



**QUALITY NATURE - QUALITY HERITAGE - QUALITY LIFESTYLE**

## **ADDENDUM ITEM FOR ORDINARY COUNCIL MEETING 21 DECEMBER 2016**

Notice is hereby given pursuant to Clause 7(1) of Council's Code of Meeting Practice that an **Ordinary Council Meeting** will be held in the Tenterfield Shire Council Chambers, on **Wednesday 21 December 2016** commencing at **9.30 am**.

Damien Connor  
**General Manager**

# **AGENDA**

## **10. URGENT, LATE & SUPPLEMENTARY ITEMS OF BUSINESS**

(ITEM GOV38/16) PERFORMANCE ORDER.....3

<b>Department:</b>	<b>General Managers Office</b>
<b>Submitted by:</b>	General Manager
<b>Reference:</b>	<b>ITEM GOV38/16</b>
<b>Subject:</b>	<b>PERFORMANCE ORDER</b>

<b>LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK</b>	
<b>Goal:</b>	Council achieves excellence in corporate governance.
<b>Strategy:</b>	Implement strategies, policies and practices to achieve excellence in corporate governance.
<b>Action:</b>	Undertake all legislative requirements of local government.

## SUMMARY

The purpose of this report is for Council to consider the draft Performance Improvement Order served on Council by the Office of Local Government on the 6<sup>th</sup> December 2016. The report also explores the lack of validity of such and considers the best approach for the response to such.

## OFFICER'S RECOMMENDATION:

- 1) That Council reply to the Minister for Local Government, with details as set out in this report, and request that he withdraw the draft Performance Improvement Order served on Tenterfield Shire Council without delay;
- 2) That whilst awaiting response from the Minister for Local Government, Council begin the process to engage a major Audit, Assurance and Accounting Firm to undertake an independent assurance engagement with regard to Councils Fit for the Future projections if the draft Order is not removed;
- 3) That if as expected Councils forward projections are held to be reasonable, achievable and consistent with those across the sector by a suitable qualified and independent Assurance Firm, then a public apology and explanation be issued to Council from the Office of Local Government and the Minister for Local Government for the public issuing of the draft Performance Improvement Order;
- 4) That Council lodge a formal complaint to the Minister for Local Government that demonstrates Councils strongest disappointment and disapproval of the Office of Local Government with regard to:
  - i) the severely flawed reassessment of Councils Fit for the Future Plans;
  - ii) the completely inadequate level of detail and explanation for the reassessment finding and the failure of the Office of Local Government to provide appropriate factual responses to questions raised with them since the issuing of the draft Order;
  - iii) the non-justification for issuing a draft Performance Improvement Order in these circumstances and the advice given to the Minister by the Acting General Manager regarding such; and
  - iv) the unprofessional manner in which this entire process has been handled by the Office of Local Government and the cynical timing of such.

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**5) That copies of Councils response to the Minister for Local Government be provided to Councils local members, the State Member for Lismore the Hon Thomas George MP and Deputy Prime Minister and Federal Member for New England the Hon Barnaby Joyce MP.**

**BACKGROUND**

In the afternoon of Tuesday the 6<sup>th</sup> December Councils General Manager received a call from the Office of Local Government to organise a teleconference. This request was made unannounced and within 5 minutes notice of the teleconference commencing.

The phone conference was then conducted between Council's General Manager and the Office of Local Government's Tim Hurst, (Acting General Manager), Chris Rowe (Acting Senior Lawyer) and Chris Duff (Performance Team). During this phone call the General Manager was advised that Council would be issued with a Draft Performance Improvement Order in relation to its Financial Governance, however, no details or information were provided to support or explain the reason for this decision.

In the evening of Tuesday the 6<sup>th</sup> of December an email was received from the Office of Local Government's Acting Senior Lawyer (Chris Rowe) titled 'Notice of Intention to issue a Performance Improvement Order'. The email acted as the formal serving of the draft order under s438A of the Local Government Act 1993.

The aforementioned email contained four (4) attachments, including; the Draft Performance Order; a Performance Order Summary Sheet; a draft letter from the Minister setting out the Performance Order; and a FFTF Reassessment letter. All of these documents are including in the attachments to this report.

On the morning of Thursday the 8<sup>th</sup> December a request was placed by Council for a further conversation between Council's General Manager and the Acting General Manager of the Office of Local Government. Subsequently a teleconference was held that afternoon and attended by Councils General Manager and the Office of Local Governments Tim Hurst, (Acting General Manager), Chris Rowe (Acting Senior Lawyer) Sarah Gubb (Performance Team), Tony Day (Performance Team), and Tina Baldock (Intervention Team).

Having then had the opportunity to read the documents served, all-be-it they were light on detail, the purpose of the meeting was to question the OLG on Council's FFTF reassessment process, outcome (and the factually incorrect assumptions utilised), and to question the validity of the draft Performance Order and the authority to issue such under the circumstances.

Unfortunately no adequate responses to the questions posed were forthcoming.

It was then requested by Councils General Manager that the draft Performance Order be withdrawn and that a peer review reassessment or an independent assurance engagement on Councils FFTF proposal be undertaken. This request was met with the response of "that is up to the Minister", which disappointingly is in accordance with the tone of the entire meeting where the OLG staff were focussing their energy on defending their previous assessment rather than reviewing its correctness.

As at the 19th December no correspondence had been received from either the Ministers Office or the Office of Local Government withdrawing the draft Performance



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Improvement Order. The draft Performance Order requires Council to reply to such by the 24<sup>th</sup> December (18 days).

**REPORT:**

**Actual Financial Results Delivered**

In order to try and provide context to this completely illogical situation that we find ourselves in and the severely flawed reassessment process by the Office of Local Government on which the draft PIO has been based, outlined below are the **actual results** posted in **Councils 2014/15 and 2015/16 Audited Financial Statements**. These figures are **actual results not estimates**.

**2015/16 - Actuals**

**General Fund Operating Result –\$2,964,000 surplus**

**General Fund Operating Result (Exc Capital Grants & Contributions) – \$1,339,000 surplus**

**General Fund Operating Performance Ratio – 11.37% surplus**

***\*\*This compares to a 2.77% deficit (Group 10 Councils average) and 0.58% deficit (State Average) as at this period.***

**2014/15 – Actuals**

**General Fund Operating Result –\$3,900,000 surplus**

**General Fund Operating Result (Exc Capital Grants & Contributions) – \$91,000 surplus**

**General Fund Operating Performance Ratio – 2.21% surplus**

***\*\*This compares to a 16.1% deficit (Group 10 Councils) and 8.8% deficit (State Average) as at this period.***

The aforementioned actual results took a huge commitment and were a monumental achievement for Tenterfield Shire Council in beginning to deliver a holistically sustainable financial performance and position for our community, however, this would not have been achieved if not for the Special Rate Variation (SRV) applied for and approved by the Independent Pricing and Regulatory Tribunal (IPART) in 2013/14.

The **approved in full SRV** is spread over a period of four (4) years from 2014/15 to 2017/18 and equates to a compound **increase of 53.07% in rate income**.

As the positive financial effects of the first two years of the four year increases have materialised it can clearly be seen the improved financial sustainability outcomes of such.

