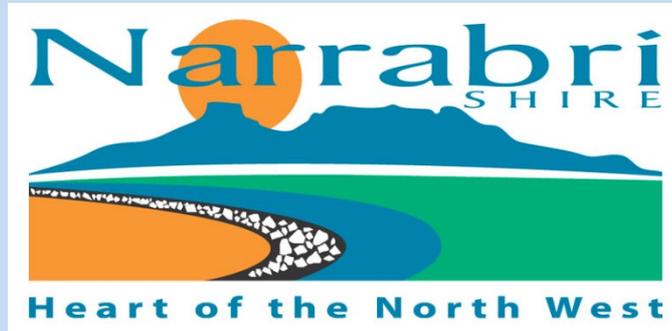


# Narrabri Shire Council



## Fit For the Future Improvement Plan

### *An Agenda for Fiscal Responsibility*

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***Fit For the Future Improvement Plan Framework: An Agenda for Fiscal Responsibility***

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**1. Introduction**

In 2014 the NSW State Government announced a major local government reform program known as Fit For the Future.

The NSW Government's Fit For the Future reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need. The NSW Government has been working with local councils since 2011 on this initiative to strengthen the local government sector. The reform process is expected to benefit ratepayers by ensuring councils will be financially sustainable into the future, and more capable of being strategic partners with other levels of government.

The Government has established four criteria it considers are necessary for a council to be considered 'Fit for the Future' (FFTF). The criteria that characterise a FFTF council have been developed based on the work of Destination 2036, the assessments of the sector by the Independent Local Government Review Panel (ILGRP) and the NSW Treasury Corporation (TCorp), as well as input from the local government sector and Independent Pricing and Regulatory Tribunal (IPART). These criteria are:

- Scale and capacity to engage effectively across community, industry and government
- Sustainability
- Effectively managing infrastructure and delivering services for communities, and
- Efficiency.

The Government also announced that councils which are assessed as FFTF will have access to a range of benefits, including access to a streamlined rate variation process and a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.

**2. Fit for the Future proposals based on scale and capacity**

The Government has established the 'scale and capacity' criterion as the threshold criterion for councils. In making a FFTF proposal, councils must first assess their scale and capacity against the ILGRP's recommendations.

The ILGRP recommended that Narrabri Shire Council (NSC) was to remain a standalone Council and be a member of the Namoi Joint Organisation. The ILGRP by making this recommendation believes that Council generally meets the scale and capacity criteria.

**3. Addressing the other three criteria**

In keeping with this recommendation Council's FFTF proposal is therefore based on completing Template 2: Council Improvement Proposal. The principal purpose of this template is for Council to assess its current and forecast performance against the FFTF benchmarks, and develop strategies and actions to improve performance against the criteria of Sustainability, Infrastructure and Services and Efficiency. Council must demonstrate how it meets these three FFTF criteria.

The Government has established certain measures with benchmarks for each of the FFTF criteria, which Council must report against to show how it meets these criteria. These measures and benchmarks are set out in the Table below:

<b>Fit for the Future Criteria and Measures (excluding Water and Sewer Funds)</b>		
<b>Criteria and measure</b>	<b>Definition</b>	<b>Benchmark</b>
<b>1. Sustainability</b>		
Operating Performance Ratio	Net continuing operating result (excl capital grants and contributions) Total continuing operating revenue (excl capital grants and contributions)	Greater or equal to break-even average over 3 years
Own Source Revenue Ratio	Total continuing operating revenue (excl all grants and contributions) Total continuing operating revenue (incl capital grants and contributions)	Greater than 60% average over 3 years
Building and Asset Renewal Ratio	<u>Asset renewals (building and infrastructure)</u> Depreciation, amortisation and impairment (building and infrastructure)	Greater than 100% average over 3 years
<b>2. Effective infrastructure and service management</b>		
Infrastructure Backlog Ratio	<u>Estimated cost to bring assets to satisfactory condition</u> Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets	Less than 2%
Asset Maintenance Ratio	<u>Actual asset maintenance</u> Required asset maintenance	Greater than 100% average over 3 years
Debt Service Ratio	Cost of debt service ( <u>interest expense and principal repayments</u> ) Total continuing operating revenue (excl capital grants and contributions)	Greater than 0% but less than or equal to 20% average over 3 years
<b>3. Efficiency</b>		
Real Operating Expenditure	<u>Operating expenditure</u> Population	A decrease in Real Operating Expenditure per capita over time

**Note:** WDV = written down value

### **Narrabri Shire Council Options**

Looking forward, what are the options for Narrabri Shire Council (NSC) including membership in a Joint Organisation?

The Government's reform package recognises that becoming 'Fit For the Future' (FFTF) will mean different things for different councils. However, one thing that is abundantly clear is that NSC must be able to demonstrate that looking to the future:

- It will be sustainable
- It will be efficient
- It will effectively manage infrastructure and deliver cost effective services for all its communities
- It will have the scale and capacity to engage effectively across community, industry and government.

