listed Council’s infrastructure management as ‘Very Strong’. GSC was one of only five councils in the state to achieve this rating and one of only two rural councils to do so. Whilst Treasury Corp NSW identified GSC as having a Financial Sustainability Rating of Sound and an Outlook of Negative, it is noted that it was based on the LTFP prior to approval of the SRV in 2013. Since the approval and implementation Council’s sustainability has grown stronger.

In contrast to many rural councils, the Gunnedah Local Government Area has been experiencing significant growth due to mining activity, both within and outside the shire boundary.^[7] With two significant developments currently undergoing final approvals, these developments are predicted to result in further economic activity, development, population growth and a more robust revenue base for the Council in coming years.^[8]

The Council is committed to continuous improvement and in 2013 undertook an independent organisational review conducted by Blackadder Associates.^[9] This report was the catalyst for significant organisational change, including a drive for operational efficiencies and savings which resulted in the realisation of \$1 million in recurrent operational savings over the last two years.^[10] These savings have enabled Council to meet challenges, such as increased costs in managing landfill operations at its waste management facility, without jeopardising its sustainability or the significant capital renewal program made possible by the SRV.

In order to continue improving Council’s position and to gain further scale and capacity GSC has adopted a strategy to undertake a resource sharing initiative with the neighbouring Liverpool Plains Shire Council (LPSC) which will provide better access to a shared pool of skilled staff with advanced skills including strategic planning and policy development.^[11] It will enable both councils to potentially share the cost of high level staff whilst providing greater opportunity for mentoring and development of staff.

The Council has elected to participate in the Namoi Councils Joint Organisation (NJO) which was selected as a pilot joint organisation. Participation in this organisation is expected to lead to more effective regional collaboration, further improve Council's ability to advocate effectively and ensure that GSC remains a capable partner for State and Federal Agencies.

GSC is currently consolidating after a prolonged period of change undertaken to ensure its sustainability.^[10] As a result of this change program the Council has sound strategies in place, measures to monitor and sustain performance and a culture that encourages ongoing improvement. Within this submission the Council has listed a number of strategies, all of which align with the FFTF benchmarks that were already being implemented following the application for a SRV and prior to the requirement to develop a FFTF improvement plan.^[12]

These initiatives include the implementation of an organisation wide Project Management Framework^[13] to improve delivery, control costs and develop capacity to take on more complex projects and a program of formal service reviews to regularly assess Council services, this is expected to lower costs, improve customer services and result in better outcomes for the community.

1.2 Scale and Capacity

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

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

Yes

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

Gunnedah Shire Council was not recommended for a merger by the Independent Local Government Review Panel. However, Council noted the panel recommendation for Liverpool Plains Shire Council was to potentially merge with Gunnedah.^[14]

The Gunnedah Shire Council indicated a willingness to commence an investigation into the benefits and issues associated with a potential merger with LPSC. Although GSC does not currently have a formal position either for or against a merger with LPSC, the Council was willing to undertake a study to understand the potential benefits and drawbacks associated with a merger in order to form a considered position on the matter. Whilst GSC resolved to pursue merger discussions, LPSC subsequently resolved to develop their FFTF application as a

standalone council, and as a result, no further discussions of mergers or the potential benefits or challenges proceeded.

A proposal to share services as an alternative to a merger was subsequently agreed and a formal resource sharing strategy has been developed and endorsed by the General Managers and the Executive Management Team of both organisations. Elements of this plan have already commenced, with the sharing of two executive positions (Chief Financial Officer and Deputy Director of Planning) currently being trialled. It is expected that the outcomes of this strategy will further improve scale and capacity for both organisations, potentially delivering some of the benefits of a merger without the associated risks and issues.^[11]

In addition to seeking to share services and resources with LPSC the Council is also seeking to share resources at a regional level, evident by long term participation in the Namoi Regional Organisation of Councils (NROC) and the subsequent Namoi Joint Organisation (NJO).

1.3 Key Elements of Strategic Capacity

More robust revenue base and increased discretionary spending

- GSC was granted a Special Rate Variation of 39.7% cumulative increase over four years starting in 2014, this was predicated upon funding debt servicing associated with its capital works program, removing the infrastructure backlog and improving financial sustainability
- Sustained growth in population predicted for the Shire provides the opportunity for rates growth over time and higher usage of council owned facilities with a corresponding growth in revenue from user fees and charges.
- Developer contribution plans in place to ensure that costs of continued development growth within the Shire are sustainable and that costs of development are appropriately managed.
- Ability to undertake private works and to be a contractor to the NSW Roads and Maritime Service (RMS) for the Road Maintenance Council Contract.
- Strong economic growth has commenced and is predicted to accelerate within the Shire, if a number of large mining projects currently in the planning phase are approved. This will result in additional revenue from planning agreements, increased development, commercial activity and population growth.
- A focus on increasing patronage of facilities by ensuring that services meet customer identified needs so that increased turnover will improve return on investment, and avoiding a purely price driven revenue path which would potentially limit demand. This is evidenced by the collaborative approach to the significant project of the swimming pool renewal and upgrade.

Scope to undertake new functions and major projects

- Highly qualified, experienced and respected staff and practices have enabled GSC to engage with neighbouring local government areas to share resources. GSC is currently providing building certification services to LPSC, and discussing similar arrangements with other neighbours, which would enable the service recipient councils to reduce their contractor costs and also engender trust and confidence in further resource sharing and/or shared service arrangements between councils. ^[11]
- Council has demonstrated an ability to implement an Enterprise Risk Management system in the last 12 months which has moved Council from an immature risk management approach to one recognised by peers and key agencies as leading practice. ^[15]
- Council has radically reviewed its delivery of regional community care services to ensure that it remains an attractive and viable service in response to State and Federal changes to aged and disabled service delivery. Council is currently delivering these services across 5 local government areas and has entered into a strategic alliance with Uralla and Glenn Innes Councils to strengthen its capacity in this area.
- Recently upgraded its saleyards, making it one of few such Council operated facilities in NSW, and more importantly one that returns a dividend Council's General Fund as well as ensuring significant local economic benefit to stock and station agents and associated businesses.
- Implementation of internal audit program and Independent Audit Committee that looks beyond the sphere of compliance and helps drive continual improvement has helped the organisation to develop a culture that is willing to embrace change. Formal change management planning practices are well developed and are now simply part of how the organisation 'does business'. ^[10]
- Since the successful application for the Special Rate Variation the Council has demonstrated an ability to more than double its capital works program to eliminate Council's infrastructure backlog by 2016/17.

- Examples of current major projects include:
 - Blackjack Creek Flood Mitigation – \$3.3 million
 - Community Pool Replacement – \$7.8 million
 - New Sewerage Treatment Plant - \$8 million

Ability to employ wider range of skilled staff

- Current and predicted population growth in the area has resulted in a recent trend of highly skilled individuals moving to the local area, usually as a spouse or relative of someone engaged in the local mining or mining support industries. This has increased the talent pool for the local area significantly.
- Recently completed an extensive renewal of IT Infrastructure, implementing a Cloud based system that effectively supports mobility, tele-working and the remote office. This functionality is currently being leveraged to engage skilled contractors and staff from outside the Local Government Area where equivalent skills are unable to be obtained locally. ^[16]
- Development of the attached Resource Sharing Strategy to guide a resource sharing initiative with the neighbouring Liverpool Plains Shire Council is anticipated to provide better access to a wider range of skilled staff with advanced skills and enhance scale and capacity for both organisations. ^[11]

Knowledge, creativity and innovation

- Recently undertaken a restructure of the communications department with the aim to retain a higher level communication capability. This was supported by the adoption of the Community Engagement Policy in 2014 which provides a framework for managers to undertake meaningful community engagement in line with Council and community expectations. The strategy is based on the principles of IAP2 and includes a matrix and toolkit for managers to use. Integral to the strategy is the use of emerging media trends and the Council has been developing a successful social media presence. ^[22]

