Warrumbungle Shire Council

Becoming Fit for the Future

Improvement Action Plan

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1.Introduction

On 10 September 2014 the Office of Local Government (OLG) announced the Fit for the Future (FFF) reform package, which requires Council to submit a proposal by 30 June 2015 on how Council plans to become “Fit for the Future”.

Under the Fit for the Future program, Council has available to it three options when preparing its FFF proposal **Option 1:** Merger Option (Template 1); **Option 2**: Council Improvement Option (Template 2); and **Option 3**: Rural Council Option (Template 3). In the February 2015 Council meeting, Council decided per **Resolution 241/1415** to pursue the Council Improvement Option, remain a stand alone Council and prepare Template 2 for submission to the OLG by 30 June 2015.

As part of Council’s Template 2 Fit for the Future (FFF) Road Map, Council must demonstrate strategies to improve its performance against three (3) of the four (4) Fit for the Future Criteria – Sustainability, Infrastructure and Service Management, and Efficiency. Council was deemed to meet the first of the four criterion (Scale and Capacity) in the Local Government Review Panel Report, and will not need to demonstrate how it meets this criteria in its FFF Roadmap. Council must now demonstrate how it will meet the remaining three criteria to ensure that it is Fit for the Future. See details of how the remaining three benchmarks are measured in the table below:

Measure	Ratio
Sustainability - Generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the intergrated planning and reporting process.	1. Operating Performance Ratio (> or equal to break even over 3 years) 2. Own Source Revenue Ratio (>60% over 3 years) 3. Building and Infrastructure Asset Renewal Ratio (>1 over 3 years)
Effective infrastucture and service management - Maximise return on resources and minimise unnecessaary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the intergerated planning and reporting process.	1. Infrastructure Backlog Ratio (<2%) 2. Asset Maintenance Ratio (>1%) 3. Debt Service Ratio (>0 and less than 0.2)
Efficiency - Efficient service and infrastructure delivery achieving value for money for current and future rate payers	- Real Operating Expenditure per capita over time

2. Previous Performance Against the FFF Benchmarks

As mentioned in the introduction section, Council has been deemed to have the Scale and Capacity to pursue the Council Improvement Option (via the completion of Template 2) and remain a stand alone Council as per February resolution (241/1415). In order for Council to demonstrate that it is Fit for the Future, Council must now demonstrate how it will meet the remaining criteria.

In November Council completed the OLG Self Assessment Tool which was used to measure Council's performance against the Sustainability, Effective Infrastructure and Efficiency benchmarks over the last three years. Details of Council's performance against the benchmarks per the OLG Self Assessment Tool can be found in the table below:

Measure	Benchmark	Average last 3 years	KPI Met?	Trend	Notes
Sustainability					
Operating Performance Ratio	>= to zero	**(13.8)%**	**No**	**Neutral**	General Improvement between 11/12 and 12/13 with a large deterioration in 13/14 due predominantly to the FAGs grants impact.
Own Source Revenue Ratio	>60%	**50%**	**No**	**Positive**	Increased from 45% to 55.9% over the last three years. It should be noted that the 2013/14 result was significantly impacted by the FAGs grant.
Asset Renewal Ratio	>1	**67.2%**	**No**	**Positive**	Recent trend has been positive, with the last two years both above 73%. **Note:** this ratio could be skewed due to overly conservative roads depreciation figures.
Effective Infrastructure					
Infrastructure Backlog Ratio	<2%	**5.01%**	**No**	**Positive**	Accuracy of numbers has varied over recent years, and the backlog has improved as information accuracy is improved. 2013/14 numbers are now relatively accurate, except for the backlog for roads which will be reviewed as part of the 2014/15 roads revaluation.
Asset Maintenance Ratio	>1	**1.039**	**Yes**	**Positive**	Council meets the benchmark but Improvement is needed on estimated required maintenance numbers
Debt Service Ratio	>0 but <0.2	**0.0183**	**Yes**	**Stable**	Council meets benchmark

Measure	Benchmark	Average last 3 years	KPI Met?	Trend	Notes
Efficiency					
Real Operating Expenditure per Capita	Decrease	**Increase**	**No**	**Most Likely Negative**	This ratio is difficult to measure as a large portion of our operational expenditure relates to items such as work on the state roads or the allocation of salaries/plant between capital and recurrent works which varies year on year.

As can be seen from the information above, Council must work towards meeting some of the benchmarks. However, Council has demonstrated positive trends against most of these benchmarks over the last three years, especially when looking at the consolidated position as opposed to only the General Fund.

As part of the FFF program, Council must now identify possible cost savings and efficiency improvements within its business in order to demonstrate that Council will meet the remaining three FFF criteria. The purpose of this paper is to detail suggested Improvement Action Plans and their impact (if adopted) on Council's performance against the FFF benchmarks. These suggested Improvement Action Plans will then allow Council and the wider public to make an informed decision on what actions will need to be taken by Council over the following five years to ensure that Warrumbungle Shire Council can become Fit for the Future.

3. Possible Improvement Action Plans

Over the last three years (post Council completing its Long Term Financial Plan as part of the IP&R journey), Council has made significant strides in addressing its financial performance and position, including reviewing its capital program, upgrading its reporting capacity through the purchase of new finance and Customer Records Management systems, entering into new businesses (the quarry) and ensuring the business arms of Council are full cost recovery. Prior to the 2013/14 decision to not bring forward the Financial Assistance Grants (FAGs) and the subsequent pause in indexation of these grants Council was starting to make real headway in its effort to become financially sustainable.

Unfortunately, a worsening funding environment due to the FAGs adjustments and imposed statutory limitations on Council revenue, and the need for Council to become more self reliant in the face of reduced grants income means that Council must now do even more to improve its financial performance going forward. In light of this and the need for Council to prepare a Fit for the Future roadmap, Council has further reviewed its operations and arrived at a list of possible Improvement Action Plans that can be utilized to ensure that Council is Fit for the Future.

A listing of suggested Improvement Action Plans recommended for Council adoption has been provided in the table below. The table is split into Action Plans that are directly under Council control, that require decisions by third parties such as other levels of government, and that are long term options that require further investigation.

Table 1: Improvement Action Plans Recommended for Adoption by Council

No	Measure	Annual Saving	Details
	Items Under Council Control		
1	Staffing Level Review	$691,278	Involves cutting staff levels through attrition to reduce expenditure on employee benefits.
2	Plant Review	Average $180,000 per annum	Involves reviewing Council's plant utilisation as well as the cost effectiveness of contractors versus Council gearing up to undertake the works itself. Suggestions include selling a grader, purchasing a water cart and a roller over the following 3 years and investigating dry hire options for a soil stabiliser and possibly even a crusher.
3	Business Arms of Council Review	$190,000	Involves ensuring Business Arms of Council are not subsidised in any way by General Fund. No savings to consolidated position but involves savings for general fund.
7	Capital Program Review	-	Involves ensuring capital monies are effectively spent on renewals per best practice asset management. Savings would be re-directed from capital expansion to capital renewal works which would improve our performance in renewing Council owned assets.