This increase in rate income in combination with the efficiency program implemented as part of the SRV application plus the changes to maximise Councils user fee income, the review of Councils asset base and fair value calculations for accuracy and reflectiveness, have combined to deliver **General Fund Operating Surpluses** in both of the two financial years since implementation amounting to a **\$6.864 Million Operating Surplus and \$1.43 Million Operating Surplus** (before capital income).

**It should be noted that all of this has actually been achieved, not just talked about or estimated, actual results.**

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In light of the actual data outlined above it is very clear why **Tenterfield Shire Council's forward projections for Operating Performance are entirely reasonable, achievable and clearly articulated.** It is very clear because Council is already achieving them.

The past financial year Council posted an **11.37% Operating Surplus**, this is double the figure forecast in Councils FFTF projections that have since been dismissed by the Office of Local Government staff. Additionally the FFTF assessment criteria only requires Councils to estimate achieving an Operating Performance ratio of greater than zero (>0) **by 2025/26!**

Tenterfield Shire Council has already actually achieved this in the past two financial years (as detailed in Audited Financial Statements) and has forecast and will continue to deliver Operating Surplus results across the next decade. **The best indicator of future performance is recent past performance.**

It is also relevant to point out that Tenterfield Shire Councils actual position and forecast future results are both significantly better and more sustainable than that of every (yes every) Council now declared 'Fit' under reassessment by the Office of Local Government and numerous others declared 'Fit' previously.

Those **other Councils** in fact are **still posting considerable deficit operating results year on year** and are forecasting to continue doing so until the very back end of the next decade.

Whilst these Councils have been considered financially sustainable, Tenterfield Shire Council which is actually achieving financially sustainable results and is forecasting an easily maintainable path to continue doing so and has already taken on the extensive process of reform through IPARTs SRV program, is somehow branded not financially sustainable and is considered to have Financial Governance so dysfunctional and dire that a Performance Improvement Order being served is deemed warranted! I cannot even guess at a logical explanation for this.

### **Operating Performance Ratio**

The non-sustainability of Councils Operating results is what has been given as the reason for the issuing of the draft PIO.

Outlined below are the Operating Performance Ratio results for the past two financial years and the forecast results for the next 10 years, taken from Councils Long Term Financial Plan and FFTF resubmission:

2014/15 – 2.21%  
2015/16 – 11.37%  
2016/17 – 6.51%  
2017/18 – -0.88%  
2018/19 – -1.29%  
2019/20 – 2.73%  
2020/21 – 1.27%  
2021/22 – 2.28%  
2022/23 – 1.79%  
2023/24 – 1.93%  
2024/25 – 1.23%  
2025/26 – 1.65%

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12 year average (actual and forecast 2014 to 2026) – 2.57% surplus.

10 year average (forecast estimates 2016 to 2026) – 1.72% surplus.

It is very clear from these figures that Councils current and projected financial sustainability is quite strong and would be the envy of a large number of Councils from throughout New South Wales. The figures show surplus results in the past two years and across the forward decade.

This by far exceeds the requirement set out in the OLG Guidelines of forecasting a result of greater than zero by 2025/26 in order to be considered 'fit' for the future.

**Tenterfield Shire Council has ten (10) years in surplus by then.**

### **Office of Local Government Assessment Findings**

The information provided by the Office of Local Government (as included in the letter from the Minister – and as attached) upon which the serving of the draft PIO is based, has very little detail of the reasons for their assessment findings. An attempt to obtain further information during the phone meeting with numerous OLG staff failed to deliver any further details.

As the short period for reply to the draft PIO doesn't allow sufficient time for Council to obtain the reassessment file and working papers from the OLG under the Government Information Public Access Act 2009 (GIPA) Council can only reply to the small group of dot points utilised in the documents served. Those points and responses to them are detailed below:

- *OLG - Council does not satisfy the sustainability criteria. While Council forecasts that it will meet the benchmarks, the assumptions identified in its proposal do not appear to be robust to ensure they are achievable in light of past performance.*

**Factually incorrect. Councils FFTF proposal and long term financial plan clearly meet the sustainability criteria as already outlined, however it is the OLG staffs opinion that the assumptions that underpin the forecasts do not appear to be to their satisfaction. The OLG has provided no further details as to what specifically they are referring too other than the factually incorrect dot points below.**

**In light of past performance (Operating Performance Ratio – 2015/16 11.37% Surplus; 2014/15 2.21% Surplus) the forecasts appear more than achievable, probably even conservative.**

**Particularly when you consider that the effects of the 53.07% SRV are only two years out of four years into full fruition and no new operating expenditure increases above indexation are forecast for the forward estimates.**

- *OLG - It appears Council has undertaken a review of its accounting strategies to become FFTF, rather than reviewing its long term financial sustainability measures to identify savings or revenue opportunities.*

**Factually incorrect. TSC is a number of years in advance of most other Councils in NSW in reviewing its long term financial sustainability and**

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**undertaking the tough decisions with regard to making changes and implementing financial reforms to achieve such.**

**This is extensively detailed in Councils approved in full SRV application which goes through considerable details about the cost reduction exercises, efficiency programs, asset reviews, user fees and charges reviews and ultimately the community supported 53.07% rates increase over four years (2014/15 – 2017/18). During this process Council exhausted all avenues for additional income and expense reduction before increasing rates charges to the community in order to deliver a holistically sustainable position for Council.**

**It is this financial sustainability leadership and reform that has now flowed through to concrete financial results (detailed in two years of audited financial statements) being delivered by Council. The inference that Council has just reviewed its accounting strategies to achieve such is both incorrect and offensive to the hard work and leadership of many.**

**TSC has in fact actually already demonstrated (not just talked about) its financial sustainability strategies as can easily be viewed in the actual results posted in its independently verified public documents.**

- *OLG - The strategies that Council has identified to meet the OPR include reducing road maintenance expenses and reclassifying grants from capital to operating. Council has not provided values for these strategies.*

**Factually incorrect. Council in no shape or form in its proposal or long term financial plan has a strategy of reducing road maintenance. In fact Councils road maintenance and renewal expenditure increases year on year in every year of its financial forecast for the next decade.**

**It is believed that the reference to Council reclassifying grants from capital to operating is referring to the Roads to Recovery grants accounting treatment. Prior to 2013/14 TSC had incorrectly classified the R2R funding as capital fixed grant when it is not. This error was in fact discovered by Councils Auditors and was then rectified in the 2014/15 Audited Financial Statements and onward.**

**The classification of the R2R funding as operational is consistent with every single council also audited by Councils auditors and I believe every single Council in NSW.**

**This is because it is the view of the Local Government Auditors Association that this is the correct accounting classification.**

**Council hasn't provided values for these 'strategies' as one of them doesn't exist, neither are strategies and the other one is an accounting classification that is already reflected in the past two years of audit financial statements and common with all Councils in NSW.**

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**The use of this point as one of the foundation stones upon which the reassessment conclusion was reached exemplifies just how unprofessional and ill-informed this reassessment process undertaken has been.**

- *OLG - Council stated that depreciation will be reduced by \$231K in 2015-16 as Rural Fire Service Assets have been removed. However, Council also states that depreciation expense will increase by \$500K following a revaluation of its Road Network.*