- Council owns and operates the local saleyards, making it one of few such Council operated facilities in NSW, and more importantly one that returns a dividend to Council's General Fund as well as ensuring significant local economic benefit to stock and station agents and associated businesses.
- Currently actively pursuing opportunities to develop a shared centre of excellence model for Building Certification, helping to build scale and capacity for the region and share existing highly qualified staff whilst providing a career path for junior staff.
- Council has radically reviewed its delivery of regional community care services to ensure that it remains an attractive and viable service in response to State and Federal changes to aged and disabled service delivery. Council is currently delivering these services across 5 local government areas and has entered into a strategic alliance with Uralla and Glenn Innes Councils to strengthen its capacity in this area.
- Early adopter of advanced landfill management techniques including use of the Posi-Shell daily cover system.
- In executing its Business Analysis & IT Strategic Plan the Council will leverage this new IT platform to now focus on building a capability to utilise IT as a key driver for operational efficiency by enhancing its web presence, developing software, enhancing business intelligence and streamlining processes using technology.^[16]
- GSC has long been regarded as having a strong asset management performance. This is supported by the 2013 Local Government Infrastructure Audit, which listed Council's infrastructure management as 'Very Strong'. GSC was one of only five councils in the state to achieve this rating and one of only two rural councils to do so. The journey toward developing sound and consistent asset management practices began in 2010 and a strong focus on continuous improvement in this area continues with innovative uses of new technology such as GPS and mobile software underpinning further development.^[6]
- Gunnedah Council has long been regarded as having a sustainable financial position and strong financial performance, over the past ten financial years GSC has posted operating surpluses on a consolidated

basis in every year. Council's claim to sustainability is supported by independent reports from both Fiscal Star and more recently Treasury Corp NSW, both of whom have classified GSC as 'Sustainable' under their parameters. ^[5]

- Successful as one of the larger pilot groups for the Underground Petroleum Storage Systems Pilot Program funded by the environmental trust.

Advanced skills in strategic planning and policy development

- GSC is fully compliant with the Integrated Planning and Reporting (IP&R) Framework and has developed a comprehensive set of plans in consultation with the community that reflect community ideals balanced with a realistic assessment of our financial position. In fact GSC's Community Strategic Plan was featured in IP&R guidance published by the Office of Local Government (OLG) as an example of best practice. ^[18]
- Currently exhibiting a draft Gunnedah Urban Land Use Strategy which is a comprehensive review of strategies dealing with residential, commercial and industrial land uses in the Gunnedah Township to respond to a number of recent development initiatives that would be considered "game changers" for the area.
- An able partner and willing representative in the development of a number of regional strategic planning initiatives including the Namoi 2030 Regional Resource Strategy and the New England North West Region Strategic Land Use Strategy.
- Recent reviews of Development Control Plans and Developer Contribution plans to encourage sustainable development.

Effective regional collaboration

- GSC has long been a member of the successful Namoi Regional Organisation of Councils and has continued to support the Joint Organisation Pilot program since it's commencement by participation in the Namoi Joint Organisation.
- GSC has been cooperating extensively with its closest neighbour, Liverpool Plains Shire Council as evidenced by the development of the attached resource sharing strategy to enhance scale and capacity for both organisations through resource sharing.
- Council also maintains strategic membership to a number of regional alliances and peak bodies, including but not limited to Northern Inland Weeds, Northern Inland Regional Waste, Namoi Water Utilities Binding Alliance, Northern Inland Regional Waste Group, North West Weight of Loads Group and the Association of Mining Related Councils.
- Took a lead role in the region's response to an infestation of alligator weed in the Namoi River.

Credibility for more effective advocacy

- GSC has long been a member of the successful Namoi Regional Organisation of Councils and has continued to support the Joint Organisation Pilot program since it's commencement by participation in the Namoi Joint Organisation.
- Council has regular contact with the Local Members of Parliament for both State and Federal Government and has recently formally raised a list of priority issues for the area.
- Have been able to achieve meetings with Parliament Ministers when important issues arise.
- Gunnedah playing a key part in revision of Planning Agreements related to coal mine developments within NSW through it's membership of the Association of Mining Related Councils and through direct representation.

Capable partner for State and Federal agencies

- The grant funded Northern Region Community Care organisation provides valuable community support services across the Northern Region in the Gunnedah, Tamworth, Moree and Narrabri Local Government Areas delivered in cooperation with State and Federal agencies.
- GSC had already taken proactive action to ensure sustainability through its organisational reforms, plans and decision to apply for a SRV prior to the introduction of the FFTF program. This indicates a willingness to ensure that the organisation is compliant with OLG objectives and remains a capable partner for State Government.
- GSC is a well-regarded RMS partner for road maintenance undertaking an estimated 3.6 million dollars in works under contract during the current (2014/15) financial year.
- Council is a participant in the Joint Organisation Pilot Program, following from its long and successful membership of the Namoi Joint Organisation of Councils.
- Active participation in regional planning meetings.
- Active participant in regional leaders forums facilitated by Premier and Cabinet.
- Host Council to GMAC, General Manager's Advisory Committee, with attendance by Premier and Cabinet and providing a forum for discussions with key agencies, which to date have included Department of Planning, NSW Transport and RMS.
- Recently partnered with the RMS for design of a new rail overpass to provide access for higher mass limit vehicles and to reduce local traffic bottlenecks due to an increase in coal freight on the railway line. This project was designed using local roads and is valued at 32 million dollars.
- Recent examples of collaboration with the EPA on environmental issues including cross boundary problems with improper disposal of waste.

Resources to cope with complex and unexpected change

- Council maintains healthy unrestricted cash reserves of approximately 3.5 Million dollars as a prudent buffer to allow the organisation to respond to unexpected change.
- The organisation has developed a 'change culture' in recent years and has undergone extensive transformation since the Council's decision to apply for a SRV, the Blackadder Review and development of expertise in change management.
- The Gunnedah Shire has experienced multiple Section 44 flood and fire events and experiences damage to infrastructure as a result of natural disasters with some regularity. This experience has built community resilience to unexpected events and a management team that is experienced and able to deal with complex and unexpected occurrences.

High quality political and managerial leadership

- Councillor development plan in place from 2014 to ensure elected members are equipped with the requisite skills to undertake their role.
- Non-Political Council with a good mix of experienced Councillors and first time elected members:
- Excellent executive and senior management team with a good mix of experienced managers and younger talent to drive innovation and ensure effective succession planning.
- Formal management development and succession planning in place, ensuring that the management team is effectively equipped to undertake their roles and that new managers are given opportunities to develop.
- GSC had already taken proactive action to ensure sustainability through its organisational reforms, plans and decision to apply for a SRV. This would indicate that the organisation is in possession of high quality, political and managerial leadership and also enjoys the support of the local community.

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

Gunnedah Shire is located in the North West Slopes region of New South Wales, Australia. The Shire has an area of approximately 4,992km² with a population of 12,830.^[8] The Shire includes the town of Gunnedah and 7 villages. The township of Gunnedah is the main centre and is located 440 kilometres from Sydney adjacent to the Liverpool Plains in the Namoi River Valley and is traversed by the Oxley Highway and the Kamilaroi Highway.