No	Measure	Annual Saving	Details
	Items Under Council Control		
8	Resource Sharing	$50,000	Involves increasing resource sharing to reduce costs and further fees for service work to increase own source revenue.
9	Depreciation Assumptions	$1,000,000 (final amount unknown)	Involves correcting depreciation assumptions as part of the roads revaluation. Savings are non-cash savings and are currently estimates only.
10	Private Works	$50,000	Involves Council improving private works practices to increase own source revenue.
11	Quarry	$83,111	Involves Council further expanding the quarry to increase own source revenue (in progress).
13	Grant Funded Program	$57,210	Involves reviewing whether there are any hidden subsidies to grant funded programs and if so costing them back to the program in question.
	Items Involving Third Parties		
5	State Roads Maintenance Contracts	-	Involves Council engaging with the State government to increase its share of RMCC works. Could involve a $2.5m-$3m increase in revenue (but with similar increase in expenditure). This would help ensure economies of scale for Council operations.
6	FAGS Fairer Distribution	$1,000,000	Involves Council engaging the State Government to implement Recommendation 8 of the Review Panel Report and distribute FAGs grants from urban councils to rural councils. Final impact unknown, but based on current split would be $2m per annum. Current forecast is a $1m increase for WSC.
23	Push Back on Cost Shifting	$1,108,564	Involves Council pushing back on cost shifting from State and Federal governments (not included in Delivery Program figures).
	Items Involving Further Research		
15	Library Services Review	Unknown	Involves reviewing what Council currently does for libraries in the six (6) towns across the shire, including the future location of the Coonabarabran library.
16	VIC	Unknown	Involves reviewing the possibility of joint tenancy at the VIC to increase own source revenue.

No	Measure	Annual Saving	Details
	Items Involving Further Research		
19	Solar Power Utilisation Review	Unknown	Involves reviewing solar power utilisation by Council to see if there are savings in going solar.
24	Alternate Business Arms of Council	Unknown	Involves investigating possible alternate Business Arms of Council that could increase own source revenue.

While in the process of identifying Improvement Action Plans (IAPs) for adoption by Council, there were several suggested IAPs that were reviewed by Council but found not to be suitable for either financial or social reasons. Details of IAPs not recommended for adoption can be found in the table below:

Table 2: Improvement Action Plans Not Recommended for Adoption

No	Measure	Annual Saving	Details
4	Service Levels and Special Rates Variation (SRV)	$817,000	Involves finalising our service levels through community engagement and in the 2017/18 financial year implementing (based on community input) either a 10% SRV or equivalent reduction in service levels to ensure a similar cut in expenditure.
12	Pricing Review (Subsidised items)	Average $55k per annum over 5 years	Involves reviewing subsidised services to see if there is room to further increase the cost recovery portion of these services.
14	Asset Divestment	Varies	Involves Council divesting itself of assets such as halls/medical centres or operating land.
17	Noxious Weeds	-	Involves assessing whether or not Council could provide the noxious weeds service in house at reduced cost (or with increased private works).
18	Road Safety Officer (RSO)	$50,000	Involves assessing whether it would be worth Council cutting the RSO position.
20	Office Location Review	$209,000 to $281,000	Involves assessing whether Council should close one of its two offices to reduce expenditure.
21	Stormwater Levy	$105,000	Involves reviewing whether to implement a stormwater levy of $25 (capped) per residential and business assessment to fund stormwater capital projects.
22	Better Utilisation of Grant Funding	-	Involves assessing the cost/benefits of employing an in-house dedicated grants officer.

Further details of each individual Improvement Action Plan can be found in **sections 3.1 to 3.24** below.

3.1 Staffing Level Review

Suggested Saving

One possible improvement plan identified by Council was a staffing level review which would aim to reduce current staffing levels through attrition in order to reduce Council's expenditure on salaries and wages.

Details

S333 of the Local Government Act (1993) *states "that the organisation structure may be re-determined by the council from time to time. It must be re-determined within 12 months after any ordinary election of the Council."*

Council has reviewed its structure, and believes that due to recent efficiency improvements resulting from expenditure on IT and the new finance system there is capacity in back office functions to reduce staffing levels. The recent reduction in capital works over the last few years due to reduced grant funding also means there is a degree of over capacity in outdoor operations.

Council is the main employer within the shire and provides valuable services to residents, however, with limited resources going forward due to cost shifting, grant cuts from State and Federal Governments, rate pegging and other revenue constraints, Council must review its level of staffing in order to ensure financial sustainability in the long term.

A review of the structure by Council has identified the following:

- Five (5) outdoor positions that are currently vacant and do not need to be replaced;
- Four (4) indoor positions that are currently vacant and do not need to be replaced;
- Three (3) indoor positions that are occupied but are no longer required due to efficiency improvements;
- Three (3) areas in Corporate Services that could be reduced by 1 position through attrition in the future;
- The need for three (3) additional positions in the structure.

Details of these changes can be found in the following table:

Details	Annual Savings
Positions currently vacant that will not be replaced	502,187
Positions being offered redundancy	180,281
New Positions	(161,381)
Further Savings Corporate Services (Attrition)	190,191
Possible increased casuals costs due to reduced staff levels	(20,000)
Total Savings	**691,278**

There are also suggested changes to the structure in the water/sewer area but as these changes do not affect Council's FFF return they have been addressed separately in the Organisational Structure review business paper.

In order to ensure that any changes to the structure do not impact on staff moral, it is suggested that any changes to staffing levels come from either attrition, or through the offering of voluntary redundancies to targeted positions, and if these redundancies are not taken up, designating the positions as Present Occupant Only (POO) positions which will not be filled once the present occupant leaves.

Due to the sensitivity of the review of Council's Organizational Structure full details of the review will be presented to Council as a separate confidential business paper.

Financial Considerations

The total financial impact of this particular improvement plan would be annual cost savings over 5 years of $691k per annum assuming the average staffing grade level is at step two and further attrition in Corporate Services happens next financial year. There would also be the cost of redundancies if taken although these costs will need to be covered in the 2014/15 budget.

Non-Financial Considerations

Possible non-financial considerations to take into account when reviewing the level of staffing include:

- Council being the number one employer in the shire, with job losses possibly resulting in families leaving the area, and no new employment being created. Note: as most positions are currently vacant, families leaving the area is not a concern, although the lack of new positions being formed may be.
- Staff moral issues. These issues would mostly be contained by the fact that reduction to staffing levels will be through attrition, and the offering of voluntary redundancies;
- The fact that Council may inadvertently reduce staff levels too far resulting in reductions in the level of service, or the need to constantly replace a position by a contractor which may cost more in the long term.

Options / Decision

Council is currently overstaffed in indoor operations due to efficiency gains from improved IT systems (including the new finance system) and overstaffed in outdoor positions due to a reduced capital program resulting from a reduction in grant funding. There are therefore savings to be made from reducing the number of FTEs with little or no impact on service levels.

The financial benefits from reviewing the structure are significant (averaging $691k per annum over 5 years), and compensate for the recent pause in indexation of FAGs grants. There are possible costs to the community where a reduction in the population may occur if staff who leave Council move away from the Shire, as well as reduced employment opportunities for residents with associated flow on effects to local businesses. Despite these disadvantages, the significant cost savings to Council from a review of the structure mean that this action plan should be considered.

Council can choose to:

- Adopt the new structure and staff review action plan in full;
- Adopt part of the new structure and staff review plan by adjusting which positions are to be removed; or

- Reject the new structure and plan in full and find the above cost savings elsewhere.

It is Council's view that the benefits associated with reduced costs do outweigh the reduction in local employment opportunities and possible reduction in business activity in the shire, and Council therefore recommends that the staffing review be included as one of Council's FFF Action Plans.

RECOMMENDATION

It is recommended that Council adopt the revised new Organizational Structure as part of its FFF program, and **FURTHERMORE** that Council further reduce through attrition indoor staff positions in Corporate Services by three (3) for a total annual cost saving of $691k per annum over 5 years.

3.2 Review of Plant Utilisation and Plant Hire

Suggested Saving

As part of the FFF program, Council must identify possible cost savings within its business in order to demonstrate that Council will meet the three FFF criteria. One possible improvement plan identified by Council was a review of the use of external contractors for plant hire.

Over the last three years Council has been gradually winding back its use of external plant hire contractors. In the 2012/13 financial year Council spent **$1.884m** on external plant hire contractors, with this amount reducing to **$1.646m** in 2013/14 and **$1.166m** as at EOM April 2014/15 (annualized figure of **$1.399m**).