NSC has been recommended by the ILGRP and Office of Local Government (OLG) to form part of the Namoi Pilot Joint Organisation (JO).

JO's are proposed to be a vehicle to connect ideas and priorities of local and State Governments at the regional level to help local communities prosper. They will be empowered to establish regional priorities. The core functions enabled by legislation are likely to be:

- Regional Strategic Planning
- Inter-Governmental collaboration
- Regional leadership and advocacy

It is interesting to note that already several state agencies have expressed interest in pursuing various aspects of resource sharing through JO's, notably the Department of Premier and Cabinet, Office of Water, Roads and Maritime Services, and the State Library.

NSC is an active member of the Namoi JO and believes the JO will act as a vehicle for closer engagement with local councils in formulating and delivering Regional Action Plans to implement the NSW State Plan. The JO will provide a forum for discussions with state agencies on respective responsibilities for service delivery, increasing agencies' awareness of local needs, and reducing the pressure on council to fill service gaps.

The Namoi JO has specifically resolved to incorporate into its Charter a responsibility to actively engage in a wide range of activities that ensure all member Councils remain Fit For the Future. Other functions to be undertaken are set out below:

#### **Functions of Namoi Joint Organisation**

- Strategic regional and sub-regional planning
- Inter-government relations and regional advocacy
- Information and technical exchanges between member councils
- Regional alliance of member Council water utilities
- Road network planning and major projects
- Collaboration with State and federal agencies in infrastructure and service provision
- Strategic procurement (which could include accessing state-wide contracts and arrangements)
- Other joint activities as nominated by the member councils

The Namoi JO has already commenced the following projects:

- A Namoi Regional Investment Prospectus.
- A B-Triple transport link within the Namoi Region to provide connectivity to intra and interstate markets.
- Namoi Regional Infrastructure Plan.
- Namoi Regional Procurement Strategy.
- Fit For the Future Strategies.

NSC's Financial Sustainability Rating (FSR) as determined by TCorp (NSW Treasury Corporation) in April 2013 was as follows:

FSR – Moderate  
FSR Outlook - Negative

*Note: TCorp have determined that NSC with a FSR of Moderate and an Outlook of Negative is assessed as being in a deteriorating position.*

TCorp have recommended that NSC with a Negative Outlook needs to investigate options to improve its sustainability position including:

- The need to source additional revenue such as a Special Rate Variation (SRV), to improve financial flexibility and to assist in reducing the Infrastructure Backlog;
- Reduce expenses;

- Devising programs and strategies to contain costs and improve efficiencies;
- Improve its Asset Management Plans and integration into the Long Term Financial Plan;
- Increasing spending on maintenance and infrastructure renewal, balancing this with the need for capital expenditure on new assets.

TCorp specifically observed that based on their review of both the historic financial information and the 10 year financial forecasts NSC had long term sustainability issues that must be addressed. In particular, the Operating Ratio is forecast to be in deficit for all 10 years of the forecast.

Council accepts that this position is untenable and is totally committed to finding solutions and implementing the necessary actions to becoming financially sustainable. Therefore, Council puts forward the following Improvement Plan.

## **The NSC Improvement Plan Framework**

### ***Modernising Narrabri Shire Council***

Narrabri Shire Council wants to build a Council that makes it 'fit for purpose' to play a leading role in providing effective local government and to actively participate in the broader system of government.

The Fit For the Future program provides an unique opportunity to implement an exciting new modernising agenda. An agenda focussed on the future and one that aims to modernise service delivery, modernise governance arrangements and management structures and processes.

Narrabri Shire Council wants to shift its focus towards a more strategic view of its operations by developing a high capacity organisation with the requisite knowledge, creativity and innovation to enable it to manage complex change and 21<sup>st</sup> century challenges.

The Narrabri Shire Council modernising agenda comprises three crucial dimensions:

1. Modernising Service Delivery – principally by making it more responsive, tailored to localised and specific needs through the delivery of best value services;
2. Modernising Governance – by strong leadership and better decision making based on smart community consultation;
3. Modernising Management – by making Senior Staff more strategic in focus and managers being accountable for broad operational outcomes, by encouraging working across directorates and organisation boundaries, and by being focussed on community outcomes.

NSC is absolutely committed to improve its efficiency and effectiveness and ensure it is accountable for its performance to the community it serves.

### ***Building Fiscal Responsibility***

NSC strongly believes that securing financial capacity and long term sustainability is the fundamental pre-requisite for all other moves to enhance our strength and effectiveness.

The key to financial sustainability is by Council being committed to achieving and maintaining financial sustainability. This may sound obvious but is not necessarily easy to achieve. For example, more money in itself will not solve financial problems. It potentially can make the challenge worse as there will always be no shortage of opportunities to upgrade service levels and acquire additional assets that can lead to higher long-run costs.

The commitment requires building technical knowledge and financial understanding of both staff and elected members. Council acknowledges that its decisions about service levels and revenue raising are critical factors in long term financial performance.

Too often staff see their financial management responsibilities primarily as ensuring compliance with legislative provisions rather than optimizing outcomes and ensuring decision makers are aware of the long term implications of their decisions.