**Councils Depreciation expense was reduced by \$231K in 2015-16 as RFS assets previously incorrectly recognised were de-recognised from Councils asset register. This de-recognition of assets that are not under Councils control (see AASB 116) has already been reflected in Councils previous audited Financial Statements after being reviewed and authorised by Councils external auditor.**

**Australian Accounting Standard AASB 116 – Property, Plant & Equipment provides that an asset should only be recognised in an entity's financials when it meets three (3) key requirements:**

- 1. It is probable that future economic benefits associated with the asset will flow to the entity; and**
- 2. The entity has control of the asset or has the ability to limit access from others to the asset; and**
- 3. There is a quantifiable transaction giving rise to the asset.**

**As prescribed by AASB116, Rural Fire Service Assets quite clearly do not meet the requirement for recognition in a Councils financials and in fact it would not only be in breach of Australian Accounting Standards to continue to do so but it would also be misstating Councils financial position by booking a depreciation expenses for an asset that Council does not control and certainly does not have responsibility for renewing or replacing.**

**Council's depreciation expense was increased in 2015/16 by an amount of \$500k, however it was attributable to the revaluation of Councils Bridge Assets (\$400K) and the remainder was due to annual valuation increments. This was not due to the revaluation of the Road Network as stated.**

**It is not clear what the relevance of this comment is as an increase in depreciation actually adds to operating expenses (making sustainability more difficult) and it has already been reflected in audit financial statements that show a General Fund surplus in excess of \$1.339 Million despite this increased expense.**

- *OLG - Council states that the strategies have alleviated the need for a SRV suggested in the original IPART proposal. The proposed SRV would have provided an accumulated increase of \$4.358M in 2025-26.*

**Correct. Council's hard work and discipline have resulted in forward forecasts not requiring the previously foreshadowed second SRV.**

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**The only situation identified in Councils sensitivity analysis modelling was in the highly unlikely situation that the Federal Government Financial Assistance Grant was frozen for an additional nine (9) years. This is not the policy position of the Federal Government. This situation has not even been raised by the Federal Government and would appear ridiculous to consider it a possibility. If this situation were to eventuate then every Council in Australia would need to update their financial forecasts and TSC would consider the need for a second SRV at this time.**

- *OLG - Council states that its rates are one of the lowest in OLG Group 10.*

**Correct. They currently are and at the same time as TSC's actual Operating Performance Ratio is one of the strongest among Group 10 Councils. This doesn't sound like a Council with financial governance so dysfunctional and dire that a Financial Intervention Order is warranted.**

**Council rates by comparison to other Group 10 Councils will increase as the SRV final years come into effect.**

- *OLG - Council has used the assumption that FAGs will increase by 2.5%p.a. for the life of the long term financial plan, and remain constant as required in the guidelines to Council.*

**Correct. The Federal Governments growth forecasts are between 2 and 3% so the midpoint has been taken for the indexation of the FAGs following the completion of the three year freeze process. The FAG is frozen in Councils forecasts until 2017/18.**

**The notion that the FAGs should be forecast as frozen for an additional 9 years is just as incorrect as indexing it by 10%. This is not the position of the Federal Government.**

**A sample of three random Councils who were given 'Fit' status at the recent OLG reassessment have their long term financial plans and FFTF projections based on indexation of their FAG allocations of; CPI annually (approx. 2.2%), 4% per annum and 1% per annum. These Councils all indexed their FAG allocation some by less, one by considerably more, but they were all indexed and they were all classified as fit. This seems completely inconsistent.**

- *OLG - If the RFS depreciation expense and the reduction of the FAGs are added back, it is unlikely that Council will meet the OPR ratio.*

**This makes no sense. It states that if Council undertakes an incorrect treatment of a group of assets and overstates its depreciation expense (non-cash) in contravention of accounting standards and its previous audit financial statements; and it freezes the Financial Assistance Grant allocation for an additional 9 years which is not the position of the Federal Government, is completely improbable to occur and is in conflict to the indexation applied by other Councils assessed as fit during both rounds of FFTF assessment; then it is unlikely that Council will meet the OPR ratio.**

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**That pretty much wraps up this flawed reassessment process that would actually be laughable if it wasn't so serious and affected so much.**

In addition to the responses outlined to the OLG's flawed assumptions above, Council would be more than willing to have an independent Accounting, Audit and Assurance Firm (one of the Big 4) of Councils choosing and at the OLG's expense, engaged to undertake an independent Assurance of Council forward financial projections.

This is a process that has a professional framework around it and these type of engagements are undertaken all of the time for Initial Public Offerings and other Prospectus documents.

### **Based on a series of errors**

The recent serving of this draft Performance Improvement Order on Council appears to be at best a series of considerable errors driven by a lack of professional experience, due care and poor judgement on the behalf of the Office of Local Government staff compounded by OLG senior management endorsing this recommendation through to the Minister without the appropriate checks and verifications.

At worst it appears constructed, a gross overreach of power without any factual justification to do so, made even worse by the approach to cover-up this error by the OLG for self-preservation purposes rather than being accountable and fixing the situation they created.

**Accordingly it is recommended that Council oppose the foreshadowed issuing of this Performance Improvement Order in the strongest possible terms as it is not justified, not required and not right.**

It is also recommended that whilst awaiting response from the Minister for Local Government, Council begin the process to engage a major Audit, Assurance and Accounting Firm to undertake an independent assurance engagement with regard to Councils Fit for the Future projections if the draft Order is not removed.

It is also recommended that Council further direct its lawyers to provide advise with regard to the validity of the points detailed in the draft Performance Improvement Order from s438A(3)(a) of the NSW Local Government Act in light of the facts prevailing in this case. This would be in addition to the advice provided to Council with regard to s413D of the NSW Local Government Regulation.

Finally it is recommended that Council make contact with both of our State and Federal Members in addition to providing them with this report and the response letter to the Minister for Local Government requesting their support in this matter.

### **COUNCIL IMPLICATIONS:**

#### **1. Community Engagement / Communication (per engagement strategy)**

N/A at this time.

#### **2. Policy and Regulation**

- NSW Local Government Act 1993 as amended;
- NSW Local Government (General) Regulations 2005;

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- Australian Accounting Standards, specifically AASB116.

### **3. Financial (Annual Budget & LTFP)**

Impact not able to be accurately quantified at this point.

### **4. Asset Management (AMS)**

Impact not able to be accurately quantified at this point.

### **5. Workforce (WMS)**

Impact not able to be accurately quantified at this point.

### **6. Legal and Risk Management**

Legal advice on a number of matters relating to the draft PIO has been sort and will be addressed separately to this report.

### **7. Performance Measures**

N/A

### **8. Project Management**

N/A

**Damien Connor**  
**General Manager**

Prepared by staff member:	Damien Connor, General Manager	
Approved/Reviewed by Manager:	Damien Connor, General Manager	
Department:	General Managers Office	
Attachments:	<b>1</b> Amended Draft Performance Improvement Order	2 Pages
	<b>2</b> Performance Order - Amended Notice of Intervention	3 Pages
	<b>3</b> Fit for the Future Reassessment	4 Pages
	<b>4</b> Performance Orders Summary Sheet for Councils	1 Page
	<b>5</b> Fit for the Future - Reassessment Submission	20 Pages



**Local Government Act 1993**

**Order under section 438A**

I, the Minister for Local Government, issue this Performance Improvement Order to the Council and/or persons specified in Schedule 1 to undertake the actions described in Schedule 2 within the period specified in Schedule 2.