The Namoi Valley is considered to be one of Australia's richest pockets of agricultural land and Gunnedah Shire is also located on one of Australia's wealthiest mineral seams in an area now widely known as the Gunnedah Basin. Agriculture and rural industry have long been the backbone of the local economy, with rich farm land and abundant underground water supporting a thriving agricultural industry. Recently the area has been experiencing rapid growth due to coal mining activity both within and just outside the Gunnedah Local Government Area. Due to our ideal location, between Narrabri and the long established mining centres in the Hunter Valley a significant number of mining workers and mining related businesses are choosing to call Gunnedah home.^[7]

The Gunnedah area is evolving as a mining service hub with many large mining support companies strategically locating their businesses in Gunnedah to service mines in the Gunnedah Shire whilst also being ideally positioned to service mining developments in the neighbouring Liverpool Plains and Narrabri Shires. Residential and commercial development has increased significantly from 2009 to 2014 and remains constant. This indicates a substantial level of growth that is predicted to be sustained throughout the coming decade.

	Population Projections					Change 2011-2031		Growth
	2011	2016	2021	2026	2031	Persons	%	pa
Population	12,500	12,700	12,900	13,200	13,400	900	7.2	0.3%
Increase persons from 2011		+200	+400	+700	+900			
Additional Dwellings required @ 2.1 per household		95	190	333	429			

NSW Planning Population Projections & Future Dwelling requirements

Over the five years between 2006 and 2011, Gunnedah's population grew by 541 people, up 4.7 per cent. The result placed Gunnedah second behind Tamworth, which was the fastest growing community in the region. This trend of strong growth is projected to continue, with the Department of Planning & Environment forecasting the population of the Gunnedah Shire to continue to grow strongly through to 2031.^[8]

The Shire has extensive transport links including a railway, airport and 1,468km of roads. The Council maintains significant community assets including 15 public halls, the centrepiece of which is an extensive cultural centre incorporating an art gallery, cinema and large town hall. The Shire also boasts an impressive swimming complex incorporating an indoor heated pool and large outdoor pool. Significant community pride is attached to extensive

parkland consisting of 515ha of open space with extensive sporting facilities. Consultation undertaken as part of the development of Council's CSP indicates a strong support to maintain current assets and services.^{[15] [3]} The town is well serviced by abundant, high quality underground water resources and the Council operates a high performing water and sewerage utility service.

Council also maintains a number of business units, including a profitable cattle saleyards operation and the grant funded Northern Region Community Care organisation which provides valuable community support services across the Northern region in the Gunnedah, Tamworth, Moree and Narrabri Local Government Areas.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Financially Sustainable – A proven track record of prudent fiscal management and moderate operating surpluses. Quality long term financial modelling proactively identified the need to address an impending revenue shortfall before significant deterioration of assets. Council was successful in its application for a Special Rate Variation. ^[5] • Infrastructure Asset Management – One of only 5 councils to receive the ‘very strong’ rating for infrastructure asset management in the 2013 Local Government Infrastructure Audit, a forward thinking and innovative asset team ensures that Council is in the best possible position to manage an extensive portfolio of community assets. ^[6] • Water & Sewerage Utility – Abundant, accessible water supplies make the town an attractive place for water intensive industry to be established. The water utility business itself delivers a relatively low cost service to the community with sustainable cost recovery to ensure quality asset management outcomes. ^[16] • Economic Development – Finalisation of the Economic Development strategy lays out a solid plan of action to ensure that economic development in the shire continues at a desirable pace and that the development is diversified to cope with the boom/bust cycle of the mining industry. ^[17] • Continuous Improvement – The Council has recently implemented the findings of an extensive, independent organisational review which has introduced significant progressive change. Council maintains an Audit Committee and 	<ul style="list-style-type: none"> • Opposition to service reduction (community expectations) – strong evidence from the community consultation process undertaken to develop Council’s Community Strategic Plan (CSP) indicates a preference for maintaining current assets and services with limited appetite for reductions. ^{[15] [3]} • Attracting Talent & Succession Planning – Attraction of Talent for senior and technical roles can, at time be difficult. Relocation of qualified people from City areas is not always successful in the longer term. • Limited opportunities to obtain Grant funding – Grant funding opportunities often seem to be more focused toward ‘at risk’ Councils or major metropolitan centres. • Increasing Materials and Contracts costs – ongoing increases in energy, materials and contract costs place pressure on longer term financial projections.

<p>internal audit programme to ensure that operations are continually evaluated and to drive continuing improvement. ^[10] ^[9]</p> <ul style="list-style-type: none"> • Successful community business units – The Gunnedah Saleyard provides a valuable community service whilst returning to the community a profit from operations of the facility. The grant funded Northern Region Community Care organisation provides community support services to the entire region including the Local Government Areas of Tamworth, Moree & Narrabri. This adds significant strategic capacity to the organisation to better service the community’s health needs. • Land Use Planning – The Council has recently undertaken a comprehensive study of future land use to ensure it has proactive plans and strategies in place to cope with demand flowing from a surge in development, primarily related to Coal mining in the Shire and neighbouring Local Government Areas. ^[18] 	
<p>Opportunities</p>	<p>Threats</p>
<ul style="list-style-type: none"> • Increasing Population – Gunnedah is experiencing an increase in population, including growth in the number of young families. ^[8] • Mining Development – The Shire has been experiencing significant growth, with further growth expected to occur when mines in their final stages of planning come online. This is expected to lead to additional revenue, both from rates and Voluntary Planning Agreements. ^[17] • Resource sharing with LPSC – A comprehensive strategy has been developed and agreed by both Councils to undertake a significant resource sharing initiative, including sharing senior directors. This has the potential to lead to additional scale and capacity for the organisations without the possible negative effects of a Council merger. ^[11] 	<ul style="list-style-type: none"> • Reduction in funding from higher levels of government – ongoing cuts to government funding and a lowering of grant income represents a threat to the viability of Council services in the longer term. Most notably the decision by the Federal Government to freeze financial assistance grants (FAG). • Slowing or reduction of mining development – the boom bust cycle of the mining industry and the potential slowdown of the Chinese economy is a threat to continued growth and development within the shire. Diversification of industry is being actively pursued to mitigate this threat. • Climate change (particularly the potential for impact on the agricultural industry) – Changes in temperature and an increase in natural disasters may have a negative impact on supporting

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| <ul style="list-style-type: none"> • Resource sharing with JO – Participation through the Namoi JO will lead to better representation at a state level for the entire region and more strategic cooperation between neighbours. ^[14] • Regional and group procurement – Opportunities to gain cost savings and operational efficiency through joint procurement and use of purchasing contracts operated by other tiers of government. ^[14] • Redistribution of Financial Assistance Grants – Whilst the freeze to FAGs is a threat to Councils across the state, the opportunity for redistribution of FAGs toward smaller rural centres and away from wealthy City councils may result in improved fiscal outcomes for rural Councils. • Ability to service more debt – TCORP and recent financial reports show that Council has the capacity to service more debt if there is a requirement to do so in order to fund further infrastructure projects. Council has a strong cash position with adequate reserves. ^{[1] [5]} • Cooperative agreements with community groups to manage assets – entering into agreements with community groups to manage Community assets on behalf of the Council may lead to greater community satisfaction and a reduction in operating costs. • Future Food Boom - The area boasts some of the richest agricultural land in the Country, many economists argue that Agriculture is likely to be Australia's next boom industry. This could place the region in an ideal position to reap further economic benefits. | <p>industry for the area and the cost of maintaining infrastructure assets.</p> <ul style="list-style-type: none"> • Natural Disasters – the Shire does experience natural disasters with some regularity, including (mainly flood and fire) leading to an increase in the cost of asset maintenance and higher insurance premiums. • Cost shifting to local government – Council is being forced to pick up the shortfall as higher tiers of government reduce local services. • Increased burden of legislative compliance – Compliance with legislation and red tape leading to an increasing administrative overhead and with regard to environmental legislation, potentially large increases to remediation costs for legacy sites. • Lack of focus on rural issues by higher tiers of Government - Failing to recognise the importance and unique issues faced by smaller rural towns and implicit support for regionalisation with smaller towns suffering at the expense of regional cities. |
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2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.043	Yes	0.014	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	62.96%	Yes	64.38%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	151.25%	Yes	187.15%	Yes

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

All benchmarks were achieved in 2013/14, are currently being achieved in 2014/15 and projected to continue to be achieved over the next 10 years. It is noted that whilst OLG's template indicated Councils in groups 8 to 11, could leave FAGs in the own source revenue numerator, Council has sought clarification as to whether this only relates to Councils lodging a submission under template 3. In any case, as stated above Council meets the Own Source Revenue criteria without adjusting for the non-exclusion of FAGs.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	2.14%	No	0%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100.18%	Yes	102.34%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.08%	Yes	4.21%	Yes

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

GSC is currently meeting the Infrastructure Backlog Ratio benchmark with a projected ratio of (1.21%) in the 2014/15 year. GSC was slightly outside Infrastructure Backlog Ratio by 0.14% in 2013/14. GSC was successful in its application for a SRV to address the backlog starting in 2014 and anticipate a ratio of 0% by 2017.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	Decrease	Yes	Decrease	Yes

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

All benchmarks were achieved in 2013/14, are currently being achieved in 2014/15 and projected to continue to be achieved over the next 10 years.