NSC in recognition of these factors will introduce a new focus on "fiscal responsibility". The following features will be built into this new agenda:

- Break even annual operating positions
- Rate increases must meet underlying costs as well as annual growth in expenditures
- Medium-term pricing paths for any on-going adjustments to rates and charges
- Smart strategic planning processes and real world documents
- Asset management planning prioritized and directly linked to the LTFP
- Councillor and management capacity and expertise developed and maintained
- Sound policies and guidelines around smart growth and use of restricted assets
- Smart use of borrowings for infrastructure when justified through a rigorous capital expenditure review and identification of revenue sources to meet any new loan repayments and/or new recurrent costs
- Good accounting and fully integrated financial systems.
- Good-quality performance reporting systems to measure performance and operational efficiencies.

To embed Narrabri Shire Council's new fiscal responsibility agenda Council will introduce the following requirements as policy guidelines for all future four year Delivery Plans. Soundly based, long term asset and financial plans are the essential building blocks of financial sustainability.

The NSC four year Delivery Plan must:

- Contribute effectively to progressive elimination of an operating deficit
- Establish reasonable time frames as a revenue path for all categories of rates linked to specific proposals for infrastructure and services
- Give effect to long-term financial and asset management plans prepared in full compliance with all IP&R requirements
- Soundly justify any proposed increases in service levels or creation of new assets and based on community consultation to determine desired service levels
- Seek out all avenues to increase funding for infrastructure maintenance and renewal (where backlogs have been identified)
- Ensure a fair and reasonable distribution of the rate burden across categories of ratepayers
- Include measures to promote efficiency improvements, productivity gains and fiscal responsibility measures.

#### Focus on 'Core Business'

Whilst it is difficult to define the 'core business' of local government in terms of a list of specific activities Council believes there is a need to try.

Council believes a good starting point is:

*'core business' can usefully be defined as those functions of a council that can and should be funded from normal operating revenues: untied grants, rates, fees and charges, and interest earnings.'*

Council believes looking forward in a fiscally restrained environment it simply cannot afford to provide services and facilities that go beyond the normal remit of local government, unless specific (and ongoing) supplementary funding can be secured and guaranteed.

Council therefore will implement financial policies that incorporate the following policy approaches:

*Narrabri Shire Council will be a successful local government authority delivering core services and facilities for its community utilising its untied revenue sources (such as rates, untied grants, fees and charges) and any profits from its other activities. Because of its rural location and distance from any major regional city, it will also be a facilitator of other services on behalf of other agencies, however those services will be completely self-funding and will return a responsible return to the Council in order to improve its own core services. The Council's annual Operational Plan will deliver a balanced financial outcome in providing services and building appropriate restricted assets for the future. The Council will be respected by its community and other stakeholders as responsible, representative and collaborative. The community will understand the relationship between effective services and long term financial sustainability.*

How will Narrabri Shire Council measure success?

1. Core services will be adequately funded and encompass a range that is responsible in a rural location and can be funded from recurrent, untied revenues.
2. Core services will be clearly defined and understood, as are those other services that are considered discretionary or are provided on behalf of third parties.
3. The Council will have sufficient cash assets to cover its needs for adequate working capital and restricted assets. Its cash flow will be reliable and adequate for its operational needs.
4. A core of permanent staff will be supplemented by outsourced and shared services and resources. The Council will be regarded as an excellent example of a mixed services model delivering services through in-house resources and outsourced solutions.
5. The Council will adopt a regular program of competitive testing of a range of services to ensure best value service delivery.
6. The Council will be compliant with all of its regulatory and statutory obligations and good governance will be considered the default position by councillors, management and staff.
7. The Council, as an organisation, will exhibit contemporary good practice in contract and project management, both as a purchaser of services and in the delivery of services for others.
8. The Council's financial management and financial systems will deliver accurate and reliable information on a timely basis for decision making purposes and that information will be used effectively.
9. Decisions will be made with due regard to financial sustainability and long term implications, among other factors.
10. The Council will engage with its community and the community will understand the Council's role, its opportunities and its constraints.

In summary, Council needs to establish and adopt a wide range of financial policies to guide its fiscal responsibility agenda. The benefits to having sound financial policies are:

- Identifies conflicts, inconsistencies and gaps in the present approach to fiscal management.
- Guides the governing body and management regarding legislative financial decision making.
- Publicly adopted policy statements contributes to the credibility of and public confidence in Council.
- Saves time and energy for both the governing body and management. Once certain decisions are made at the policy level, the issues do not need to be discussed each time a decision needs to be made.
- Developing overall policy directs the attention of the governing body and management to Council's total financial condition rather than single issue areas. This mandates thinking about linking longer term financial planning with day-to-day operations.
- Discussing financial policy is an education process in itself. It assists Council in being more aware of the importance of their policy making role in maintaining good financial condition.
- Greatly improves fiscal stability by ensuring longer term planning around revenues and expenditures.