Council's current use of these contractors is still very high, and Council may be better off in the long term if it were to move to purchasing the requisite machinery and undertaking the work in house.

Details

Contract plant is generally used in the following operations:

- As part of Council's grading program (contract water carts and rollers);
- As part of other works including re-sheeting, and construction jobs (mostly trucks but occasionally excavators, water carts and rollers too).

Grading Operations - Graders

Council has a budget of $1.87m for unsealed road maintenance, of which roughly $1.5m is spent on grading. Council currently owns eight (8) graders, and has a maintenance grading budget to keep four graders going full time. The remaining graders are generally used for capital works if there is sufficient budget. Council currently uses the following Council owned and contract plant in its grading operations:

Plant	Total
Council Owned	
Grader	8
Roller (includes 1 rubber tire roller)	7
Water Cart	3
Total Owned	
Contract Plant (wet hire)	
Roller	2 (FT)
Water Cart	4 (FT)
Total Contract	

Council has recently struggled to fully utilize all eight graders due to reduced funding (no flood damage, reduced grants etc) and is also heavy reliant on the use of contract plant in its grading program.

It has been suggested many times that Council should reduce its number of graders down to seven (7). This would both save Council money on the capital replacement cost of the grader, and reduce the possibility of overspends when graders are kept working (because they are there) even though there is insufficient budget for 8 graders. This would also reduce Council's reliance on plant contractors.

It is recommended that Council sell one grader in the 2015/16 financial year to reduce its total number of graders down to seven (7) resulting in a $400k reduction in capital expenditure, and recurrent savings of approximately $100k per annum.

Grading Operations – Water Carts

Council requires up to 60,000 liters of water to grade 1km of road, and current water carts (including wet hire water carts) are generally not up to the job as they only carry between 12,000 to 15,000 liters (one operator only). This means that a significant amount of time is spent filling up and carting water to a job, with the graders idle when there is no water. Council also spends a significant amount of money on wet hire water carts, with wet hire water carts generally costing $110 per hour for 12,000 – 15,000 litre capacity carts.

In order to improve the efficiency of Council's grading operations and to reduce costs, Council could purchase 11,000 litre water carts (Cat 13) or 23,000 litre water carts (Cat 13 with trailers) per the costs in the table below and either staff the plant internally or hire another operator. The purchase of larger water carts would improve the efficiency of Council's grading operations as Council would not need to travel back and forwards to re-fill the water carts.

If Council were to purchase one of the above two types of water carts, the capital costs of this purchase would be recouped over the life of the machine, but would involve significant up-front cash outflows. Estimates of the initial purchase price for each option are as follows:

Details	Purchase price	Residual Value	Replacement Cost	Useful life hrs	Assumed annual hrs
Cat 13 Water Cart	220,000	95,000	125,000	6,000	1,200
Cat 13 Water Cart + Trailer	360,000	135,000	225,000	6,000	1,200

If Council were to purchase an extra water cart Council would need to compare the possible cost savings from the move when compared to the current practice of using contractors. This has been done in the table below.

Council would also need to factor in non-financial considerations such as the impact on the community if contractors were to loose work, and the flexible nature of contractors meaning if Council did need to scale down operations quickly it would be able to do so if it was using contractors.

Option	Details	Annual Cost
Purchase Cat 13 + one extra staff 11,000 litre carrying capacity	• **Hourly rate $40.03 (assume 1,200 hrs)** – note: hourly rate re-coups operational costs + replacement cost of capital purchase over 5 years; • **Staff member at grade 4 step 3** plus oncosts of 15.8% and $5k o/t **($60,296 per annum);**	**$108,332** As % of carrying capacity = **$9.85 per litre**

Option	Details	Annual Cost
Purchase Cat 13 and trailer + one extra staff 23,000 litre carrying capacity	• **Hourly rate $67.35 (assume 1,200 hrs)** – note: hourly rate re-coups operational costs + replacement cost of capital purchase over 5 years; • **Staff member at grade 6 step 3** while carting, grade 4 while operating plus oncosts of 15.8% and $5k o/t **($64,296 per annum);**	**$145,116** As % of carrying capacity **= $6.31 per litre**
Continue with wet hire arrangement for water carts 11,000 litre carrying capacity	• **Assume 1,200 hrs per annum at $110/hr** being the A (weekdays) rate for 12,000-15,000 litre water carts, and an additional 200 hrs at $80 per hr travelling	**$148,000** As % of carrying capacity **= $13.45 per litre**

It should be noted that the estimated cost for contract plant is definitely at the lower end, as Council to date has spent close to $166k (as at EOM April) for just one of its permanent water carts. The costs for Council staff also assume that Council would be bringing in new staff, not moving current staff around.

<u>If Council were to assume the same rate of utilization for a contract water cart as has been the case over the last three years (i.e approximately $200k per annum) Council would be saving a total of $55k per annum by gearing up ($92k for the smaller truck), and would also be able to improve the efficiency of its operations due to the higher carrying capacity.</u>

As can be seen from the table above Council could save a minimum of around $40k per annum if it were to purchase a cat13 water cart and employ an extra staff member (assuming 1,200 operational hrs per year). This assumes that Council would not be able to fill the position internally by better utilization of outdoor staff which is also a possibility and would involve further savings of $65k per annum. The Cat 13 water cart would have a carrying capacity of 11,000 litres which is roughly the same as the current machinery used by wet hire contractors (except for one operator which has a 15,000 litre capacity), and therefore would not result in any increase in efficiency in Council's grading operations.

Assuming Council were to pursue the Cat 13 + Trailer option, the yearly cost would be around $3k per annum cheaper than the current wet hire arrangement (assuming very conservative figures in the contract arrangement's favour, and utilization hours of 1,200 hrs per annum).

The Cat 13 + trailer option would result in Council owning a water cart with a carrying capacity of 23,000 litres which is between 8,000 and 11,000 liters greater than current machinery used by wet hire contractors. This would significantly increase the efficiency of Council's current grading operations, as well as provide a piece of plant that could be used as a mother ship for firefighting purposes.

In order to factor in efficiency to Council's estimates, Council has calculated a cost per litre carrying capacity figure which divides the total annual cost of each option by its carrying capacity in litres. This analysis indicates that the cheapest option per litre carrying capacity is to purchase a Cat13 water cart with a trailer which results in a difference per litre of carrying capacity of roughly $7.14 when compared with continuing current contractor arrangements.

Although it makes sense financially to initially purchase additional water carts assuming the full 1,200 hours are met, as additional purchases are made and Council is unable to utilize the additional machinery for the full 1,200 hrs Council will reach a point where it is more effective to use a wet hire arrangement for the provision of extra hours.

The reason for this is that an additional staff member (if needed) is in effect a fixed cost that must be paid by Council (as is a portion of the plant cost) whether or not they are actually used on the job. Council has calculated this break even point as being 1,155 hrs for the purchase of a cat 13 water cart plus trailer, meaning if planned utilization is less than 1,155 hrs it may be cheaper to continue with the current wet hire arrangement, although this analysis does not factor in efficiency gains from using the larger water cart or the fact that Council may be able to staff the water cart from current staff levels.

Council will also need to take into account the effect of gearing up on its current wet hire contractors, and if Council were to go down this path there would need to be sufficient notice before any movement is made by Council to gear up.

It is recommended that an additional water cart with trailer is purchased in 2015/16, to be based in Dunedoo and that Council monitor the success of the purchase via a benefit cost analysis after 12months. FURTHERMORE that going forward, combination water cart and trailer are investigated as a replacement option for current water carts.

Grading Operations – Rollers

Although Council's rollers and the wet hire rollers are generally fit for purpose (unlike water carts) Council does spend a significant amount of money on contract rollers. As with water carts, there may be an argument for Council to purchase additional rollers and carry out this work in house.