2.4 Water utility performance

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

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

Yes

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

\$7,289,000 (as per Gunnedah Shire Council 2013-14 Annual Financial Statements).

2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Sewerage Treatment Works Upgrade	15/16 – 16/17	8 Million	Nil
Apex Road Reservoir Upgrade	15/16	2.2 Million	Nil

2.4 Water utility performance

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

Yes

2.4 Water utility performance

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

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1. Sewerage Treatment Works Upgrade	15/16 – 16/17	Improved quality outcomes, cater for expanding population and WHS improvements.
2. Implement Drinking Water Quality Framework.	13/14 – 17/18	Improved community health outcomes, lowering of risk profile and ensure best practice management.
3. To continue providing services in line with best practice guidelines and continuous improvement programs.	Ongoing	Agreed levels of service met, sustained high customer satisfaction.

4. Continue to operate as part of the Namoi Water Alliance and to utilise resource sharing arrangements where feasible.

Ongoing

Ensure best possible use of available resources, improve scale and capacity, and appropriately manage a regional resource.

3. How will your council become/remain Fit for the Future?

GSC currently meets all the required benchmarks under the FFTF program and has adopted a sustainable LTFP that will allow the Council to continue to meet the FFTF benchmarks into the year 2020 and beyond.^[1] The Council's journey toward becoming 'Fit for the Future' started in 2012 when, during development of the CSP and following release of the TCorp report, a future revenue shortfall was identified which led to the Council taking proactive action to ensure it remained sustainable through an application for a Special Rate Variation.^[3]

Gunnedah Shire Council has, over the last few years undergone a significant period of change and seen the implementation of many improvements as a result of the decision to apply for an SRV, an organisational review undertaken by Blackadder Associates^[9] and the implementation of subsequent strategies and systems to drive continuous improvement within the organisation. During the current and future year the Council is undergoing a period of consolidation, consistent with its Organisational Change Management Plan to embed and consolidate the recent changes before embarking on the next period of change.^[10]

The following sections of this document outline actions that Council has recently undertaken and lists strategies that the Council has in place to ensure that performance is sustained and that the Council remains "Fit for the Future". It should be noted, that with the exception of the Resource Sharing initiative with Liverpool Plains Shire Council, all of these strategies were already in place prior to the announcement of the FFTF program.

The willingness of the elected Council, management and the community to set sustainable financial benchmarks and to proactively take action to ensure that these benchmarks are achieved even before being directed to do so by the State Government should provide the panel with ready assurance the Council is committed to sustainability and shall remain 'Fit for the Future'.

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Gunnedah Shire Council is currently achieving all FFTF sustainability benchmarks and following the implementation of its IP&R framework in 2012, adopted sustainable financial strategies consistent with the FFTF objectives. Therefore no additional improvement strategies are proposed and the following section showcases recent achievements the organisation has made toward improving sustainability.

Special Rate Variation (2014/2017)

In 2013 GSC was granted a Special Rate Variation of 39.7% cumulative increase over four years starting in 2014, this was predicated upon funding debt servicing associated with its capital works program and improving its financial sustainability. This decision was supported by the majority of the community to ensure that current service levels were continued and that current community assets could be maintained. ^[3]^[4]

The decision to proactively resolve the revenue shortfall and to ensure that the Council maintained a sound financial position into the future, the capacity of the Council to undertake the very detailed and comprehensive process required to be successful in its application for an SRV and the willingness of the community to support such a measure is a strong indication that GSC has the right political leadership, sound management practices and appropriate measures in place to ensure that the Council can remain 'Fit for the Future'.

Financial Planning & Management

Gunnedah Council has long been regarded as having a sustainable financial position and strong financial performance, over the past ten financial years GSC has posted operating surpluses on a consolidated basis in every year.

Council's claim to sustainability is supported by independent reports from both Fiscal Star and more recently Treasury Corp NSW, both of whom have classified GSC as 'Sustainable' under their parameters. Treasury Corp did however note on numerous occasions in their report that GSC would need to be successful in its application for a special rate variation in order to remain fully sustainable into the future, as the Council was subsequently successful in its application for an SRV and has experienced considerable population and development growth since, we now expect that the outlook provided in the TCorp report, if reviewed, would now be revised to a more positive rating.^[5]

Council has undertaken a number of initiatives to improve productivity and contain costs over the last four years. This has included an exercise in August 2012 requiring directors to identify efficiency savings of 1% of annual operating costs excluding depreciation. Council was able to realise 0.5% in total reductions to those operating costs without impacting service delivery.^[3]

Following a recommendation in the Blackadder Associates Organisational Review, Council adopted a policy to seek further savings of 2% ongoing operational savings over the 2013/14 and 2014/15 years. This was undertaken using a number of initiatives including an employee directed savings target project, which was overseen by a working group of staff representatives across the organisation drawn from submissions from frontline staff with ideas on how the Council can cut costs and improve efficiency. Managers were also directed, via a formal management directive to seek 2% savings across their budget areas excluding wages and

depreciation. The 2% budgeted operational savings were achieved in full with the delivery of the 2014/15 Operational Plan.^[19]

In preparing the 2015/16 budget an improved approach was undertaken to ensure Council managers were constantly striving to improve the financial management of their services. This approach involved a direction to all managers to undertake a zero based construction of the budgets for 2015/16 year with full justification for all expenditure with a focus on identifying further savings and efficiencies. These working documents were then reviewed in depth during a panel interview with a full sitting of the Council's Executive Management Team (EMT). This process has helped to develop a greater awareness of the financial position of various Council businesses across the Executive Team and resulted in the identification of further cost savings and has helped control growth in expenditure. It is anticipated that this process will be expanded and improved further in future years.^[20]

IP&R Framework

GSC is fully compliant with the Integrated Planning and Reporting (IP&R) Framework and has developed a comprehensive set of plans in consultation with the community that reflect community ideals balanced with a realistic assessment of our financial position. In fact GSC's Community Strategic Plan was featured in IP&R guidance published by the Office of Local Government (OLG) as an example of best practice.^[21]

IP&R has been in place at Gunnedah Shire for a number of years and the Council and management are supportive of the practice. The development of the IP&R suite of planning documents was key to understanding the future infrastructure pressures that the Council is facing and prompted the proactive action that led to the SRV.^[3] There is strong support and a willingness to continually improve the system and make it more relevant as a management tool and to improve the quality of reporting to Council and the community.