- Finally, having explicit financial policies contributes to a degree of continuity in the management of Council's affairs. Whilst Councillors and management may change over time, the policies guide whoever holds the positions.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Adopt a range of new financial policies including Fiscal Responsibility Principles, Restricted Assets and Focus on Core Business	2015/2016	Policy framework to institutionalize fiscal responsibility
Implement a Councillor professional development program	Ongoing	Councillors having the information, skills, and resources to undertake their roles and responsibilities effectively

### Internal Audit Function

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve Council's operations. Internal audit will help Council accomplish its fiscal responsibility objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Council.

Council believes the best model on internal audit will be an outsourced and co-delivered internal audit function. Such a model will deliver lower levels of investment, higher efficiency of work programs in comparison to the in-house internal audit function.

The initial focus of the internal audit function will be:

- Delivering cost-effective and value added services;
- Focusing on critical risks and issues facing the council;
- Promoting quality improvement and innovation;
- Leveraging technology effectively in the execution of audit services.

Council will ensure its new internal audit arrangements are consistent with the OLG Internal Audit Guidelines.

Council has allocated \$10,000 recurrent funding.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Establish Internal Audit Committee	2015/2016	An effective and independent internal audit function

### Efficiency and Service Reviews

Council will introduce systematic and formal reviews of its services both internally and externally with the principal purpose of identifying and implementing operational efficiencies and service delivery improvements.

#### Internal Service Reviews

Productive corporate services functions provide critical information and services across Council to cultivate effective business processes and management. Our corporate services are expected to provide innovative solutions to both Council staff and the community at large. Good Council performance is

highly reliant on effective corporate services. Therefore, Council will undertake a review of the corporate services function including:

- Procurement
- Information Technology
- Records management
- Human Resources
- Building/Property Management
- Customer Service
- Financial Services
- Rates and billing management

#### External Service Reviews

To ensure best value external service delivery, Council has established a set of principles to underpin Councils assessment of service quality and efficiency as shown below:

- Council will achieve continuous improvement in the provision of services and seek to ensure that its services are seen to be the best in the Namoi region;
- All services provided by Council must meet defined performance outcomes and quality and cost standards developed by Council in consultation with community recipients and any affected stakeholders;
- Council as part of all service reviews will explore the potential for partnerships with adjoining or other Councils, including other public or private service providers;
- All service reviews must take into account the importance of maintaining and where possible increasing local employment;
- Any service provided by Council must be accessible to those members of the community for whom the service is intended;
- Council will regularly report to the community on its achievements in attaining these guiding principles.

#### Efficiency Reviews

Council will establish an Efficiency Review Group (ERG) to undertake a complete and comprehensive review of all operations commencing in 2015/2016. The efficiency analysis will include concepts like zero based budgeting.

The ERG will consist of nominated Councillors and key staff including the option of seconding external assistance as required. It is expected that three operational areas will be thoroughly reviewed each year. Initial operational areas for review are:

- Saleyard operations
- Crossing Theatre
- Fleet/Plant/Workshop/Works Depot operations
- Tourism and Promotions
- Swimming Pools
- Airport
- Parks and Gardens operations
- Noxious Weed Control operations
- Road Services
- Waste Services
- Water and Sewerage Services
- Other operational areas as identified

Council has identified and incorporated into the Long Term Financial Plan (LTFP) efficiency and productivity dividends of Year 1 \$400,000, Year 2 \$350,000, Year 3 \$300,000 and Year 4 \$300,000. A total efficiency yield over four (4) years of \$1,350,000.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Establish Efficiency Review Group	2015/2016	ERG operational
Review a minimum of three operational areas per annum	2015/2016 and ongoing	Completed efficiency reviews that meet targets

### **Workforce and Leadership**

Council has identified the need to improve the strategic directions of its Workforce Management Plan and build a new organisational culture to meet the challenges of being Fit For the Future.

Council has identified the need to modernise its organisational structure. First it will revisit its Community Strategic Plan and Delivery Plan. The structure will accord with the priorities set out in these plans and the Fit For the Future Improvement Plan.

Structure will be addressed from a contingency perspective. The goal is to help management identify and implement structures that best fit the current and immediate demands facing Council and community. Impacts from the resources sector and the Fit For the Future Agenda are two key demands requiring structural fit. When our structure “fits” or matches well with situational challenges, the organisation will be best placed to achieve its performance objectives. Council has identified five major influences on structure – external environment, strategy, technology, people and size.

With a focus on efficiency reviews, the modernising of Council and responding to community expectations, change is inevitable. How we deal with this change is crucial. The workforce is experiencing change ‘fatigue’ due to instability in senior positions over the past eight years so it is important that Council sets up a supporting framework to ensure staff readiness and resilience to change which addresses consultation, training and guiding principles.

Alongside this framework, quality of management needs to be a focus. Council needs to ensure that managers have not only technical and professional skills, but also the ability to be effective leaders of the workforce. Inspirational leadership will ensure Council is seen as an attractive place to work and will greatly assist in retaining existing staff.