This Order takes effect upon service on the Council.

Dated:

The Hon Paul Toole MP  
Minister for Local Government

**SCHEDULE 1**

Tenterfield Shire Council

**SCHEDULE 2**

**Reasons for Order – section 438A(3)(a)**

1. The assessment of Council's Fit for the Future (FFTF) reassessment proposal by the Office of Local Government has identified a failure by Council to follow the principles of sound financial management with respect to ensuring that Council's forecast spending is responsible and sustainable, aligning general revenue and expenses (Criteria (a) and (b)).
2. Council's General Fund Long Term Financial Plan forecasts a deficit net operating result before capital grants and contributions from 2017/18 to 2025/26. Council has reported annual deficits before capital in its consolidated fund financial statements over nine of the past ten financial years.  
  
I am concerned that future services will be adversely affected or disrupted due to poor financial governance practices of the current Council. Council has reported operating deficits over a number of years. At the same time, Council's LTFP is not providing a path to achieve a break-even result or an operating surplus in the future. Council will need to consider the long term and cumulative effects of actions on future generations (Criteria (a) and (b)).
3. The Independent Pricing and Regulatory Tribunal (IPART) determined that Council is 'not fit' following the assessment of Council's Fit for the Future Proposal (Criterion (b)).
4. Furthermore, the Office of Local Government has assessed the Council's further submission against the IPART criteria and reports that Council remains 'not fit' (Criterion (b)).

<b>Action required to improve performance – section 438A(3)(b)</b>
<ol style="list-style-type: none"><li>1. That Council develop a Performance Improvement Plan that contains robust financial modelling and strategies which demonstrate:<ol style="list-style-type: none"><li>a. how Council will achieve the five year forecast Operating Performance Ratio (OPR) set out in its reassessment proposal dated July 2016; and</li><li>b. how Council will achieve the five year forecast Building Infrastructure Renewal Ratio (BIRR) set out in its reassessment proposal dated July 2016.</li></ol></li><li>2. The Performance Improvement Plan must:<ol style="list-style-type: none"><li>a. Specify the steps Council will take to implement the strategies identified in the Performance Improvement Plan; and</li><li>b. Identify the person/s responsible for implementing each step/strategy.</li></ol></li><li>3. If the Performance Improvement Plan is satisfactory to the Minister, the Council is to adopt the plan and commence its implementation.</li></ol>
<b>Period for compliance with Order</b>
[Date of service] <ol style="list-style-type: none"><li>1. Compliance report 1: Council must provide the Minister with a written report on its compliance attaching the Performance Improvement Plan for approval within 5 weeks from the date of service.</li><li>2. Compliance report 2: Council must provide the Minister with a written report on its compliance with action 3 within 6 weeks of the Minister's approval of the plan.</li></ol>
<b>Evidence to be provided with the compliance reports</b>
Compliance report 1: A copy of Council's Performance Improvement Plan that is to be submitted to the Minister for approval. Compliance report 2: A copy of Council's resolution adopting the plan.



**The Hon Paul Toole MP**  
Minister for Local Government

Clr Peter Petty & Mr Damien Connor  
Mayor & General Manager  
Tenterfield Shire Council  
PO Box 214  
TENTERFIELD NSW 2372

Ref:  
MIN:  
Doc ID: A519323



6 DEC 2016

**NOTICE OF INTENTION TO ISSUE A PERFORMANCE IMPROVEMENT ORDER  
TO TENTERFIELD SHIRE COUNCIL UNDER SECTION 438A OF THE  
LOCAL GOVERNMENT ACT 1993**

Dear Clr Petty & Mr Connor

In accordance with section 438C of the *Local Government Act 1993* (the Act) I hereby give notice of my intention to issue a Performance Improvement Order (PIO) under section 438A of the Act, for actions to be taken, as identified in the draft PIO, to improve the performance of the Council.

Section 438B(2) of the Act requires me to consider the performance improvement criteria prescribed by clause 413D of the Local Government (General) Regulation 2005 before issuing an PIO:

- "(a) whether the council concerned has failed to comply with its legislative responsibilities, standards or guidelines;*
- (b) whether there are significant risks facing the council that are not being addressed;*
- (c) whether previous intervention attempts have failed;*
- (d) whether council business is being disrupted and the council failing to exercise its functions;*
- (e) whether the appointment of a temporary adviser is necessary, in the opinion of the Minister, to restore the proper or effective functioning of the council;*
- (f) whether there is a pattern of poor or inappropriate behaviour, either by one or more councillors or members of staff of the council, that has not been rectified;*
- (g) any other matter that, in the opinion of the Minister, is relevant to the issuing of the order."*

I have considered these mandatory criteria in the context of the factual findings listed below. On balance, I have decided that action must be taken to improve the Council's performance.

**The reasons why I, as Minister, propose to issue a PIO (section 438A(3)(a)).**

1. The assessment of Council's Fit for the Future (FFTF) reassessment proposal by the Office of Local Government has identified a failure by Council to follow the principles of sound financial management with respect to ensuring that Council's forecast spending is responsible and sustainable, aligning general revenue and expenses (Criteria (a and b)).
2. Council's General Fund Long Term Financial Plan (LTFP) forecasts a deficit net operating result before capital grants and contributions from 2017/18 to 2025/25. Council has reported annual deficits before capital in its consolidated fund financial statements over nine of the past 10 financial years.

I am concerned that future services will be adversely affected or disrupted due to poor financial governance practices of the current Council. Council has reported operating deficits over a number of years. At the same time, Council's LTFP is not providing a path to achieve a break-even result or an operating surplus in the future. Council will need to consider the long term and cumulative effects of actions on future generations (Criteria (a) and (b)).

3. The Independent Pricing and Regulatory Tribunal (IPART) determined that Council is 'not fit' following the assessment of Council's Fit for the Future Proposal (Criterion (b)).
4. Furthermore, the Office of Local Government has assessed the Council's further submission against the IPART criteria and reports that Council remains 'not fit' (Criterion (b)).

**The terms of the proposed PIO, including the period for compliance with the order (section 438C(2)(a)).**

The attached proposed PIO is intended to form part of this notice. As required by section 438C(2)(a), the terms of the proposed PIO and period for compliance are specified in the proposed Order. As required by section 438A(3)(b), the actions required to be taken to improve the performance of the Council are specified in the PIO.

**The actions that may be taken by me, as Minister, if a PIO is not complied with (section 438C(2)(c)).**

If a PIO is not complied with, I may consider:

- (i) issuing a further PIO; and/or
- (ii) temporarily suspending the Council under Chapter 13, Part 7 of the Act.

Invitation to make submissions to me regarding the proposed PIO (sections 438C(3) and (4)).

I invite Council to make submissions to me in respect of the proposed PIO. Should Council choose to make submissions, they must be provided to me no later than 18 days from the date upon which this notice is served on it.

I will consider all submissions made to me by Council during this period before deciding whether to issue a PIO.