Recent improvements include the creation of an overarching IP&R Working Group with the Asset Management Working Group reporting as a subgroup. The working group was created to regularly bring together staff that play a role in developing the IP&R framework, to improve cross departmental communication and to drive continual improvement in the Council's IP&R reporting framework. Recent successes include the development of the aforementioned improved budget review process and a major revision of the Delivery and Operational plans to improve management reporting and accessibility for the community. ^[12]

Community Engagement & Communications

Council recognises that good community participation and engagement leads to better governance and is key to ensuring that the organisation is sustainable and efficient into the future. The consultation that the Council undertook to develop the CSP, which led to the subsequent SRV was recognised as leading practice and is a great example of the depth of organisational capability.

Council understands the changing attitudes of the community and the desire for community members to have more input into Council decisions. The Council has recently undertaken a restructure of its communications department with the aim to retain a higher level communication capability with the ultimate aim to further improve its level of community engagement and communications, ensuring that engagement is strategically planned and that communications are professional and relevant with ample opportunity for community input.

This was supported by the adoption of the Community Engagement Policy in 2014 which provides a framework for managers to undertake meaningful community engagement in line with Council and community expectations. The strategy is based on the principles of IAP2 and includes a matrix and toolkit for managers to use. Integral to the strategy is the use of emerging media trends and the Council has been developing a successful social media presence. ^[22]

Diversification of Economy

Mining activity both within and just outside the Shire boundary are currently contributing to sustained growth for the Gunnedah area and mining is expected to continue to drive growth for the region in the medium term. However, to mitigate the risk of an unexpected downturn in the mining industry negatively affecting the local area, Council is involved in a number of initiatives to help diversify the local economy to ensure continued sustainability in the longer term. These initiatives include Gunnedah Shire Council's Economic Development Strategy and the Namoi 2030 Regional Resource Strategy which was jointly developed by the Namoi Regional Organisation of Councils. Most recently Council has been working collaboratively with the Chamber of Commerce to develop a strategy guiding diversification of local industry and business.^{[17] [23]}

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

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

Council's financial decision making is based on a ten year Long Term Financial Plan 2015/16 – 2025/26. Council has based its assumptions for projected revenue and expenditure on historic local data adjusted for known or advised changes and relevant external advice. In preparation of the document the following assumptions have been factored in:

- Average annual 3.0% increases applied to all regulatory fees and charges.
- Average annual 3.5% increase applied to all other user charges and fees.
- Federal Assistance Grant (FAG) income frozen until 2017/18, with 3.0% indexation for the years beyond 2017/18.
- Special Rate Variation approved increase have been included for 4 year inclusive period 2013/14 to 2016/17, with 9.5% for 15/16 and 7.5% for 16/17 and a 3% increase has been estimated per annum for 17/18 and onwards including anticipated rate pegging and assessment growth.
- Specific Grants and Contributions estimated based on grant details and offset by grant related expenditure.
- All other revenues estimated at 3.5% per annum.
- Wages growth of 3.5% per annum references known award increases and estimated on-going increases.
- Material and services cost increasing by an average of 3.0 per cent per annum.
- Other expenses estimated to grow at 3% per annum.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Continue to post modest operating surpluses for most years.	<ul style="list-style-type: none"> Levy rates and set fees and charges at sustainable levels. Effective Financial Management & Strategic Planning. Diversification of Local Economy. Work with the community toward sustainable outcomes. 	<ul style="list-style-type: none"> Successful Special Rate Variation Application (Completed). Development of IP&R Suite of Planning Documents (Inc. LTFP) after extensive community consultation (Completed). Development of Tourism & Economic Development Plan (Completed). Establishment of Internal Audit Program and commencement of service reviews 	<ul style="list-style-type: none"> Council continues to post moderate operating surpluses. Council finances are sustainably managed. Community satisfaction improvements. Ongoing efficiencies are sought to minimise expenditure. Infrastructure projects do not outgrow the community's ability to fund and maintain them and therefore will not lead to 	<ul style="list-style-type: none"> Council expects to continue maintaining an Operating Performance Ratio greater than or equal to break-even average. Will assist in ensuring a sustainable asset maintenance ratio and control risk of infrastructure backlogs

	<ul style="list-style-type: none"> • Continuous Improvement and review. • Ensure Council evaluates all options and considers whole of life costings for significant capital projects and only undertakes those which can be sustainably funded and are supported by the community in compliance with OLG Capital Expenditure Guidelines and its own policy 	<p>(Completed).</p> <ul style="list-style-type: none"> • Adoption of Community Engagement Policy (Completed). • Work with the Gunnedah Chamber of Commerce to establish an economic diversification plan (Ongoing). • Adoption of Capital Expenditure Policy (Completed) 	<p>operating costs (asset maintenance and depreciation) which outstrip growth in operating revenues.</p>	
<p>2. Sustain own source revenue greater than 60% for most</p>	<ul style="list-style-type: none"> • Levy rates and set fees and charges at sustainable 	<ul style="list-style-type: none"> • Successful Special Rate Variation Application (Completed). 	<ul style="list-style-type: none"> • Council is able to generate more than 60% of its own funding, with limited reliance on grant funding. 	<ul style="list-style-type: none"> • Council expects to continue maintaining an Own Source Revenue Ratio

<p>years.</p>	<p>levels.</p> <ul style="list-style-type: none"> • Pursue opportunities to increase revenue. • Ensure services meet community needs and encourage patronage 	<ul style="list-style-type: none"> • Maximise investment income within agreed risk tolerances (Ongoing). • Grant funding sought for relevant projects (Ongoing). • Sustainable fees and charges set and reviewed annually (Completed) • Engage community in reviewing services and consideration of changes or new services (Ongoing). 		<p>greater than 60%.</p>
<p>3. Sustain Building and Infrastructure Asset Renewal Ratio greater than 100% for most years.</p>	<ul style="list-style-type: none"> • Maintain and regularly review Asset Management Plans. • Ensure genuine integration between Asset Management 	<ul style="list-style-type: none"> • Development of Asset Management Plans (Completed). • Asset Management plans are integrated with other planning instruments within the IP&R Framework (Completed). 	<ul style="list-style-type: none"> • Assets are maintained and renewed as per plans to agreed service levels. • Capital and Operational expenditures planned effectively and adequately controlled. 	<ul style="list-style-type: none"> • Council expects to continue maintaining a Building and Asset Renewal Ratio greater than 100% for the next 10 years.

	<p>Plans and Long Term Financial Plan</p> <ul style="list-style-type: none">• Effective cooperation between Finance and Engineering.• Ensure Council's infrastructure does not grow beyond its capacity to maintain and renew it	<ul style="list-style-type: none">• Operational and Capital Expenditure programs guided by Asset Management Plans (Completed).• Ongoing asset condition assessments.• Internal IP&R and Asset Management Working Groups Established (Completed).• Compliance with Council's Capital Expenditure Policy and OLG 2010 Capital Expenditure Guidelines.		
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3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Gunnedah Shire Council is currently achieving all FFTF benchmarks and has been working toward achieving them since 2012. Therefore no additional improvement strategies are proposed and the following section showcases recent achievements the organisation has made toward improving Infrastructure and Service Management.

Strategic Asset Management

GSC has long been regarded as having a strong asset management performance. This is supported by the 2013 Local Government Infrastructure Audit, which listed Council's infrastructure management as 'Very Strong'. GSC was one of only five councils in the state to achieve this rating and one of only two rural councils to do so. The journey toward developing sound and consistent asset management practices began in 2010 and a strong focus on continuous improvement in this area continues with innovative uses of new technology underpinning further development in this area.^[6]

GSC commenced an examination of Shire assets in October 2010 and presented the data in the first Strategic Asset Management Plan 2012/13 – 2021/22 (SAMP) ultimately finalised by GSC in June 2012 with the latest revision endorsed in 2015.^[24] Concurrent to the work being completed on asset management, the development of the CSP began in early 2011 and was agreed to by GSC's elected officials on 21 March 2012. The

resourcing, delivery and operational plans were developed with a mind to the ideals of the community as raised in the CSP which were developed following significant community consultation.