As with water carts, if Council were to purchase an additional roller, the capital costs of this purchase would be recouped over the life of the machine, but would involve significant up-front cash outflows. Estimates of the initial purchase price are as follows:

Details	Purchase price	Residual Value	Replaceme nt Cost	Useful life hrs	Assumed annual hrs
Cat 7 Roller	140,000	45,000	95,000	6,422	1,200

A financial analysis has been carried out in the table below showing the annual cost difference between purchasing a roller and employing an extra staff in house vs Council's current practice of engaging wet hire contractors.

Contractor rates assume the A rate for roller hire which is $110 per hour and is the cheapest roller wet hire rate on Council's plant hire schedule as resolved by Council in the February 2015 Council meeting.

Option	Details	Annual Cost
Purchase additional roller (Cat 7) + one extra staff	• **Hourly rate $42.39 (assume 1,200 hrs) –** note: hourly rate re-coups operational costs + replacement cost of capital purchase over 5 years; • **Staff member at grade 4 step 3** plus oncosts of 15.8%, and $5k o/t **($60,296 per annum);**	**$111,164**
Continue with wet hire arrangement	• **Assume 1,200 hrs per annum at $110/hr** being the A (weekdays) rate for rollers	**$132,000**

As can be seen from the table above Council would save $21k per annum if it were to purchase an additional roller assuming it could ensure 1,200 hours utilization per year. The break even point for additional rollers would be 890 hours, i.e. if planned roller utilization for the year is less than 890hrs it would make sense to stick with the current wet hire arrangement.

Non-financial arguments for / against gearing up are per the water cart example above.

It is recommended that Council purchase an additional roller in the 2016/17 financial year for annual recurrent cost savings of $21k per annum subject to the investigation of the most appropriate type of roller.

Purchase of a Soil Stabilier (Pulverisor)

Council currently does not own a soil stabiliser, and is required to hire this equipment in when it is required for pavement rehabilitation. Council may be able to make savings in the long run if it were to purchase a soil stabiliser, although the capital program would need to warrant such a purchase as they are generally only used on pavement rehabilitation jobs, which although plentiful in the following financial year are often limited in number due to budget constraints. Council also has no experience in running or maintaining a soil stabilizer, and therefore all estimates on plant costs do not have the same level of reliability as estimates for water carts or rollers.

If Council were to purchase a new or used soil stabilizer, the capital costs of this purchase would be recouped over the life of the machine, but would involve significant up-front cash outflows. Details of the initial purchase price for each option are as follows:

Details	Purchase price	Residual Value	Replaceme nt Cost	Useful life hrs	Assumed annual hrs
Purchase a Soil Stabiliser (new)	695,000	125,000	570,000	7,000	1,000
Purchase a Soil Stabiliser (used)	400,000	100,000	300,000	7,000	1,000

Unlike water carts and rollers, Council does not frequently utilize soil stabilisers with utilization rarely exceeding 15 days per annum. In the 2015/16 financial year Council is forecast to carry out significant pavement rehabilitation works which will create extra demand for the utilization of soil stabilisers which Council can currently wet hire in for $4,800 per day.

Assuming Council were to own a soil stabilizer Council may also have the chance to change the focus of Council's road maintenance (and capital renewals) programs which could result in efficiency improvements and savings in the maintenance program.

As Council has never owned a soil stabilizer, it is unable to carry out the level of analysis on maintenance requirements to arrive at an accurate marginal cost figure for hour utilization, and has therefore had to use an estimated flat maintenance figure. An analysis of the cost per 1,000 hrs has been carried out by Council, which shows that at 1,000 hrs utilization it would make sense for Council to purchase a soil stabilizer, however, current utilization figures would not warrant such a purchase, and Council does not have the information needed to accurately forecast maintenance costs based on lower utilization figures.

The table below details the cost for 1,000 hrs utilization across the three options and the current cost paid for 15 days worth of utilization via a wet hire arrangement.

Option	Details	Annual Cost
Purchase a Soil Stabiliser (new)	• **Hourly rate $197.09 (1,000 hrs)** – note: hourly rate re-coups operational costs + replacement cost of capital purchase over 5 years; • **Staff member at grade 4 step 3** plus oncosts of 15.8% and $5k o/t **($60,196 per annum);**	**$257,386** (1,000 hrs)
Purchase a Soil Stabiliser (used)	• **Hourly rate $158.52 (1,000 hrs)** – note: hourly rate re-coups operational costs + replacement cost of capital purchase over 5 years; • **Staff member at grade 4 step 3** plus oncosts of 15.8% and $5k o/t **($60,196 per annum);**	**$218,816** (1,000 hrs)
Continue with wet hire arrangement	• A Rate (i.e. weekdays) is generally **$4,840 per day**, while B Rate (weekends) is $5,000 per day (assume 8.5hr days which means **1,000 hrs equals 117 days** (i.e. annual cost is $4,840 x 117) • Note: this machine is generally only used 15 days per year	**$566,280** (1,000 hrs/117 days) Or **$72,600** (127.5hrs/15 days)

Assuming Council were to have significant work for the soil stabilizer the purchase by Council of a soil stabilizer may be viable. However, given the cost to purchase a soil stabiliser and the uncertainty around both the amount of pavement rehabilitation work Council will have going into the future and the true maintenance costs of this machine, it is suggested that Council first try a dry hire arrangement in the short term (i.e. for the 2015/16 financial year).

By Council entering into a dry hire arrangement for a soil stabilizer it would be able to test the impact of having a soil stabilizer on Council's roads program (both financially and in terms of effectiveness), with the aim of making a decision based on information gained over the year on whether or not to purchase a soil stabilizer in the 2016/17 financial year.

It is recommended that Council utilize a dry hire arrangement in the 2015/16 financial year for any works that require the use of a soil stabilizer as a test run to determine whether or not to purchase a soil stabilizer in the future.

Gear up to do Reseals

Council currently spends a significant amount of money on reseals (over $1m per annum) on Council owned roads as well as approximately $700k per annum on reseals on state roads. These works are carried out by a contractor, with Council plant and staff hardly utilized for these works. Council could possibly save money by gearing up and carrying out reseals itself, however such a decision would require a detailed analysis by Council's Technical Services Directorate and would involve extensive research.

Initial discussions indicate that the capital costs required to gear up would be significant (in the millions) both in terms of plant that would need to be purchased and capital works required at depots for bitumen storage. Resealing is a costly and highly technical activity with huge associated risks. No Council in our region carries out these works itself, and if Council were to go down this path it would involve significant staff upskilling as well as Council taking on the significant risks associated with these works, particularly if Council were to do reseals on state roads.

Purchase of a Crusher

Council currently contracts in a crusher for its crushing operations at the quarry. This is a highly technical piece of equipment and as such is expensive to run and maintain as well as contract in. Council currently pays a fixed cost per tonne (depending on product crushed) to its crushing contractor, and in the long run it may make sense financially for Council to purchase a crusher and employ a specialized staff member to run the machinery.

If Council were to purchase a crusher, the capital costs of this purchase would be recouped over the life of the machine, but would involve significant up-front cash outflows (which would come from the quarry). If Council were to purchase a crusher it could use the crusher to both crush quarry product in the Warrumbungle Quarry and also in the 132 pits across the Shire.

Council has carried out some initial calculations that indicate there are significant savings to be made if Council were to move to purchase a crusher. However, due to the complexity of operating one of these machines, and Council's lack of in-house training or experience with a crusher it would make sense for Council to first test the waters by entering into a dry hire arrangement for a crusher (as with the suggestion for a soil stabilizer). Once Council has some experience with the machinery and actual costs to support the initial analysis a decision can then be made on whether to make the considerable capital outlays required to purchase a crusher.

It is recommended that Council investigate the utilization of a dry hire arrangement in the 2015/16 financial year for a crusher to test whether or not Council should purchase a crusher for use in Council's quarry and pits.