Council must make a commitment to becoming an employer of choice and further investigate and implement what is required to achieve this. External benchmarking and gathering information from our existing workforce will provide valuable feedback and help us focus our efforts for meaningful improvement to ensure attraction and retention of quality staff.

Council also intends to investigate greater opportunities to retain our aging workforce and enable knowledge transfer. Council will also be investigating opportunities to offer traineeships and cadetships to local community members, particularly targeting those professions where skills shortages are evident.

Council will prepare a Youth Employment Strategy specifically designed to attract and develop younger local recruits. This initiative will further support Council’s economic development strategy to create youth employment opportunities.

Council will build strong relationships with local educational institutions to promote career opportunities in Council. Scholarships will be considered to address future skill shortages.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Develop and implement change management framework.	2015/2016	Change management framework developed and implemented.
Review of Organisational Structure.	2015/2016	Structure meets agreed service levels and achieves identified efficiencies.
Link strategic outcomes to performance objectives of senior staff and management positions.	2015/2016 and ongoing	Management accountable for performance against strategic outcomes.
Develop and introduce structured development program for leadership team enabling: <ul style="list-style-type: none"> <li>• Fiscal responsibility</li> <li>• Lean management</li> <li>• Inspirational leadership</li> </ul>	2015/2016 and ongoing	Program developed and implemented.
Review of Council's salary system.	2015/2016	Salary System is Award compliant, market competitive and salary structure meets needs of Council.
Introduce systems for better information capture relating to the workforce.	2016/2017 and ongoing	Systems identified and implemented.
Prepare a Local Youth Employment Strategy and identify opportunities for addressing skills shortage areas through offering traineeships and cadetships to the local community.	2016/2017	Opportunities identified and implemented.
Investigate introduction of a Workplace Agreement	2016/2017	Effective workplace arrangements to promote the modernisation agenda and an Employer of Choice Workplace.