GSC is responsible for assets with a total replacement value of \$469 million. GSC adopted the first Asset Management Policy on 25 August 2010 (amended 16 November 2011) prior to the commencement of the structured asset planning process. An Asset Management Working Group was formed in October 2010. Asset management plans were then formulated using the Institute of Public Works Engineering Australia (IPWEA) guidelines and provided a whole of GSC view of assets. In addition an audit of all current plans of GSC was undertaken with relevant data and references included in the various plans to ensure continuity and review of current programs.

Once the first draft of asset plans were finalised a summary was created for consideration by GSC. This summary heavily informed the basis for the development of the initial Workforce Plan and Long Term Financial Plan.^{[25] [1]}

The current plan endorsed by GSC is version four of the Strategic Asset Management Plan and has been refined as more information comes to light and alternatives to timing of works are considered in light of the community feedback from the special rate variation fora.

The asset management plans that underpin the Strategic Asset Management Plan are constantly undergoing review to ensure that these documents remain relevant and that a sound asset management planning remains at the core of Council business.

Total asset management is a key objective in GSC's overall strategic management and is included in the corporate planning cycle, operational, financial and risk management plans. The asset management framework

enables the resourcing strategy and specific asset management objectives, targets and plans to be produced and effective comparisons made.

Its aim is to meet levels of service and funding requirements as well as managing related risks, over the assets useful life. A thorough review of all impacts of proposed actions in relation to assets must be undertaken prior to proceeding with decisions on their implementation, including the impact on service levels, risk assessments, wastage of resources including the impairment of economic life or premature disposal and net benefit comparisons of alternate actions.

The asset management plan creates an environment where all GSC employees play an integral role in overall management of GSC assets by creating and sustaining the asset management awareness throughout the GSC. Asset management is a systematic process to guide the planning, acquisition, construction, operation, maintenance, renewal and disposal of assets.

GSC's Strategic Asset Management Plan identifies 8 asset categories including:

Category 1: Transport

Category 2: Water

Category 3: Sewer

Category 4: Buildings

Category 5: Recreation

Category 6: Drainage

Category 7: Waste Management

Category 8: Other

We define sustainable asset management as everything we have to do to ensure our assets are maintained at a standard that supports the “Your Say, Our Future” CSP and is safe and fit for purpose.^[2]

To do this GSC has programmed actions that demonstrate progress towards sustainability of assets. Actions identified are to bring all Gunnedah Shire assets up to the minimum standard required by legislation for each area or activity, gaps in knowledge, and the need to fund the estimated cost of achieving satisfactory levels of service consistent with community expectations.

This requires total lifecycle management to ensure that the social, economic and environmental needs of the community are provided at the least cost, risk and impact in a sound governance and decision making framework.

Lifecycle management includes all aspects associated with managing an asset now and into the future. It covers:

- Maintenance Strategies
- Operational Strategies
- Renewal and or Rehabilitation Strategies
- Expansion Strategies
- Augmentation Strategies; and
- Disposal Strategies

GSC’s main priority is to ensure that services and amenities can be safely delivered via our assets at the level demanded by the community.

Project Management Framework

Council recognises that one of its core businesses is delivering projects and has enjoyed a strong track record of delivering successful projects on time and on budget. To support this there are some well-developed project management practices in place across the organisation but the processes used and their quality differ from business unit to business unit.

In 2015 council resolved to develop a formalised, uniform approach to project management to ensure that appropriate governance and financial controls exist equally in every business unit in the organisation. The project management framework will take a number of years to properly embed in the organisation and has been supported by the appointment of a dedicated 'Project Officer' who's role is to design and support the implementation and administration of the Framework in the coming years. It should be noted that this was achieved through a structural review without the addition of staff.^[13]

The Project Management Framework will build upon the recent implementation of Council's Risk Management Framework and adopt a risk based approach to project management, with all projects undergoing a formal risk assessment prior to approval with differing project management governance and reporting requirements for each level of risk. It is anticipated that development of the framework will be completed during the 2015 year with implementation to be phased over the following years.

Implementation of the framework will lead to an increase in Council's capacity to undertake and deliver more complex projects, upskilling of staff in formal project management methodologies which will lead to efficiencies through better planning, more accountability, better reporting and improved performance against the key Project Management benchmarks of timeliness, budget and quality.

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

- Information contained in Council's Asset Management Plans provide financial commitments that need to be included in the long term financial plan.
- Asset management plans are detailed documents that underpin Council's future planning.
- All asset classes will be maintained, renewed and replaced according to adopted Asset Management Plans.
- A thorough review of Council's existing assets has been undertaken to identify the condition of assets. Provision has been made to renew those assets requiring renewal that have been identified to be in a less than satisfactory condition.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Infrastructure Backlog ratio < 2%.	<ul style="list-style-type: none"> Eliminate infrastructure backlog by 2017. Adequately plan and fund asset maintenance and renewals. Control and manage infrastructure growth. 	<ul style="list-style-type: none"> Successful Special Rate Variation Application (Completed). Development of IP&R Suite of Planning Documents (Inc. LTFP) after extensive community consultation (Completed). Adoption of Asset Management Policy 2011 	<ul style="list-style-type: none"> Assets are renewed as and when renewal is required whilst ensuring service levels are not compromised. Council does not invest in infrastructure which the community cannot afford 	<ul style="list-style-type: none"> Infrastructure Backlog Ratio Maintained at less than 2%.

		<p>(Completed)</p> <ul style="list-style-type: none"> • Development of Asset Management Plans (Completed). • Operational and Capital Expenditure programs guided by Asset Management Plans (Completed). 		
<p>2. Sustain asset Maintenance Ratio at greater than 100% for most years.</p>	<ul style="list-style-type: none"> • Deliver an appropriate budget to maintain assets at agreed standards in accordance with Asset Management Plans 	<ul style="list-style-type: none"> • Development of Asset Management Plans (Completed). • Asset Management plans are integrated with other planning instruments within the IP&R Framework 	<ul style="list-style-type: none"> • Maintain assets to agreed standards • Maximise useful life of assets. 	<ul style="list-style-type: none"> • Asset Maintenance Ratio continues to be maintained above (but close to) 100% for most years.

		<p>(Completed).</p> <ul style="list-style-type: none"> Operational and Capital Expenditure programs guided by Asset Management Plans (Completed). 		
<p>3. Debt Service Ratio to be greater than zero and less than or equal to 20% average over three years.</p>	<ul style="list-style-type: none"> Use appropriate levels of debt to finance long lived assets. Carefully plan and regularly review debt levels. 	<ul style="list-style-type: none"> Successful Special Rate Variation Application (Completed). Development of IP&R Suite of Planning Documents after extensive community consultation (Completed). Implement Formal Quarterly Budget Review process 	<ul style="list-style-type: none"> Cost of long lived infrastructure is spread between generations. Debt levels are appropriately managed. 	<ul style="list-style-type: none"> Council expects to continue maintaining a debt service ratio greater than zero and less than 20% over the next 10 years.



3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

Regional Collaboration

Gunnedah Shire Council resolved to participate in the Pilot of the Namoi Joint Organisation of Councils and is currently actively contributing to shaping the future of regional collaboration in local government through Joint Organisations. It is anticipated that Council's involvement in this organisation will continue as the Council has long been a member of the successful Namoi Regional Organisation of Councils and understands the value and opportunities for the Council as a result of more effective regional collaboration.^[14]

Resource Sharing with LPSC

The announcement of the 'Fit for the Future' package and the recommendation for LPSC to investigate a merger with Gunnedah Shire Council prompted GSC to consider the benefits of undertaking a significant resource sharing initiative with LPSC, and to support this, a resource sharing strategy was developed to guide the project.