Push out plant trade ins

Another possible option to reduce plant costs would be for Council to review current plant trade in practices with the aim of pushing trade ins out in to reduce the cost of plant replacement. It should be noted that Council is currently trading in its plant per industry best practice as per IPWEA recommendations.

Council is currently preparing a full cost analysis on one of its 7 year old Urban Services trucks in Baradine to calculate the total estimated whole of lifecycle cost if Council were to keep this truck for a further five years. Once this information has been presented to Council, Council can then make further decisions on whether to extend trade in times for trucks and other plant.

It is recommended that Council present to the Plant Committee details of the full cost analysis from the test case on the 7 year old Urban Service truck in Baradine in order to inform future decisions on whether to extend trade in times for plant items.

Financial Considerations

The total financial impact of this particular improvement plan will be total savings of **$1.3m**, of which $926k relates to the sale of the grader. A table showing the expected savings is provided below with notes:

Details	2016	2017	2018	2019	2020
Sale of Grader - Capital cost savings	400,000	-	-	-	-
Sale of Grader - Recurrent Savings to Road Operations budget	100,000	102,500	105,063	107,689	110,381
Increased plant costs - water cart	(80,820)	(82,841)	(84,912)	(87,035)	(89,211)
Staff increases - water cart	(66,096)	(68,013)	(70,053)	(72,155)	(74,320)
Reduction in water cart contractors	200,000	205,000	210,125	215,378	220,763
Increased plant costs - roller	(50,868)	(52,140)	(53,443)	(54,779)	(56,149)
Staff increases - roller	(61,984)	(63,782)	(65,695)	(67,666)	(69,696)
Reduction in roller contractors	132,000	135,300	138,683	142,150	145,703
Total Savings	**572,231**	**176,024**	**179,767**	**183,582**	**187,471**

Note: the capital costs of purchasing the additional rollers and water carts have been spread over the life of the vehicles and are covered by the plant rate (i.e. the total purchase and operational costs are recouped over 7 years and therefore the forecast savings will not be realized on a cash basis until the end of the water cart and roller's seven year useful life). The total capital cash outlay at the time of purchase over the five years would be $500k (i.e. $360k in 15/16, and $140k in 16/17).

It should also be noted that by Council gearing up it is also able to more easily cover fixed costs associated with the plant fund, and to maintain the scale and capacity to deal with natural disasters or bid for further RMS works.

Non-Financial Considerations

Unfortunately, although a direct move to reduce the use of contractors would make sense in an urban environment where there is a large amount of alternative employment for such contractors, any reduction in the use of contractors within Warrumbungle Shire could have serious ramifications for employment within the towns of the Shire if these contractors were put off as there may be no alternative work for them. Any possible cost savings from moving away from contractors would therefore need to be measured against the negative impact on employment within the Shire.

The use of contractors also makes sense when work is itinerant in nature, as it is cheaper to generally bring in a contractor for 3 days a month than to have plant and staff sitting around waiting for work.

Options / Decision

Details of the various plant options are provided above. Council can either choose to implement or not implement these recommendations.

RECOMMENDATION

It is recommended that Council:

- Sell one grader in the 2015/16 financial year to reduce the total number of graders down to seven (7) resulting in a $400k reduction in capital expenditure, and recurrent savings of approximately $100k per annum;
- Purchase an additional water cart with trailer in 2015/16, to be based in Dunedoo and that Council monitor the success of the purchase via a benefit cost analysis after 12months. **FURTHERMORE** that going forward, combination water cart and trailer are investigated as a replacement option for current water carts.
- Purchase an additional roller in the 2016/17 financial year for annual recurrent cost savings of $21k per annum subject to the investigation of the most appropriate type of roller;
- Convene a formalized meeting with all plant contractors during the public consultation period once the forecast adjustments to Council's plant levels have been finalized to inform them of the expected reduction in contractor utilization in future years.
- Utilize a dry hire arrangement in the 2015/16 financial year for any works that require the use of a soil stabilizer as a test run to determine whether or not to purchase a soil stabilizer in the future;
- Investigate the utilization of a dry hire arrangement in the 2015/16 financial year for a crusher to test whether or not Council should purchase a crusher for use in Council's quarry and pits;
- Present to the Plant Committee details of the full cost analysis from the test case on the 7 year old Urban Service truck in Baradine in order to inform future decisions on whether to extend trade in times for plant items;
- And **FURTHERMORE**, that the recommendations above be put to plant committee for final approval.

3.3 Business Arms of Council Review

Suggested Saving

Prior to 2012/13 Council's general fund was subsidizing its water/sewer and waste businesses to the tune of around $700k per annum. These overt subsidies have been removed as a result of price increases and efficiency improvements in these funds, and as at the 2013/14 financial year the Business Arms of Council (BACs) were no longer being subsidized overtly from General Fund.

Covert subsidies such as the costs of back office functions such as administration, finance, HR, property and risk management, and governance for the BACs continued however until some effort was made in the 2013/14 financial year to recoup back office costs associated with the BACs through on-costs.

It is suggested for the 2015/16 financial year that Council adopt an on-cost regime that fully recoups costs associated with the provision of water/sewer and waste services and the quarry business, and that the General Fund no longer subsidise these businesses.

Details

To comply with the principles of Pricing for *Council Businesses-A Guide to Competitive Neutrality,* Council is required to identify and allocate direct and indirect (internal) costs for each of its business activities. In addition to transactional cost overheads for wages, stores, plant and creditors, costs for other direct expenses such as I.T, insurances and rent are also allocated to these business activities.

Apart from these direct costs, indirect corporate costs for Corporate Services Management, Financial Services, Human Resources, Property and Risk, Administration and Customer Service, Governance and Management and Leadership are allocated on a quarterly basis by way of journal. The amount of costs to be allocated from each of these areas, has been determined based on enquiries, historical patterns and informed judgements. Amounts are then allocated to each business unit in proportion to the perceived levels of usage by each unit.

The total of each area's cost to be distributed was calculated per the table below:

Expenditure Area to be Allocated	Amount	% to Allocate	Amount to Allocate	Final Amount (indexed by 2.5%)
Corporate Services Management	198,282	15%	29,742	30,486
Financial Services	1,341,216	30%	402,365	412,424
HR Management	387,918	15%	58,188	59,643
Learning and Development	357,133	15%	53,570	54,909
Property and Risk	723,193	15%	108,479	111,191
Admin and Customer Services	728,667	15%	109,300	112,033
Governance	365,765	15%	54,865	56,237
Management and Leadership	622,837	15%	93,426	95,762
Total:	**4,725,011**		**909,935**	**932,685**

Details of the allocation are provided in the table below:

Cost Area	Water	Sewer	Waste	Quarry
Corporate Services Management	40%	35%	20%	5%
Financial Services	40%	35%	20%	5%
HR Management	40%	28%	30%	2%
HR Learning and Development	40%	28%	30%	2%
Property and Risk	40%	38%	20%	2%
Administration and Customer Service	40%	38%	20%	2%
Management and Leadership	40%	35%	20%	5%

The estimated amount to be allocated for the 2015/16 year is $932,685 or 16.7% of the total costs for these areas. The total amount distributed is roughly per the cost of each of these businesses as a percentage of total expenditure.

Cost Area	Water	Sewer	Waste	Quarry
Corporate Services Management	12,194	10,670	6,097	1,524
Financial Services	164,970	144,348	82,485	20,621
HR Management	23,857	16,700	17,893	1,193
HR Learning and Development	21,964	15,375	16,473	1,098
Property and Risk	44,476	42,253	22,238	2,224
Administration and Customer Service	44,813	42,573	22,407	2,241
Governance	22,495	19,683	11,247	2,812
Management and Leadership	38,305	33,517	19,152	4,788
Total:	**373,074**	**325,119**	**197,992**	**36,501**

Financial Considerations

Council must ensure full-cost recovery for the business arms. The use of the adjusted on-cost rates will mean that the full cost of back-office functions will be recouped. The total cost to be recouped is approximately per the total expenditure for the various BACs as a percentage of total expenditure indicating that the on-cost figures to be used are materially correct.