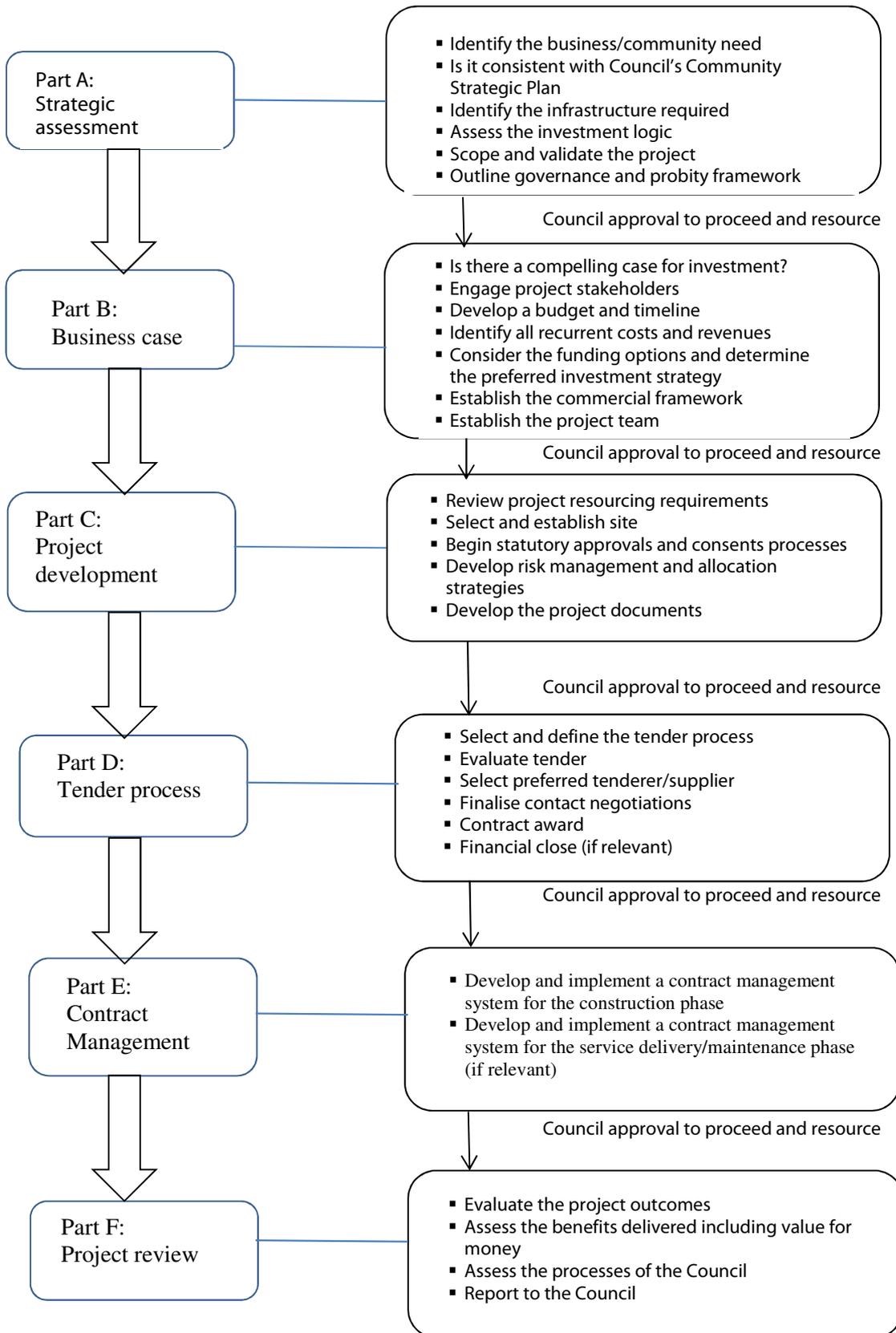
## Capital Projects

The effective management of capital expenditure will be critical due to our fundamental focus on assets and our limited capacity to absorb within operating budgets any variations in the financial outcomes of capital projects.

Budgetary pressures and ever increasing community expectations means that Council must ensure that capital projects need to properly scoped and delivered more effectively and efficiently than ever before.

Council therefore, as part of its new fiscal responsibility agenda is introducing a new Major Capital Projects guidance procedure for the assessment of one-off major projects. Shown below is an overview of the guidance framework.

Major Projects Guidance Framework



<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Introduce Major Capital Projects Policy and Guidance Procedures	2015/2016	Capital projects effectively managed and evaluated

### Corporate Performance

Council believes it needs to significantly improve its financial and performance reporting and therefore is committed to investing in new integrated financial and corporate reporting systems.

Access to good-quality performance information is vital to good performance and operational efficiencies. Management requires powerful and informative tools to help them translate the Delivery Programs into soundly based financial and operational plans. This process allows for continuous improvement through periodic reviews and appropriate adjustments to financial and operational indicators. It also enables the governing body, managers and employees to be recognized and rewarded for activities that help to achieve Council's strategic objectives.

Management relies heavily on timely and accurate data to track performance and make informed decisions.

Performance monitoring will be integrated across the organization. All employees will have key objectives and performance indicators aligned to organizational objectives to monitor progress against deliverables and service levels.

Narrabri Shire Council is one of 78 councils participating in the NSW Local Government Operational and Management Effectiveness Insights Surveys conducted by PWC and Local Government Professionals Australia. The reports from the surveys enable Council to benchmark progress and identify areas for improvement.

Council needs to introduce an integrated enterprise business solution that enables:

- Effective financial management
- Improved budgeting and long term financial planning
- Allocation of resources where most needed
- Delivery of improved asset and project management
- Management of people, names, properties and addresses
- Development long term community planning practices
- Control of risk and sustainability
- Management of staff and organisational culture through strategic workforce planning
- Management of regulatory and compliance matters
- Enhancement of customer and community engagement

Council has allocated \$80,000 in 2015/2016 for scoping and development of business case and \$1,000,000 in 2016/2017 for implementation.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Identify and scope organisational requirements by active stakeholder engagement and validate project business case	2015/2016	Clearly identified and agreed project goals

Select and define tender process, select preferred supplier and implement new enterprise business solutions	2016/2017	Corporate systems installed on time and on budget
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### Smart Community Engagement

Council is keen to introduce Smart Communication Strategies. Council believes that by regularly engaging with the community on a wide range of issues it will engender trust and understanding.

Council needs a comprehensive Communications Strategy to explain and bring the community on the journey going forward. In particular, implementation of the FFTF Improvement Plan Strategies and development of the next set of Integrated Planning and Reporting Plans due to commence in 2017/2018.

ACTION PLAN		
STRATEGIES	KEY MILESTONE	OUTCOME
Review all current community consultation policies and practices and adopt a new communications strategy	2015/2016	Effective and smart communication strategies

### Sister City Relationship

Council has a Sister City relationship with Randwick Council in Sydney. Council believes it can better utilise the operational benefits of this relationship by more active engagement in a wide range of resource and staff sharing activities.

An initial focus will be to investigate and identify operational areas that would directly benefit from work exchange programs.

ACTION PLAN		
STRATEGIES	KEY MILESTONE	OUTCOME
Identify relevant operational areas and establish key objectives to be achieved	2015/2016	Concise work plan to realise a wide range of operational benefits
Commence work exchange program	2016/2017	Improved operational benefits

### Surplus to Requirements Asset and Lands Review

Council will undertake a comprehensive review of all Council owned assets and lands to establish opportunities for change of use or disposal. The aim is to sell non-core assets.

This strategy has a number of benefits. Sale proceeds of identified assets can be used to reduce the infrastructure backlog and the removal from Council's asset inventory reduces depreciation commitments and other associated expenses, hence providing a positive impact on the operating result.

ACTION PLAN		
STRATEGIES	KEY MILESTONE	OUTCOME
Undertake surplus land and assets review including Council controlled Crown Lands	2015/2016	Prudent disposal of all land and assets surplus to requirements

## Governance Structures

Governance is the process by which Council exercises community leadership, makes decisions, collectively solves its problems and meets community needs.