It is suggested that Council tables this notice at an open Council meeting and provides its submissions by way of resolution of the Council.

I have attached an information sheet about the process for the issuing of PIOs.

Signed on this 6th day of Dec 2016



Paul Toole MP  
Minister  
Encl





**The Hon Paul Toole MP**  
Minister for Local Government

Clr Peter Petty & Mr Damien Connor  
Mayor and General Manager  
Tenterfield Shire Council  
PO Box 214  
TENTERFIELD NSW 2372

Ref:  
MIN:  
Doc ID: A513599



6 DEC 2016

Dear Clr Petty and Mr Connor

I would like to thank Tenterfield Shire Council for submitting its reassessment proposal under the July 2016 *Fit for the Future* reassessment program.

The Government is committed to real and meaningful reform that will strengthen the system of local government across the State. The *Fit for the Future* (FFTF) program is a key reform initiative aimed at ensuring that councils are able to deliver the quality services and infrastructure that NSW communities deserve.

The Office of Local Government (OLG) has assessed Council's proposal against the Financial Sustainability criteria and associated benchmarks and has found Tenterfield Shire Council to be 'not fit'.

The assessment has been made based on Council's FFTF reassessment proposal, Council's Long Term Financial Plan (LTFP) and other available data. The key results from Council's reassessment have been attached.

The OLG FFTF Reassessment Report, including Council summaries, will be published on the NSW Government's *Fit for the Future* website.

I acknowledge the work the Council has undertaken to improve its financial situation since its first assessment in 2015 and I appreciate that genuine efforts have been made to move towards becoming a 'fit' and sustainable council.

The OLG is committed to supporting Tenterfield Shire Council as it continues on its path to long-term financial sustainability by making the changes required to improve its performance.

**Proposed Performance Improvement Order**

As a result of this reassessment, I propose to issue a PIO under section 438A of the *Local Government Act 1993*. As such, please find attached a Notice of Intention under section 438C of the Act which invites Council to make submissions to me in respect of the proposed PIO. I am providing Council with 18 days in which to make its submissions.

I recognise that Council has taken steps to address the Financial Sustainability criteria and associated benchmarks. I trust that Council will address in its submissions the issues raised in the reassessment and continue to demonstrate its commitment to becoming a 'fit for the future' council.

A decision as to whether to issue the PIO will not be made until early in 2017.

Yours sincerely



Paul Toole MP  
**Minister**

Attach

Key results from the reassessment of Tenterfield Shire Council are as follows:

**Fit for the Future Reassessment – NOT FIT**

- Council does not satisfy the sustainability criteria. While Council forecasts that it will meet the benchmarks, the assumptions identified in its proposal do not appear to be robust to ensure they are achievable in light of past performance.
- It appears Council has undertaken a review of its accounting strategies to become FFTF, rather than reviewing its long term financial sustainability measures to identify savings or revenue opportunities.
- Council's submission and additional information does not clearly articulate Council's financial sustainability plans.

**Sustainability – Does not satisfy**

- The strategies that Council has identified to meet the OPR include reducing road maintenance expenses and reclassifying grants from capital to operating. Council has not provided values for these strategies.
- Council stated that depreciation will be reduced by \$231K in 2015-16 as Rural Fire Service (RFS) assets have been removed. However, Council also states that depreciation expense will increase by \$500K following a revaluation of its road network.
- Council states that the above strategies have alleviated the need for the SRV suggested in the original IPART proposal. The proposed SRV would have provided an accumulative increase of \$4.358M in 2025-26.
- Council states that its rates are one of the lowest in OLG group 10.
- Council has used the assumption that FAGs will increase by 2.5% p.a. for the life of the long term financial plan, and remain constant as required in the guidelines to Council.
- If the RFS depreciation expense and the reduction of the FAGs are added back, it is unlikely that Council will meet the OPR ratio.
- Council met the OSR ratio in the original IPART assessment and was not required to be reassessed on the criterion.
- Council forecasts its BIRR to be 101% in 2025-26 which meets the benchmark.
- Council has documented strategies, milestones, outcomes and responsible officers to address its asset renewal ratio, including strategies such as completing an asset disposal program, implementing an integrated asset management system, and reviewing and rationalising Council's asset base.

**Infrastructure and service management – Satisfied**

- Council satisfied the infrastructure and service management criterion in the original IPART assessment.
- Council has forecast the IBR ratio to be 7.3% in 2015-16 and 0.4% in 2020-21 which meets the benchmark.
- Council has forecast the AMR ratio to be 110% to 2025-26 which meets the benchmark.



- Council has forecast the DSR to be 3.9% in 2015-16 and 1.6% in 2020-21 which meets the benchmark.

**Efficiency – Satisfied**

- Council satisfied the efficiency criterion in the original IPART assessment.
- Council reports a decline in real operating expenditure from \$196 per person in 2015-16 to \$182 in 2025-26.



Office of  
Local Government

## Quick Guide to Performance Improvement Orders PROCESS FOR COUNCILS

Councils are responsible for driving their improvement and are generally best placed to do so. Where councils are dysfunctional or failing to meet their legal obligations, the Minister for Local Government and the Office of Local Government encourage and support councils to act voluntarily to fix the problem. Where this fails, powers to issue performance improvement and suspension orders may be used.

### HOW DOES THE PROCESS WORK?

- Notice of intention to issue a performance improvement order will be given.
- Councils will be given no less than 7 days to respond.
- Notices of intention and orders will outline what is required.
- Council should consider and table the notice of intention at an open council meeting.
- Council should provide its response to the notice of intention by resolution.
- The Minister is required to consider council's submission when making a decision.
- Council should table a performance improvement order at the next available council meeting.
- Council is required to publish the order on its website.
- Council will be required to complete a compliance report on the implementation of the performance improvement order.
- If a temporary adviser is appointed, the council, councillors and members of staff are required to co-operate with the temporary adviser. This includes providing any information or assistance that the adviser reasonably requires to exercise his or her functions.
- If a temporary adviser is appointed, the council is required to provide the temporary adviser with an opportunity to review any proposed compliance report at least 14 days before it is given to the Minister. A copy of the reviewer's comments (if any) is to be provided to the Minister. Failure to comply with this is a contravention of the legislation.
- The Office of Local Government will monitor the implementation of performance improvement orders.
- Council will be advised in writing of the outcome of the Minister's consideration of its compliance report.
- The Office will publish orders, compliance reports and monitoring assessments on its website.

This is a quick guide to how the process of issuing a performance improvement order will work. Further detail is contained in the Framework for Implementing Early Intervention Orders. This document, available at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au), provides more detail about who can request an order, the criteria for issuing orders, actions the Minister must take to ensure procedural fairness (e.g. notice requirements) and procedures for implementation, including actions required by councils.