Non-Financial Considerations

Nil

Options / Decision

Council is required under the *Council Businesses-A Guide to Competitive Neutrality* and the Local Government Act to ensure full cost-recovery for its business arms. The introduction of the full cost recovery of both overt and covert costs to General Fund from the BAC is therefore both a legal requirement as well as best practice.

RECOMMENDATION

It is recommended that Council adopt new on-cost and internal charges that ensure full cost recovery by General Fund from the water, sewer, waste and quarry businesses for a saving to General Fund of approximately $190k per annum, and **FURTHERMORE** that Council adopt pricing levels for these businesses to ensure that they are sustainable in the long run and do not require support from General Fund.

3.4 Service Levels And Special Rates Variation

Suggested Saving

Council has been in the process of developing clear measurable service levels for the last three years, and it is expected that Council should have new revised more accurate and measurable service levels by the end of the 2015 calendar year. Council's rates when compared to neighbouring and similar Councils are reasonable (and lower than neighbouring councils) although anecdotally the level of service that Council provides to rate payers appears to be higher than that provided by similar Councils.

Given the recent reduction in FAGs grants, Council must critically review its level of service with the community, and either move towards raising rates to maintain current service levels, or lowering the level of service provided so that Council can live within its means. If Council were to be deemed FFF Council would have additional scope to increase rates above rate pegging without IPART approval, however, any increase in rates above rate pegging should be done in conjunction with the community via community consultation and an agreed level of service with the community.

Council is currently finalizing service levels this calendar year, and will then need to consult with the community and get agreement on what level of service residents of the Shire are willing to pay for, as well as decide on whether or not Council should submit a Special Rates Variation (SRV) application in the 2015/16 (or maybe 2016/17) financial year.

Details

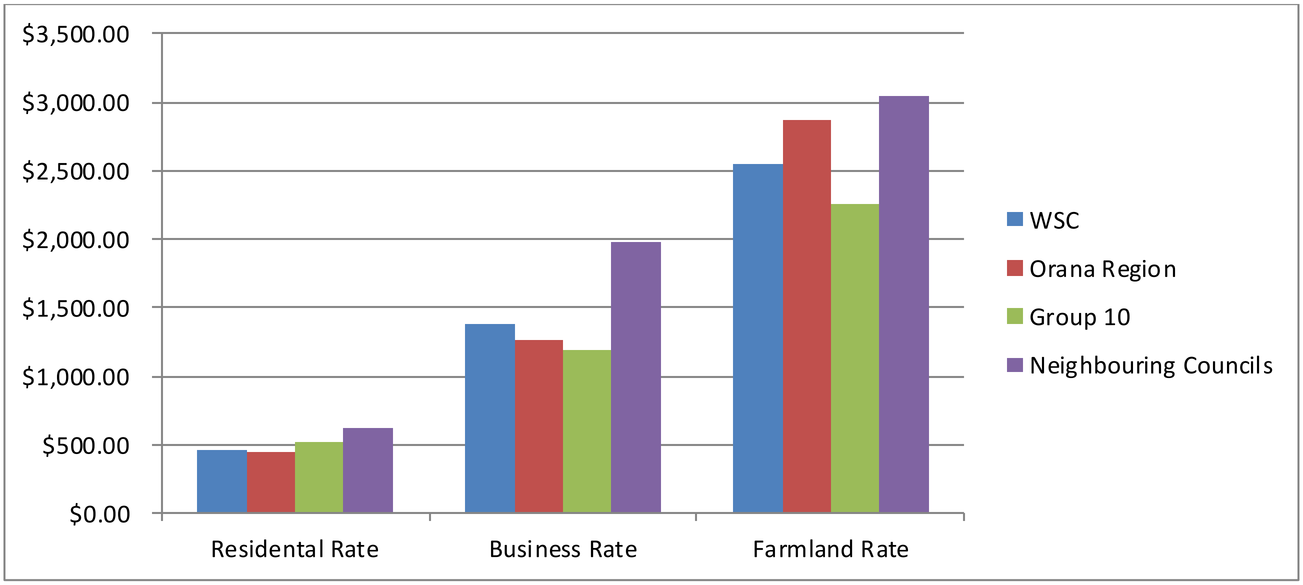
Council has historically not suggested a Special Rates Variation as any SRV must be clearly linked to the level of service expected by ratepayers and the ratepayer's willingness to pay (or not pay) for a particular level of service.

Over the last three years Council has been slowly improving its understanding of its service levels, and is now in the process of preparing detailed service levels that it will be able to present to the community. The service levels being developed are service levels that indicate the level of service currently being provided within the constraints of Council's budget. These service levels will be adjustable (based on funding and priorities) and going forward Council should be able to enter into discussions with rate payers as to what level of service they are willing to pay for.

Council's current rating structure as compared to Council's in the Orana region, other group ten councils and neighbouring councils is detailed in the table below, and in the graph on the following page.

Council	Residential Rate	Business Rate	Farmland Rate	Mining Rate
WSC	$463.76	$1,387.43	$2,548.54	$0.00
Orana Region	$450.20	$1,259.27	$2,867.94	$60,762.29
Group 10	$516.92	$1,196.86	$2,257.70	$89,571.68
Neighbouring Councils	$617.25	$1,978.94	$3,047.57	$70,207.93

The information in the table above indicates that Council's rates are reasonable when compared to other Orana and group 10 councils and low when compared to neighbouring councils. It should be noted that the figures in the table above are sourced from information from the 2012/13 financial year, and many of the councils in the table above may have applied for and been granted SRVs since this date. Warrumbungle Shire Council has to date never applied for an SRV.



As a result of the FAGs grants reduction, and cost shifting, Council will be unable to provide the level of service it currently provides into the future. Once Council agrees on a level of service it will need to consult with the community to either:

- Reduce service levels and leave rates unchanged (except for rate pegging increases);
- Keep service levels as is and apply for a 10% SRV (over 3 years);
- Increase service levels including re-instating capital expansion projects which would be funded by a 20% increase in rates (over 3 years).

Any change in service levels or above rate pegging increase in rates will involve extensive consultation with the community and would be a separate project that would take two (2) years to complete. Council must now decide whether or not to begin a project to finalise its service levels and review the community's appetite for a special rates variation.

Financial Considerations

The financial impact on Council's rates revenue of each of the three options is detailed in the table below:

Details	2016	2017	2018	2019	2020
Option 1 – Leave rates as is – reduce service levels	-	-	254,760	524,492	817,794
Option 2 – Increase rates by 10% - service levels remain as is	-	-	254,760	524,492	817,794
Option 3 – Increase rates by 20% - increase service levels	-	-	509,521	1,065,798	1,688,600

It should be noted that any increase in rates revenue under options 2 and 3 would go straight into the maintenance or increase of current service levels as either increased capital or recurrent expenditure. If option 1 was chosen, Council would need to reduce costs by reducing levels of service.

An increase in rates revenue will also help Council meet its own source revenue requirements under the FFF program.

Non-Financial Considerations

Non-financial considerations from a possible rates variation discussion include:

- The political impact of these discussions;
- A possible negative reputational impact on Council if it appears we are not consulting widely enough, and bitter feelings from community members who are for/against one of the options;
- The impact on equity if there is a rate rise for communities with lower socio-economic indicators.

Options / Decision

As a result of the FAGs grants reduction, and cost shifting, Council will struggle to provide the level of service it currently provides into the future. It is therefore incumbent upon Council that it consults with the community to determine what level of service the community is willing to pay for, and whether or not the community prefers to raise rates or reduce the current level of service.