Many of Narrabri Shire Council's communities now and into the future, due to limited and declining resources, ambiguous solutions and narrowing options, will increasingly need to make many community judgements. That is community choices from alternatives. Narrabri Shire Council will need a new style of governance to meet these challenges.

Council will review all its committee structures including internal, external and Section 355 committees.

Council will also review its policies and approaches to the use of volunteers to ensure it is availing itself of all opportunities to engage volunteers to assist in the delivery of a wide range of Council services like Tourism, facilities management and library services.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Review internal, external and Section 355 Committees to ensure they are relevant, effective and efficient in making decisions	2016/2017 and ongoing	Effective decision making committee system
Review policies and practices to promote greater participation of volunteers in the delivery of Council services	2016/2017	Empowerment of community to actively participate.

## *Strengthening the Revenue Base*

Council has identified the need to apply for a Special Rate Variation (SRV) and subject to external approval by IPART to apply from 1 July 2017. Based on Council's assessment to meet the FFTF sustainability benchmarks such increase would need to be 5% in year 1, 5% in year 2, and 5% in year 3 (above the deemed rate peg approval). Funds raised by the SRV would be applied to asset renewals in the first instance until such time as the Asset Backlog ratio generally meets the required FFTF benchmarks.

This timetable enables the SRV Community Conversation to be comprehensive and would commence during 2015/2016. Council wishes to ensure that sufficient time is provided to consult with the community in a meaningful manner to ensure everyone has a full understanding of why the SRV is required.

This timetable also allows for a full year of efficiency reviews to be completed, an assessment of proposed changes to the Local Government Act 1993 and a review of Financial Assistance Grants distribution methodology. All these future actions have the real potential to decrease the necessity for the required SRV total sum.

Council has further determined the need to undertake a comprehensive review of its rating structure and policies in 2015/2016. This will establish a clear rationale for the way rating categories are structured, what they are designed to achieve and how principles of taxation have been applied. Council is keen to ensure equity across the rating categories.

Council will make a submission to the IPART review of the NSW rating legislation. This review provides an opportunity to independently examine the matter of excluding mines rating income from the notional general income yield calculation.

ACTION PLAN		
STRATEGIES	KEY MILESTONE	OUTCOME
Commence SRV community conversation	2015/2016	Community fully informed of need to address infrastructure backlog
Rating Structure Review	2015/2016	Equity and fairness in rating distribution
Make a submission to the IPART review of NSW rating legislation	2015/2016	Exclusion of mines rating income from the notional general fund income yield calculation
Make a SRV application to IPART in accordance with prescribed timetable	Apply from 1/7/17	Additional funds directed to asset renewals

### ***Namoi Councils Regional Water Utilities Alliance***

Council has identified the need to be a partner in regional microeconomic water reform whilst retaining local ownership and control of water and sewerage assets. Council's reform agenda is driven by a desire to exploit economies of scale, increased efficiency and optimum utilization of its water and sewerage infrastructure and resources.

Narrabri Shire Council therefore, is a full member of the Namoi Councils Regional Water Utilities Alliance.

Current membership of the Alliance comprises Liverpool Plains, Gunnedah, Walcha, Uralla, Tamworth Regional and Narrabri Shire Councils. Moree Plains and Gwydir Councils are currently considering membership.

Benefits to be derived from membership of the Alliance are as follows:

- Long term fiscal sustainability of water and sewer operations
- Retention of community ownership of water and sewerage assets
- Improved Best Practice Compliance
- Reduced annual operating costs
- Cost savings through bulk purchasing of consultancy and other goods and services
- Access to Government funding for Projects for regional solutions
- Mutual cooperation and coordination of water policy
- Peer performance review and mentoring
- Increased resource sharing
- Informed Regional Submissions in issues effecting Local Water Utilities
- Completion of Best Practice Audits
- Staff Training and Development
- Self determination of Organisation Structure and Governance Model
- Sharing of intellectual property, professional and technical resources

The Alliance is established under a Deed of Agreement and includes:

- Vision Statement
- Objectives
- Term and Structure
- Access to intellectual property, property data and records management
- Work plans and reporting requirements
- Membership contributions and fee structures
- Membership withdrawal and Alliance termination

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Maintain membership of the Alliance and active involvement to maximize fiscal and operational benefits for water and sewerage supply funds	Ongoing	Increased efficiency and optimum utilization of infrastructure and resources
Complete review and upgrade of Strategic Business Plans for Water Supply and Sewerage Services	2015/2016	Prudent long term management of assets and service delivery in accordance with regulatory standards

### ***Future Reporting of FFTF Performance***

NSC will adopt a proactive role in its oversight and monitoring of performance and compliance with all its proposed reforms and initiatives adopted and contained within its 10 year FFTF Proposal.

A strengthened focus on outcomes reporting and evaluation will greatly improve Council's performance. Council's current set of IP&R documents require a far greater focus on accountability measures. Council believes accountability to the community in an open and transparent manner is fundamental to good governance and fiscal responsibility.

Council will report progress on it becoming FFTF on a regular basis including in its Annual Report. It is Council's understanding that the Auditor General will be tasked with the responsibility of periodically assessing individual Council performance as part of its new auditing role for the Audit Office of NSW.