^[11]

Gunnedah Shire Council and Liverpool Plains Shire Council are a good strategic and organisational fit to share resources. The two Councils are of a similar size and already enjoy a good working relationship at many levels. The Councils share a large common boundary with shared interests in key strategic local infrastructure and are located within a short driving distance of each other. Both Councils use the Civica Authority local government

system as their main line of business application which provides some uniformity between the organisations in back office functions and the operation of key business processes.

Whilst there may be other opportunities for both organisations to participate in shared service offerings on a regional scale, both organisations see key strategic advantages in partnering with each other to achieve economies of scale without sacrificing local autonomy, adaptability and flexibility in service delivery.

This Resource Sharing Strategy details a strategic framework to shape the identification, assessment and implementation of shared services between GSC and LPSC. The framework is based on best practice guidance provided by the NSW Office of Local Government on collaboration and partnerships between councils. The approach has also been modelled broadly on the approach taken by New Zealand councils in establishing the Bay of Plenty Shared Services Company (BOPLASS). The BOPLASS model has been academically acclaimed in many case studies and adopts a flexible, modern approach to shared services based on the following key concepts:

- A committed executive leadership, good communication and stakeholder engagement are key to success;
- Shared IT systems are the foundational building block of resource sharing (resource sharing is information sharing);
- A flexible, effective and well planned governance structure is crucial;
- Developing “centres of excellence” strengthens local democracy and minimises the impact to the local economy and staff.

The strategy seeks to ensure that a clear strategic planning model is used to guide thinking and avoid the trap of ad hoc, poorly informed decision-making. The framework utilises a six step model with the first three steps performed sequentially before being split off into a number of individual project streams running concurrently for each individual service:

- Stage 1 - Identify Resource Sharing Opportunities
- Stage 2 - Change Management and Stakeholder Engagement Planning
- Stage 3 - High Level Planning & Due Diligence
- Stage 4 - Detailed Service Plans
- Stage 5 - Agree and Commence
- Stage 6 - Monitor effectiveness - evaluate/modify/improve

The use of a clear model, coupled with the strong governance framework that has been outlined within this document shall provide a structured roadmap to unlocking the exciting potential benefits that exist for both communities from working together on a serious resource sharing initiative.

The strategy has been constructed based on the principles of:

- Mutually beneficial outcomes for both communities;
- Transparency, openness and developing trust;
- Strengthening local democracy and maintaining local autonomy;
- Keeping jobs in rural communities and building local economies;
- Balancing economies of scale with agility and flexibility;
- Good communications, fostering stakeholder involvement and planning for change;
- Careful planning, risk management and evidence based decision making.

And it is expected that the strategy will result in:

- More effective use of Council resources;

- Reduced costs;
- Enhanced scale and capacity;
- Enhanced service delivery;
- Improved succession planning;
- Better career opportunities for Staff.

Enterprise Risk Management Framework

GSC has implemented a Risk Management Framework and in 2014 has formed an Audit Committee structured to be compliant with OLG guidelines which meets quarterly. A program of internal audit has been developed, with four internal audits to be conducted each year utilising external resources. The Council has completed six internal audits to date and management has been supportive and forthcoming in contributing to the process. ^[26] ^[27]

The internal audit and audit committee structure is aiding GSC to align structure and business process with strategic objectives and is a key driver in supporting continual improvement. The scope of internal audit at GSC is broader than the traditional compliance focus, and internal audits are conducted with a strong focus on organisational improvement in line with the Council's objectives. ^[28]

During 2014 as part of the implementation of the Enterprise Risk Framework, Council undertook to develop an electronic risk management system to ensure that the Executive Team had full and current visibility of the operational and strategic risks facing the organisation. The risk management system was designed to integrate with Council's IP&R management system to ensure alignment of risk management with the planning process and to streamline reporting on risk actions as part of the regular IP&R reporting process. This task was completed in 2014 and involved training on risk management for all managers, a detailed review of climate

change risks and consultation sessions with a risk professional to help managers better identify and record their risks and to develop appropriate risk action plans in line with the framework.

It should be noted that the internal audit administration, Audit Committee support and risk management framework administration has been put in place without the addition of additional staff. This has been achieved through a structural review.

Develop capability to perform strategic service reviews

The OLG recommends that regular service reviews be undertaken to ensure that Council's services continue to be aligned to corporate plans and that the resources and output from these areas continue to be adequate. Council has already started to realise some of these benefits through the recent implementation of its internal audit program and is keen to further expand this capability through a regular strategic service review program.

It is envisaged that this would be undertaken by an appropriate mix of both internal and external resources with a focus on building the capability of the management team to conduct these reviews in-house where possible. It is expected that regular review of Council services will ensure that value for money is achieved for the community and that the Council is doing the right things to the level of service that has been determined through consultative construction of the CSP. A better understating of service levels and greater alignment with the CSP is expected to help the Council improve efficiency and control costs over the longer term.

The Council has scheduled a service review of the Planning Department to be undertaken as this was recommended during the organisational review conducted by Blackadder Associates and will provide valuable learning opportunities for staff associated with service reviews to understand the value and methodology of this business activity.

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

- Internal Audit Program, in conjunction with Risk Management Plan, has identified areas where efficiencies can be realised or improvements in practices can be made.
- Gunnedah Shire Council will pursue resource sharing, procurement and purchasing efficiencies through the Joint Organisation and neighbouring Council strategies.
- GSC will actively monitor Workers Compensation claims and WH&S systems to reduce premium impacts.
- Council assumes that on-going reviews and continued focus on areas such as management of employee leave entitlements will provide Council with the opportunity to hold or reduce real operating expenditure into the future.
- Recruitment processes require a thorough review of the need for a position, or ongoing need for a position where the recruitment is replacing a terminating employee from existing position, with all recruitment authority forms to be signed by HR, relevant Manager and General Manager.
- Required savings of \$480,000 targeted for years 2013/14 and 2014/15 with further savings of 0.5 Million identified by zero based budgeting undertaken for 2015/16 estimates.
- Staff improvement team established to identify further staff identified and driven improvements which lead to efficiency savings without impacting on required service levels.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Continue to decrease Real Operating Expenditure per capita over time.	<ul style="list-style-type: none"> • Drive continuous organisational improvement. • Review council service delivery. • Facilitate development and sustained population growth. 	<ul style="list-style-type: none"> • Development of an Internal Audit Program that focuses on organisational improvement and not just compliance (Completed). • Independent Organisational Review (Completed). • Undertake targeted service reviews (Ongoing) 	<ul style="list-style-type: none"> • Reduction in real operating expenditure per capita over time. 	<ul style="list-style-type: none"> • Council expects to continue to deliver a decrease in Real Operating Expenditure per capita over the next 10 years.
2. Share resources with other organisations to reduce costs and increase strategic	<ul style="list-style-type: none"> • GSC & LPSC Resource Sharing Strategy. • Collaborate regionally through the Namoi JO for 	<ul style="list-style-type: none"> • Development of GSC & LPSC Resource Sharing Strategy (Completed). • Agreement between both organisations regarding the Resource Sharing Strategy 	<ul style="list-style-type: none"> • Reduced operating expenditure. • Improved scale and capacity for 	<ul style="list-style-type: none"> • Council expects to continue to deliver a decrease in Real Operating Expenditure per capita over the

capacity.

services appropriate for regional delivery.

- (Completed).
- Sharing of Senior Positions (CFO & Deputy Director Planning) – (Completed).
 - Joint Organisation Pilot Program (Ongoing).
 - Commencement of Namoi Joint Organisation.

both organisations.

next 10 years.