Council should continue its review of current service levels in the 2015 calendar year with the aim of determining what level of service can be provided within the current budget. Once this process is complete Council could take these services to the community as part of a broad community consultation process so as to determine what level of service the community is willing to pay for and whether or not to apply for a Special Rates Variation.

RECOMMENDATION

It is recommended that Council finalise its current service levels, determine what level of service can be provided within the current budget and then consult with the community on what level of service they are willing to pay for.

3.5 State Roads Maintenance Contracts

Suggested Saving

Council currently only maintains less than 50% of the State road network in the Shire, meaning that Council is unable to achieve economies of scale in its road operations, or to benefit fully from the training and exposure to best practice road operations that increased RMCC exposure would provide.

Although Council does not make a profit on RMCC works, Council's roads crew are not achieving the economies of scale required by not having the extra works leading to increased costs to Council. Increased State Roads funding would help to cover engineering back office costs, and achieve economies of scale in negotiations with suppliers. Most rural Councils that are in a sound financial position are so because of either SRVs or the full utilization of other sources of revenue such as the State Roads Maintenance Contracts.

Although not relevant to the broader question of financial sustainability, from a FFF perspective, a 50% increase in RMCC works would help Council meet its own source revenue benchmark.

Details

Council currently only maintains 185km of the total 335km state road network within the Shire, of which we only maintain 2.854km (less than 3%) of the main road within the Shire, the Newell Hwy. See table below:

State Road	Total Length	Length we maintain	% we maintain
Newell	90.045	2.854	3%
Oxley	62.579	-	0%
Castlereagh	58.19	58.19	100%
Mendooran – Belar Rd	55.317	55.317	100%
Golden Hwy	68.744	68.744	100%
Total	**334.875**	**185.105**	**55%**

For the 185km that Council does maintain, Council generally receives approximately $3m per annum in maintenance and work order revenue. Although Council does not make a profit on these amounts, the $3m in revenue goes a long way to cover back office engineering costs that would otherwise need to be fully funded from the local/regional roads funding buckets. A breakdown of Council revenue from each activity and revenue per km of State Road maintained can be found in the following table:

Line Item	Budget 2016	Rate Per km	Total Missed
Maintenance	740,000	3,997.73	598,740
Reseals	800,000	4,321.87	647,287
Heavy Patching	500,000	2,701.17	404,554
Work Orders	1,000,000	5,402.34	809,108
Total	**3,040,000**		**2,459,689**

The table above also shows the total amount of works/revenue missed by Council as a result of Council not maintaining the remaining 149.77km of the road network. In effect, Council is missing out on at least $2.459m worth of works per year by not being the service provider for the whole network within the Shire.

It should also be noted that the above figure is conservative and considerably lower than what would be expected, as the State Government plans to do a considerable amount of work on the Newell over the coming years and the service level requirements of the Newell Hwy are much higher than those of the other highways. The upper limit of the increased funding could be around $5m-$10m per annum depending on the amount of work orders over the following years. This would also provide extra work for Council's Quarry.

Financial Considerations

Although the total revenue increase form taking over the remaining sections of the state network in our shire could range between $2.5m to $10m per annum, this increased revenue would be offset by increased expenditure. The cost savings to Council would be from economies of scale, the increased funding to cover back office costs that Council would otherwise have to fund from the local/regional roads funding buckets. This cost is difficult to quantify and Council will therefore note only the increased revenue ($3m) and expenditure ($3m) in the outer years of its FFF return.

Non-Financial Considerations

The non-financial considerations to consider if Council were to lobby for more work from the RMS include:

- Possible loss of RMS staff in Coonabarabran if we were to be responsible for the roads, meaning a loss in local employment;
- Possible increased risk exposure as we would be responsible for a major section of one of Australia's main highways;
- There is no word that the work on the Newell/Oxley is even up for tender, although recently Council has increased the length of the Newell that it maintains by 1.39km;
- Council would need to get R5 certification to be able to do the works which would come with costs;
- Possible risk of large losses (both financial and in terms of reputation) on major jobs if Council staff lack the relevant experience/skills.

Options / Decision

Although there are some risks associated with taking on maintenance of the rest of the Newell Hwy and the Oxley Hwy in our Shire, the advantages of this course of action for Council far outweigh the risks. In order to increase the length of road we maintain for RMS we would need to actively lobby the State Government, starting by including this as one of our FFF action plans.

RECOMMENDATION

It is recommended that Council continue to engage the State government to increase its involvement in maintaining the Newell and Oxley highways by expanding the length of these highways that we maintain under our RMCC contract, and **FURTHERMORE** that Council include the full responsibility for maintenance of the State Road network in the Shire as one of our FFF action plans in Council's FFF Template 2 submission.

3.6 FAGS Fairer Distribution to Rural Councils

Suggested Saving

The current distribution of FAGs grants sees a large portion of these federal grants being distributed to urban councils that can easily finance their operations from their significant rates base and multitude of alternative revenue sources such as parking fees.

Rural councils not only do not have access to a stable source of own source revenue, but are also responsible for a much larger network of assets and the provision of essential services such as health and child care that are critical for small towns but generally outside the core services provided by Local Government.

In regard to the current inequitable distribution of FAGs grants, Recommendation 8 of the Local Government Review Panel Report recommended that:

"*Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs*"

Council must therefore lobby both at a Federal, State and ROC level to ensure that FAGs grants go to the Councils and communities with the greatest needs – i.e. rural councils.

Details

Currently $177m of the total $716m NSW pool of FAGs grants to be paid in the 2014/15 financial year (i.e. 25%) goes to 41 Sydney Metropolitan councils. This unfair allocation of limited federal funding means that rural councils with their extensive asset base and declining and disadvantaged populations struggle to provide the necessary services to their constituents.

If this $177m worth of funding was distributed from the 41 urban councils to the remaining rural councils based on the current distribution pattern, WSC would receive increased funding of just over $2m per annum.

Financial Considerations

Although based on a very crude analysis, a figure for increased funding of around $2m per annum for WSC is entirely possible. If FAGs grants were to be re-distributed, the final redistribution may be based on various factors unknown at this time, and therefore Council can only arrive at an indicative figure based on the current allocation of the 2014/15 FAGs grants.

Increased annual funding of $2m per annum from FAGs grants would ensure that WSC was financially sustainable for years to come. Council assumes that if the $177m of urban FAGs grants was re-distributed to rural councils that the majority of rural councils would be financially sound for years to come.

Non-Financial Considerations

Nil

Options / Decision

Council must lobby heavily to ensure that Recommendation 8 of the Review Panel Report is implemented. This lobbying should involve letters to State and Federal members, as well as a co-ordinated approach at either the ROC or Council level, with all rural councils submitting a similar action plan showing the potential impact from a fairer distribution of FAGs grants in their FFF templates.

Councils could use the same methodology as used by WSC which would arrive at an indicative figure that would show the significant impact redistribution would have on the financial sustainability of rural NSW.

RECOMMENDATION

It is recommended that Council:

- Continue to engage with State and Federal Members to implement Recommendation 8 of the Review Panel Report, resulting in forecast increased FAGs grant revenue of up to $2m per annum;
- Include the implementation of Recommendation 8 of the Review Panel report and its impact on Council's financial sustainability as an action plan in Council's FFF Template 2 submission;

3.7 Capital Program Review (Cut Expansion Increase Renewals)

Suggested Saving

Although Council made significant inroads into financial sustainability by imposing a moratorium on new seals as part of the 2013/14 budget process, Council still spends a significant part of its capital program on capital expansion, while at the same time not meeting its asset renewal requirements.

Best practice asset management requires that Council focus expenditure on maintaining/renewing the assets it currently has to meet current service levels before it spends monies on new assets that will increase Council's long term asset maintenance requirements.