Version: February 2016

## Council Reassessment Proposal



## Getting started . . .

Before you commence this template, please check the following:

- The Office considers this proposal should not be an onerous undertaking for Council, and encourages you to keep responses to a maximum of 500 words, ensuring the information is directly relevant to your proposal.
- Proposals should be completed within the template format provided.
- Specific references to the relevant page and/or paragraph of any attachments should also be included in your response.
- Refer to the *Fit for the Future Financial Criteria Reassessment Guidelines* as you complete your proposal template.
- Council is only required to submit for reassessment, those areas that IPART considered 'did not satisfy' the *Fit for the Future* benchmarks.
- Councils in OLG groups 8 – 11, should submit the Own Source Revenue ratio including and excluding Financial Assistance Grants (FAG) allocation.
- Councils in OLG groups 8 – 11, have until 2024/25 to achieve the benchmarks.
- FAG allocations should be calculated on Council's current funding allocation.
- The indicators are to be actual or forecast figures for each year, **not** a 3 year average as previously reported in Council's proposal assessed by IPART.
- Council should also include the Income Statement from its Long Term Financial Plan (LTFP); a hyperlink to your full LTFP; and any other documents relevant to your Council's proposal.
- You are invited to contact the Office, should you wish to further clarify your Council's proposal.
- Council should forward a copy of the Council resolution endorsing the revised proposal when available.
- Actual results for 2015/16 should be included even if they have not been audited at the time of submission. They will be treated as preliminary results.

**Council name:**

**Tenterfield Shire Council**

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**Date of Council resolution endorsing  
this submission:**

**Wednesday 27<sup>th</sup> July 2016**

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## **1.1 Executive Summary**

Provide a summary (up to 1000 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies following IPART's initial assessment.

Council's benchmark ratios show considerable improvement from the forecast results included in Councils original Fit for the Future (FFTF) submission previously provided to IPART, confirming that the strategies Council has put in place previously and those scheduled for the forward period are being implemented and are having the desired effect.

Council's initial FFTF submission proposed a Special Rate Variation (SRV) of 3% above the Rate Peg, for a (7) year period from 2018/19 to 2024/25. This has now been removed entirely from Councils Long Term Financial Plan and accordingly from our revised FFTF plan and forward estimates.

The extensive improvement program that has been delivered at Tenterfield over the past 3 years coupled with the flow-on positive impact of Councils previous special rates variation has placed TSC in a very solid position from which to commence the next stage of our community strategies.

With the recent commencement of a new General Manager and the upcoming election of a new Council in September we have an excellent opportunity to review our long term strategies and accordingly in the next 6 months we will be reviewing and reconstructing all of our integrated strategic plans.

This will allow Council to engage the community and to recommit to a number of programs and policy positions that will see our Council continue to increase its capacity and capability; move into a holistically sustainable position in the very short term and then continue to build on this position and the prosperity of our community in the mid and longer terms.

The headline improvement strategies to be implemented by Tenterfield Shire Council in the near term include:

- The implementation of Council's new Organisation Development Strategy and related Action Plan to further build on Council organisation capacity and capability;
- The undertaking of major service reviews for a number of targeted service areas during the 2016/17 and 2017/18 financial years;
- The implementation of a rolling service review program to be undertaken on all service areas at least once during every four year cycle;
- The complete review of all Business Plans and strategies for Council's commercial business undertakings;
- A further review of all of Council's User Fees and Charges in 2016/17 to ensure that income is maximised as much as possible under a revised user pays philosophy;
- A further investigation of expanded opportunities for resource sharing or joint tendering with neighbouring and other regional Councils;
- The implementation of a number of systems to maximise automation and improve Council's data collection and business intelligence capabilities;
- The ongoing implementation of Council's Workforce Management Strategy and the targeted actions contained therein;

All of these items are detailed further in the body of the submission below.



Sustainability				
Measure/ benchmark	Actual 2015 / 2016 performance	Achieves FFTF benchmark?	Forecast 2020 / 2021 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even – actual/forecast year only)	5.18%	Yes	1.27% Actual Year 0.90% 3 Year Average	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60% - actual/forecast year only)				
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% - actual/forecast year only)	221.04%	Yes	107.66 3 Year Average 78.94% Actual Year	Yes

What measures has council implemented to achieve the benchmarks following Council's initial proposal?

**Operating Performance Ratio**

Council has been able to improve its annual Operating Performance Ratios considerably from those forecast in our initial Fit for the Future submission, including delivery of a solid surplus operating result in the current year and then forecasting considerably improved operating performance results across the forward estimates.

This has been able to be achieved at the same time as the previously proposed special rates variation (SRV) programmed for 3% per annum for 7 years from 2018/19 to 2024/25 has been removed entirely from Councils Long Term Financial Plan.

Both of these outcomes have been able to be delivered while not adversely impacting on other key performance indicators, in fact the other FFTF measures have also had minor improvements.

All of this is a considerable achievement and has resulted from the perseverance and commitment of Council and our staff in delivering a number of initiatives and reviews aimed at improving Councils long term sustainability.

Below are a number of other factors that have also contributed to the improved results:

- 1) Workers compensation costs which were previous trending upwards have now been retified due to an improved focus and resources being allocated to case management;
- 2) An on-going program of cost containment has been successful in reducing increases in operating expenses. In 2016/17 over 150 budget line items were held constant (decreased in real terms) or reduced;
- 3) Increased focus on road infrastructure renewal and planned maintenance instead of more costly reactive maintenance has reduced operating expenses;
- 4) A reduction of superannuation expenses due to the discontinuance of additional contributions for members of the defined benefit scheme;
- 5) The reclassification of the Roads to Recovery Grant from a Capital Grant to an Operating Grant in line with Industry Practice has improved operating income;
- 6) Council no longer records Rural Fire Service Assets resulting in a significant depreciation reduction.

#### **Building & Infrastructure Asset Renewal**

Council now meets the Building & Infrastructure Asset Ratio without including the aforementioned previously proposed Special Rates Variation. This is due to the following:

- 1) Use of additional liquidity achieved by reducing operating costs and investing in asset renewal;
- 2) An increased use of borrowings to invest in infrastructure asset renewal to support the principle of inter-generational equity.

The optimum intervention points for asset renewal/replacement often dictates the exact timing of works and along with funding fluctuations can have an impact on this ratio on a single year to year basis but a 10 year average of 129.47% shows Councils commitment to building and infrastructure asset renewal.



## Sustainability

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

Not applicable

## How will your council become Fit for the Future?

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2020/21 period, (2025/26 for OLG group 8-11) including the outcomes you expect to achieve.

See table below.

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

See table below.

Sustainability									
Objective 1 - Improve Councils Operating Performance Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
1.1	Undertake service level reviews of targeted service areas	Review of Plant & Fleet undertaken and recommendations implemented		X	X		Plant and Fleet utilisation improved and whole of life cost minimised.	Real Operating Expenditure Ratio	DES/DCS
		Review of Open Space and Recreation Services undertaken and recommendations implemented		X	X		Open Space and Recreation strategy adopted. Streamlined land inventory. Improved efficiency.	Own Source Revenue Ratio Asset Maintenance Ratio	DPES
1.2	Review strategies and business plans of Councils commercial business units	Strategy and business plan review of Waste Management operations undertaken	X	X			Revenue increased and real expenditure reduced.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Water Fund undertaken		X			Dividend payment obtained. Profit margin improved.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Sewer Fund undertaken		X			Dividend payment obtained. Profit margin improved.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Saleyards undertaken		X			Improved asset renewal. Profit margin improved.	Own Source Revenue Ratio	DPES
		Recommendations from strategy and business plan reviews of commercial undertakings implemented		X	X		Revenue maximised and profit margins improved.	Own Source Revenue Ratio	DES