3.4 Improvement Action Plan

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

Action plan

Actions	Milestones
1. Implement Gunnedah & Liverpool Plains Resource Sharing Strategy.	30 September 2015 - Agreement on Scope of Services. December 2015 – Overarching Shared Service Business Plan Completed.
2. Complete Joint Organisation Pilot Program	December 2015 – Completion of JO Pilot Program. September 2016 – Namoi JO Commences.
* Please attach detailed action plan and supporting financial modelling	

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

- Extensive community consultation was undertaken during development of the Gunnedah Shire Council CSP and during the Special Rate Variation Application process. The decisions and strategies developed during these processes had already aligned the council with the FTFF targets.
- A series of workshops were conducted internally with the Executive Management Team and Senior Management Group.
- Mayors and General Managers of both Gunnedah Shire Council and Liverpool Plains Shire Council met to review the resource sharing strategy.
- The plan was presented to Council for endorsement on 24 June 2015 (ideally this proposal would have undergone a period of community consultation but due to the short time period between release of the final assessment criteria and the submission deadline this was not possible).
- Review cycles for Council's IP&R documentation were brought forward as far as possible to ensure up to date data has been used for financial calculations.
- This submission was developed in-house with no external assistance.

3.5 Other actions considered

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

Investigation of merger with LPSC

Gunnedah Shire Council was not recommended for a merger by the Independent Local Government Review Panel. However, Council noted the panel recommendation for Liverpool Plains Shire Council was to potentially merge with Gunnedah.^[14]

The Gunnedah Shire Council indicated a willingness to commence an investigation into the benefits and issues associated with a potential merger with LPSC. Although GSC does not currently have a formal position either for or against a merger with LPSC, the council was willing to undertake a study to understand the potential benefits and drawbacks associated with a merger in order to form a considered position on the matter. Whilst GSC resolved to pursue merger discussions, LPSC subsequently resolved to develop their FFTF application as a standalone Council, and as a result, no further discussions of mergers or the potential benefits or challenges proceeded.

A proposal to share services as an alternative to a merger was subsequently agreed and a formal resource sharing strategy has been developed and endorsed by the General Managers and the Executive Management Team of both organisations. Elements of this plan have already commenced, with the sharing of two executive positions (Chief Financial Officer and Deputy Director of Planning) currently being trialled. It is expected that the outcomes of this strategy will further improve scale and capacity for both organisations, potentially delivering some of the benefits of a merger without the associated risks and issues.^[11]

Resource sharing with the Namoi JO

Council notes that there may, in future be benefits from participating in regional shared service arrangements facilitated through the NJO. GSC is an active participant in the pilot program that will help to define the scope and structure of Joint Organisations. However, because this improvement plan is being submitted prior to the finalisation of these pilots and Council still does not have a full understanding of the potential benefits and pitfalls of resource sharing through this structure, any strategies related to resource sharing at a regional level through the JO could not be included in this proposal. Council may, at a later time consider strategies to improve economies of scale through regional resource sharing if they were deemed to be of benefit to the community.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.006	0.032	0.001	0.010	0.014	0.014	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	64.49%	66.15%	62.43%	66.72%	66.84%	66.88%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	142.66%	214.90%	200.11%	115.42%	104.06%	107.05%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	1.21%	0.6%	0%	0%	0%	0%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103.83%	101.63%	101.63%	101.69%	101.66	101.69%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	3.28%	3.80%	5.60%	6.17%	6.24%	5.98%	Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.9388	2.0215	1.8530	1.8335	1.8316	1.8221	Yes

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

Gunnedah Shire Council currently meets all the benchmarks as of the current (14/15) financial year and has adopted a 10 year LTFP that will enable the organisation to sustain its performance within the benchmarks.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

Measures for improvement and systems to monitor ongoing performance listed in this plan are included in Council's IP&R reporting framework and will be reported to Council and the Community regularly in line with the existing reporting framework required under legislation both through progress updates and in the Annual report.

GSC uses a system called Interplan to ensure it is fully compliant with reporting requirements under the IP&R framework. It is a web based fully automated and integrated system that enables GSC to generate a consistent and comprehensive approach to the management and reporting of organisational plans.

GSC also provides quarterly budget reports to elected officials and the public.

Elements of the plan requiring independent oversight may also be reported and monitored via Council's Audit committee.

6. References & Supporting Documents

References

- [1] Gunnedah Shire Council, “Long Term Financial Plan,” 2015.
- [2] Gunnedah Shire Council, “Community Strategic Plan 2012 - 20122,” 2012.
- [3] Gunnedah Shire Council, “Special Rate Variation Application,” 2013.
- [4] Independent Pricing and Regulatory Tribunal, “Gunnedah Shire Council Special Rate Variation Determination,” 2013.
- [5] New South Wales Treasury Corporation, “Gunnedah Shire Council Financial Assesment, Sustainability and Benchmarking Report,” 2013.
- [6] NSW Office of Local Government, “Local Government Infrastructure Audit,” 2013.
- [7] NSW Minerals Council, “NSW Mining Industry Economic Impact Assessment,” 2014.
- [8] Department of Planning and Environment, “2014 NSW Projections - Regional NSW LGA data,” 2014.
- [9] Blackadder Associates, “Review of Organisation Structure,” 2013.

- [10] Gunnedah Shire Council, "Organisational Change Program - Change Management Plan," 2014.
- [11] Gunnedah & Liverpool Plains Shire Council, "Gunnedah and Liverpool Plains Resource Sharing Strategy," 2014.
- [12] Gunnedah Shire Council, "Gunnedah Shire Council Delivery Program and Operational Plan 2015/16," 2015.
- [13] Gunnedah Shire Council, "Project Management Framework - Action Plan," 2015.
- [14] NSW Independent Local Government Review Panel, "Revitalising Local Government," 2013.
- [15] Gunnedah Shire Council, "Risk Management Framework," 2014.
- [16] Gunnedah Shire Council, "Business Analysis & IT Strategic Plan 2013/2016," 2013.
- [17] Gunnedah Shire Council, "Community Engagement Policy," 2014.
- [18] NSW Office of Local Government, "Integrated Planning and Reporting (IP&R) Manual and Guidelines," 2013.
- [19] Gunnedah Shire Council, "Community Strategic Plan - Community Consultation Outcomes Paper," 2011.
- [20] Gunnedah Shire Council, "Strategic Business Plan for Water Supply Services," 2011.
- [21] Gunnedah Shire Council, "Economic Development Strategy," 2014.
- [22] Gunnedah Shire Council, "Draft Strategic Land Use Strategy," 2015.
- [23] Gunnedah Shire Council, "Management Directive - Budget Review - Savings Target," 2014.

[24] Gunnedah Shire Council, “Budget Review Process,” 2015.

[25] Namoi Regional Organisation of Councils, “Namoi 2030 Regional Resource Strategy,” 2008.

[26] Gunnedah Shire Council, “Strategic Asset Management Plan,” 2015.

[27] Gunnedah Shire Council, “Workforce Plan,” 2012.

[28] Gunnedah Shire Council, “Risk Management Policy,” 2013.

[29] Gunnedah Shire Council, “Audit Committee Charter”.

Schedule of Attachments

Public

1. Gunnedah Shire Council Community Strategic Plan 2013 – 2023
2. Gunnedah Shire Council Delivery Program 2013-2017 and Operational Plan 2015/16
3. Gunnedah Shire Council Special Rate Variation Application – 2013
4. Gunnedah Shire Council Long Term Financial Plan 2015 – 2025
5. Gunnedah Shire Council Strategic Asset Management Plan – 2015
6. Gunnedah and Liverpool Plains Shire Council Resource Sharing Strategy - 2015
7. Gunnedah Shire Council Strategic Business Plan for Water & Sewerage Services – 2011
8. Gunnedah Shire Council Economic Development Strategy – 2014
9. NSW Treasury Corporation Financial Assessment, Sustainability and Benchmarking Report – 2013
10. Department of Local Government - Infrastructure Audit – 2013

Confidential

1. Gunnedah Shire Council Organisational Change Program – Change Management Plan – 2014
2. Business Analysis and IT, Strategic Plan – 2013/16