Council is also committed to a further independent review of performance by adopting a review milestone whereby TCorp (or similar organization) in the 5<sup>th</sup> year of council's performance and progress would undertake a review of Council's progress in achieving the stated FFTF outcomes.

<b>ACTION PLAN</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
Commission TCorp to review Council's progress in achieving the FFTF Improvement Plan and establish new sustainability benchmarks	2021/22	Independent analysis of progress and status of sustainability

<b>ACTION PLAN SUMMARY</b>		
<b>STRATEGIES</b>	<b>KEY MILESTONE</b>	<b>OUTCOME</b>
<b><i>Building Fiscal Responsibility</i></b>		
Adopt a range of new financial policies including Fiscal Responsibility Principles, Restricted Assets and Focus on Core Business	2015/2016	Policy framework to institutionalize fiscal responsibility
Implement a Councillor professional development program	Ongoing	Councillors having the information, skills, and resources to undertake their roles and responsibilities effectively
<b><i>Internal Audit Function</i></b>		
Establish Internal Audit Committee	2015/2016	An effective and independent internal audit function
<b><i>Efficiency and Service Reviews</i></b>		
Establish Efficiency Review Group	2015/2016	ERG operational
Review a minimum of three operational areas per annum	2015/2016 and ongoing	Completed efficiency reviews that meet targets
<b><i>Workforce and Leadership</i></b>		
Develop and implement change management framework.	2015/2016	Change management framework developed and implemented.
Review of Organisational Structure.	2015/2016	Structure meets agreed service levels and achieves identified efficiencies.
Link strategic outcomes to performance objectives of senior staff and management positions.	2015/2016 and ongoing	Management accountable for performance against strategic outcomes.
Develop and introduce structured development program for leadership team enabling: <ul style="list-style-type: none"> <li>• Fiscal responsibility</li> <li>• Lean management</li> <li>• Inspirational leadership</li> </ul>	2015/2016 and ongoing	Program developed and implemented.
Review of Council's salary system.	2015/2016	Salary System is Award compliant, market competitive and salary structure meets needs of Council.
Introduce systems for better information capture relating to the workforce.	2016/2017 and ongoing	Systems identified and implemented.
Prepare a Local Youth Employment Strategy and identify opportunities for addressing skills shortage areas through offering traineeships and cadetships to the local community.	2016/2017	Opportunities identified and implemented.

Investigate introduction of a Workplace Agreement	2016/2017	Effective workplace arrangements to promote the modernisation agenda and an Employer of Choice Workplace.
<b>Capital Projects</b>		
Introduce Major Capital Projects Policy and Guidance Procedures	2015/2016	Capital projects effectively managed and evaluated
<b>Corporate Performance</b>		
Identify and scope organisational requirements by active stakeholder engagement and validate project business case	2015/2016	Clearly identified and agreed project goals
Select and define tender process, select preferred supplier and implement new enterprise business solutions	2016/2017	Corporate systems installed on time and on budget
<b>Smart Community Engagement</b>		
Review all current community consultation policies and practices and adopt a new communications strategy	2015/2016	Effective and smart communication strategies
<b>Sister City Relationship</b>		
Identify relevant operational areas and establish key objectives to be achieved	2015/2016	Concise work plan to realise a wide range of operational benefits
Commence work exchange program	2016/2017	Improved operational benefits
<b>Surplus to Requirements Asset and Lands Review</b>		
Undertake surplus land and assets review including Council controlled Crown Lands	2015/2016	Prudent disposal of all land and assets surplus to requirements
<b>Governance Structures</b>		
Review internal, external and Section 355 Committees to ensure they are relevant, effective and efficient in making decisions	2016/2017 and ongoing	Effective decision making committee system
Review policies and practices to promote greater participation of volunteers in the delivery of Council services	2016/2017	Empowerment of community to actively participate.
<b>Strengthening the Revenue Base</b>		
Commence SRV community conversation	2015/2016	Community fully informed of need to address infrastructure backlog
Rating Structure Review	2015/2016	Equity and fairness in rating distribution
Make a submission to the IPART review of NSW rating legislation	2015/2016	Exclusion of mines rating income from the notional general fund income yield calculation
Make a SRV application to IPART in accordance with prescribed timeframes	Apply from 1/7/17	Additional funds directed to asset renewals
<b>Namoi Councils Regional Water Utilities Alliance</b>		
Maintain membership of the Alliance and active involvement to maximize fiscal and operational benefits for water and sewerage supply funds	Ongoing	Increased efficiency and optimum utilization of infrastructure and resources

Complete review and upgrade of Strategic Business Plans for Water Supply and Sewerage Services	2015/2016	Prudent long term management of assets and service delivery in accordance with regulatory standards
<b><i>Future Reporting of FFTF Performance</i></b>		
Commission TCorp to review Council's progress in achieving the FFTF Improvement Plan and establish new sustainability benchmarks	2021/22	Independent analysis of progress and status of sustainability