Objective 1 - Improve Councils Operating Performance Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
1.3	Implement a Council efficiency program (Innovation fund) and an expenditure reduction dividend	Annual expenditure reduction dividend determined and achieved	X	X	X	X	Reduction in real expenditure each year over four year period	Real Operating Expenditure Ratio	EXEC
1.4	Undertake major review of all fees and charges	Review of all fees and charges completed	X				Opportunities for increasing revenue identified.	Own Source Revenue Ratio	DCS
		Changes to discretionary user fees and charges to ensure cost recovery implemented		X			Minor increase in own source revenue.	Own Source Revenue Ratio	DCS
		Changes to community benefit fees and charges to minimise service net cost completed		X			Minor increase in own source revenue and/or decrease in service net cost.	Own Source Revenue Ratio	DCS
1.5	Investigate further opportunities for economies of scope (shared services)	Investigations into potential service sharing opportunities undertaken		X	X		Reduction in expenditure and improvement in service delivery	Real Operating Expenditure Ratio	GM
		Investigation into joint tendering opportunities completed		X			Reduction in expenditure and improvement in service delivery	Real Operating Expenditure Ratio	GM
		Further develop existing Resource Sharing MOU arrangements with Southern Downs Regional Council		X			Reduction in expenditure and improvement in service delivery	Real Operating Expenditure Ratio	GM

Objective 1 - Improve Councils Operating Performance Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
		Major review of Procurement completed		X			Reduction in expenditure and improvement in controls	Real Operating Expenditure Ratio	DCS
1.6	Review and rationalise Councils asset base	Identification of surplus or inefficient assets for disposal		X	X		Remove surplus assets and free up funds for other purposes		EXEC
		Identification of surplus Council land for development and/or sale		X	X		Remove surplus assets and free up funds for other purposes		EXEC
		Complete asset disposal program for surplus and inefficient assets			X		Remove surplus assets and free up funds for other purposes	Asset Renewal Ratio	EXEC

Objective 2 - Maintain and build Councils Own Source Revenue Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
2.1	Review strategies and business plans of Councils commercial business units	Strategy and business plan review of Waste Management operations undertaken	X	X			Revenue increased and real expenditure reduced.	Operating Performance Ratio	DES
		Strategy and business plan review of Water Fund undertaken		X			Dividend payment obtained. Profit margin improved.	Operating Performance Ratio	DES
		Strategy and business plan review of Sewer Fund undertaken		X			Dividend payment obtained. Profit margin improved.	Operating Performance Ratio	DES
		Recommendations from strategy and business plan reviews of commercial undertakings implemented		X	X		Revenue maximised and profit margins improved.	Operating Performance Ratio	DES
2.2	Undertake major review of all fees and charges	Review of all fees and charges completed	X	X			Opportunities for increasing revenue identified.	Operating Performance Ratio	DCS
		Changes to discretionary user fees and charges to ensure cost recovery implemented		X			Minor increase in own source revenue.	Operating Performance Ratio	DCS
		Changes to community benefit fees and charges to minimise service net cost completed		X			Minor increase in own source revenue and/or decrease in service net cost.	Operating Performance Ratio	DCS

Objective 3 - Maintain Councils Asset Renewal Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
3.1	Undertake major review of asset strategy, systems and data	Major review of Councils asset management plans and asset management strategy completed	X				Aligned and integrated asset replacement and renewal strategy and programs	Asset Maintenance Ratio	DES/GM
		Implementation of an integrated asset management system		X	X		Improved asset data, modelling and business intelligence capability.	Asset Maintenance Ratio	DES
		Implementation of mobile asset technology and data collection systems			X	X	Improved efficiency in data collection, use and functionality.	Asset Maintenance Ratio	DCS/DES
3.2	Undertake major review of asset valuations and depreciation methodology	Review of asset valuations and depreciation methodology completed for all asset classes		X			Confirm accuracy of valuation data and depreciation expense		DCS/DES/DPES
3.3	Review and rationalise Councils asset base	Identification of surplus or inefficient assets for disposal		X	X		Remove surplus assets and free up funds for other purposes		EXEC
		Identification of surplus Council land for development and/or sale		X	X		Remove surplus assets and free up funds for other purposes		EXEC
		Complete asset disposal program for surplus and inefficient assets			X		Remove surplus assets and free up funds for other purposes	Operating Performance Ratio	EXEC

Infrastructure and Service Management									
Objective 4 - Reduce and eliminate Councils Infrastructure Backlog									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
4.1	Review asset backlog against revised asset strategy and data	Councils identified backlog is documented in the AMS, evidence based and a schedule to address is adopted	X	X			Accurate backlog figures and a schedule to eliminate is adopted		DES/DPES
		A catalogue of assets not to be replaced at the end of useful life is constructed		X			Asset backlog isn't overstated. Clear communication to the community.	Asset Renewal Ratio	DES/DPES
Objective 5 - Maintain Councils Asset Maintenance Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
5.1	Implement an integrated asset management system	Implementation of an integrated asset management system completed		X	X		Improved asset data, modelling and business intelligence capability.	Asset Renewal Ratio	DES/DCS/DPES
		Detailed preventative and reactive maintenance programs constructed			X	X	Improved effectiveness of asset maintenance expenditure	Asset Renewal Ratio	DES/DPES
		Asset Maintenance data, modelling and business intelligence functionality implemented			X	X	Asset Maintenance informing data, modelling and business intelligence capability improved	Asset Renewal Ratio	DES/DCS/DPES
Objective 6 - Maintain a balanced Debt Service Ratio									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
6.1	Utilise debt were identified for long life assets to facilitate intergenerational equity	Revised Council Borrowing Policy and Capital Expenditure Guidelines	X	X			Effective use of debt.		GM/DCS
6.2	Take advantage of low interest rate environment and borrowing subsidies to bring forward infrastructure delivery were economically justified	T-Corp application lodged for identified infrastructure delivery.		X	X	X	Effective use of debt. Subsidised cost of debt.	Infrastructure Backlog	GM/DCS

Objective 7 - Maintain Councils Real Operating Expense Trend									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
7.1	Development and implementation of Councils Organisation Improvement Strategy and Action Plan	Implementation milestones contained in the action plan met	X	X	X		Improved organisation capacity, capability, efficiency and effectiveness.	All	GM/EXEC
7.2	Implement a rolling service review program in combination with adoption of a business excellence program	Rolling service review program implemented		X			Services regularly and systematically reviewed minimise net cost and improve service delivery	Operating Performance Ratio	GM/EXEC
		Business excellence framework implemented			X		Improved performance benchmarking, delivery of goals and strategies and focus on sustainability.	All	GM/EXEC
7.3	Implement a Council efficiency program (Innovation fund) and an expenditure reduction dividend	Annual expenditure reduction dividend determined and achieved	X	X	X	X	Reduction in real expenditure each year over four year period	Operating Performance Ratio	EXEC
7.4	Investigate further opportunities for economies of scope (shared services)	Investigations into potential service sharing opportunities undertaken		X	X		Reduction in expenditure and improvement in service delivery	Operating Performance Ratio	GM
		Investigation into joint tendering opportunities completed		X			Reduction in expenditure and improvement in service delivery	Operating Performance Ratio.	GM
		Further develop existing Resource Sharing MOU arrangements with Southern Downs Regional Council		X			Reduction in expenditure and improvement in service delivery	Operating Performance Ratio	GM
		Major review of Procurement completed		X			Reduction in expenditure and improvement in controls	Operating Performance Ratio	DCS

Objective 7 - Maintain Councils Real Operating Expense Trend									
Item No.	Strategies	Key Milestones	2016/17	2017/18	2018/19	2019/20	Outcome	Other Measures Impacted	Resp Officer
7.5	Develop Councils budget management, project management and business planning systems and skills	Implementation of WMS action plan annual milestones	X	X	X	X	Improved organisation capacity and management skills		ODM/EXEC
		Implementation of electronic long term financial and budget management systems	X	X			Improved LTTP development and proactive budget management	Operating Performance Ratio	DCS
		Implementation of project management framework and associated system and procedures		X	X		Improved project scoping, planning, resourcing, delivery, and review.		GM/EXEC



## Improvement Action Plan

### Action plan

2016-17 Improvement Action Plan						
Item No.	Strategies	Key Milestones	2016/17	Outcome	Other Measures Impacted	Resp Officer
1.2	Review strategies and business plans of Councils commercial business units	Strategy and business plan review of Waste Management operations undertaken	X	Revenue increased and real expenditure reduced.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Water Fund undertaken	X	Dividend payment obtained. Profit margin improved.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Sewer Fund undertaken	X	Dividend payment obtained. Profit margin improved.	Own Source Revenue Ratio	DES
		Strategy and business plan review of Saleyards facility undertaken	X	Improved asset renewal. Profit margin improved.	Own Source Revenue Ratio	DPES
1.3	Implement a Council efficiency program (Innovation fund) and expenditure reduction dividend	Annual expenditure reduction dividend determined and achieved	X	Reduction in real expenditure over four year period	Real Operating Expenditure Ratio	EXEC
1.4	Undertake major review of all fees and charges	Review of all fees and charges completed	X	Opportunities for increasing revenue identified.	Own Source Revenue Ratio	DCS
1.6	Investigate further opportunities for economies of scope (shared services)	Investigation into joint tendering opportunities completed	X	Reduction in expenditure and improvement in service delivery	Real Operating Expenditure Ratio	GM

2016-17 Improvement Action Plan						
Item No.	Strategies	Key Milestones	2016/17	Outcome	Other Measures Impacted	Resp Officer
7.2	Develop a rolling service review program in combination with adoption of an innovation and business excellence program	Rolling service review program developed	X	Services regularly and systematically reviewed minimise net cost and improve service delivery	Operating Performance Ratio	GM/EXEC
7.5	Develop Councils budget management, project management and business planning systems and skills	Implementation of WMS action plan annual milestones	X	Improved organisation capacity and management skills		ODM/EXEC
		Implementation of electronic long term financial and budget management systems	X	Improved LTFFP development and proactive budget management	Operating Performance Ratio	DCS

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

Council's improvement program and action plan were constructed internally by Council senior staff and reviewed and adopted by the full Council.

Council undertook community workshops and surveys as part of the engagement program associated with the original FFTF program which identified clear themes on the community's preferences for addressing Councils operating performance ratio improvement and other sustainability improvements more broadly. This engagement program and the data collected informed the approaches taken and actions identified in the development of the original and revised action plan.

Council workshops were conducted at regular intervals throughout the original FFTF program and the development of Councils submission, in order to engage, inform and consult Councillors and the Community throughout the process.

A workshop was held on the 13<sup>th</sup> of July 2016 to present and detail Councils draft FFTF resubmission and to discuss the revisions to the original Fit for the Future Program, analysing the implication to Council, the deliverables required and to look at available settings/options in addressing the resubmission requirements.

A final report was presented to the July Ordinary Council Meeting held on the 27<sup>th</sup> of July 2016 which presented the final draft FFTF resubmission and was subsequently adopted by Council.

## 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.

With the recent commencement of a new General Manager, Council will be reviewing all of its strategy and undertaking reviews of all of its services business plans in the short term to identify opportunities to improve Councils performance and position above and beyond those items set-out in this improvement program resubmission.

This coupled with the fact that Council now meets 6 of the 7 key fit for the future criteria and will meet the 7<sup>th</sup> criteria (Infrastructure Backlog) within 12 months has precluded the need to pursue other actions then those planned and progressed over the previous 3 years and those programmed for the short and mid-term moving forward.

Expected improvement in performance												
Measure/ benchmark	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 (Group 8-11 Councils only)	2022/23 (Group 8-11 Councils only)	2023/24 (Group 8-11 Councils only)	2024/25 (Group 8-11 Councils only)	2025/26 (Group 8-11 Councils only)	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break- even)	5.18%	6.51%	-0.88%	-1.29%	2.73%	1.27%	2.28%	1.79%	1.93%	1.23%	1.65%	Yes
<b>Own Source Revenue Ratio</b> (Greater than 60%)	60.33%	65.54%	58.38%	63.98%	77.62%	77.73%	77.90%	78.24%	78.39%	78.43%	78.59%	Yes
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100%)	221.04%	157.39%	207.36%	159.88%	84.17%	78.94%	100.16%	100.52%	100.20%	101.20%	100.91%	Yes
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	4.11%	2.47%	1.88%	1.50%	0.92%	0.38%	0.10%	0.08%	0.08%	0.07%	0.07%	Yes
<b>Asset Maintenance Ratio</b> (Greater than 100% )	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	Yes

Measure/ benchmark	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 (Group 8-11 Councils only)	2022/23 (Group 8-11 Councils only)	2023/24 (Group 8-11 Councils only)	2024/25 (Group 8-11 Councils only)	2025/26 (Group 8-11 Councils only)	Achieves FFTF benchmark?
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20%)	3.92%	3.35%	3.13%	3.08%	2.89%	1.82%	1.94%	1.80%	1.72%	2.07%	1.61%	Yes
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time	1.96	1.92	1.94	1.92	1.91	1.91	1.87	1.86	1.84	1.84	1.82	Yes

Include Council's Income Statement from its Long Term Financial Plan, as well as a hyper link to Council's full Long Term Financial Plan. Also provide a link to Council's original FFTF submission to IPART and any other documents relevant to Council's proposal.

## 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.

Not applicable. All benchmarks being met.

## Putting your plan into action

How will your council implement your Improvement Action Plan?

- **Project Sponsor – Council**
- **Overall Project Manager – General Manager**
- **Action Delivery Managers – Executive Management Team**

Council is responsible for allocating the appropriate resources to deliver Councils Improvement Program and Action Plan.

The General Manager will provide reporting on the progress in delivery of the Improvement Program to Council on a six monthly basis. The report will detail progress made against each of the Action Plan items.

A section of Councils Annual Report will also be dedicated to reporting on the progress made in implementing the Improvement Program during the completed financial year.

Councils Action Plan items will be incorporated into Councils Corporate Performance reporting suite and will be added as a standing agenda item in the Executive Business Paper on a monthly basis.

Each action plan item has been delegated to a member of the Executive Management Team as the responsible manager and the responsibility matrix is included in Councils Action Plan contained in this submission.