Details

In order to ensure financial sustainability, it is suggested that Council impose the following rule on its capital program going forward:

Capital expansion projects in General Fund that are over $200k will not be included in Council's capital program unless at least one of the following criteria is met:

- The project is a 50% or greater capital grant (or approved community) funded project; or
- The project will reduce Council's long term costs and there is a detailed cost benefit analysis showing why the capital works would reduce Council's cost base; or
- The projects are detailed as a specific deliverable as part of a Special Rates Variation application.

For the purpose of this policy, R2R and FAGs grants are considered as recurrent grants and projects funded by these two grant programs are not considered as being "grant funded".

Council will not be doing away completely with its capital program, however, Council must further prioritise asset renewals given its current financial situation post the cutting of the FAGs grants. Council can no longer afford to keep building "new stuff" when we are not even able to maintain our current asset base under the current federally imposed reduction in funding.

Financial Considerations

As a result of the Local Government sector and the Office of Local Government's increased emphasis on asset management, one of the main benchmarks to be used in the Fit for the Future program to measure Council's performance is the Asset Renewal Ratio. This ratio measures whether Councils spend enough funds on capital renewal relative to depreciation, and shows on paper whether the current capital spend will lead to a deterioration in the condition of Council's assets.

This ratio is measured by dividing capital renewals by depreciation expense, with a figure of less than 100% indicating that Council is not spending enough on renewals. Over the last three years Council's average Asset Renewal Ratio was 67% which is well below the 100% benchmark.

As evidenced by Council's poor performance against the Asset Renewal Ratio, and tightening funding position Council can no longer afford to keep building new assets when we are unable to maintain our current asset base under the current federally imposed reduction in funding. Council must therefore further review discretionary expenditure such as capital expansion projects and adjust its capital expectations to meet the new revised funding level.

Non-Financial Considerations

The only non-financial consideration to be taken into account is the capital program needs to be looked at with consideration of full employment of Council staff.

Options / Decision

Given Council's current financial predicament post the pausing of FAGs indexation, Council must further review discretionary expenditure such as capital expansion projects. Council can no longer afford to keep building "new stuff" when we are unable to maintain our current asset base under the current federally imposed reduction in funding.

Council must adjust its capital expectations, and re-direct funding from discretionary items that increase Council's asset base to the projects that minimize the long term costs of maintaining the current asset base. The best way to achieve this objective is to impose a clear rule that excludes wish-list discretionary items from the capital program unless they are grant funded, and or reduce Council's long term costs, or they are deliverables as part of an SRV application.

RECOMMENDATION

It is recommended that Council adopt a Capital Funds Allocation policy that states:

Capital expansion projects in General Fund that are over $200k will not be included in Council's capital program unless at least one of the following criteria is met:

- The project is 50% or greater capital grant (or approved community) funded and a simple cost benefit analysis of the works has been carried out showing a positive benefit to Council; or
- The project will reduce Council's long term costs and there is a detailed cost benefit analysis (over ten years) showing why the capital works would reduce Council's cost base; or
- The projects are detailed as a specific deliverable as part of a Special Rates Variation application.

FURTHERMORE that Council includes this review of its capital program as an improvement plan in its FFF Template 2 submission.

3.8 Resource Sharing

Suggested Saving

Although Council already engages in significant resource sharing, resource sharing could be further utilized by Council to increase the scope of council operations, reduce back office admin costs and possibly gain own source revenue by being a service provider to other councils.

Details

Council currently engages in the following cases of resource sharing:

- Provision of IT services by TRC;
- Membership of the Castlereagh Macquarie County Council for the eradication of noxious weeds;
- Membership of Hunter procurement;
- Membership of the Lower Macquarie Water Alliance;
- Membership of OROC;
- Recent fee for service works with Narrabri Shire and Liverpool Plains Shire;
- Membership of the Weight of Loads Group;
- Membership of a shared Internal Audit (ARMC) group;
- Membership of Hunter Legal;
- Membership of Net Waste;
- Membership of Macquarie Regional Library for the provision of library services;
- Membership of Orana Arts;
- Provision of Family Day Care services across three shires;
- Orana Risk Management and WH&S Groups;
- Membership of Newell Highway Promotions;
- Membership of Inland NSW Tourism;
- Membership of Warrumbungle Cluster (Coonamble, Gilgandra, Narrabri and Warrumbungle Shires) a tourism promotional group;
- Partnership of the Great Western Plains Marketing Group;
- Member of the Orana Region Economic Development Officers Network;
- Membership of the Salinity and Water Quality Alliance;
- North West Freight Network Group.

Further areas where Council could investigate resource sharing include:

- Finance;
- Planning;
- HR;
- Crown lands management;
- Shared graduate recruitment program;
- Community Transport;
- Shared training (e.g plant training)
- Shared Regional Tourism promotion

Council could utilize resource sharing to increase the scope of Council's operations, as resource sharing of staff may allow Council to employ further staff partially or fully funded by fee for service works. An example of this would be planning staff, or staff with other technical skills in high demand that could be utilized by neighbouring councils for a negotiated charge out rate.

Another resource sharing option would be to share a back office admin function with another council, thus reducing the cost of this function.

Financial Considerations

Council has made significant savings over recent years through resource sharing, as well as developing own source revenue through the provision of fee for service works to other councils, and Council should continue to explore opportunities for resource sharing. Council has already factored into its budget resource sharing related revenue of $50k for the 2015/16 financial year, and it can be assumed that this figure will continue into the future. Unfortunately the cost savings associated with resource sharing are currently unquantifiable.

Non-Financial Considerations

Resource sharing not only results in cost savings to Council, but can also increase worker efficiency through the sharing of ideas/work practices. The only possible down side of resource sharing is the possible loss of control in some instances.

Options / Decision

Council has made significant savings over recent years through resource sharing, as well as developing own source revenue through the provision of fee for service works to other councils, and Council should continue to explore opportunities for resource sharing into the future.

RECOMMENDATION

It is recommended that Council further seek out opportunities to resource share particularly the provision of fee for service by WSC to other councils. **FUTHERMORE** that Council include its success in resource sharing and future resource sharing plans as an improvement plan in its FFF Template 2 submission, and increase forecast revenue by $50k for expected increased own source revenue from the provision of fee for service works to other councils.

3.9 Depreciation Assumptions Review and Asset Management

Suggested Saving

Council's current depreciation assumptions for roads are over-conservative and need review.

Details

As part of the roads revaluation that will be happening this financial year, Council will need to seriously review its road depreciation assumptions. It is currently assumed that Council is over-depreciating its road assets by approximately $1m per annum. The total road asset depreciation figure to be reported in Council's FFF Template 2 submission is expected to be different to that reported in previous documents.

Although depreciation is a non-cash expenditure item, it affects two of the main ratios used in the FFF return, the Operating Performance Ratio and the Building and Infrastructure Asset Renewal Ratio. It is expected that Council's roads depreciation expense will reduce as a result of the revaluation and therefore Council's ratios shall improve. Council will need to note this in its FFF submission.

In recent years Council has also made significant advances in improving its asset management processes including completing its first Asset Management Plan (AMP) and as a result of this plan Council prepared and implemented an Asset Management Improvement Plan (AMIP) which Council is currently half way through completing. Council's AMIP once completed will help Council to improve its current asset management practices helping Council become FFF. It should be noted that the outcomes from Council's AMIP once completed will ensure that Council meets an advanced level of competence per the rating system used in the Morrison Low 2012 Infrastructure Audit.

Financial Considerations

The final impact is currently unknown, but a forecast positive P&L impact of between $500k and $1m is expected, although this may change depending on the final valuation and review of assumptions, as well as the impact of recent AASB pronouncements on the use of residual values.

Non-Financial Considerations

Nil

Options / Decision

Council has only one option, which is to use the new depreciation figures in its return.

RECOMMENDATION

That Council includes the review of its depreciation assumptions forecasting a $1m reduction in depreciation expense and advances in Council's asset management processes such as the AMIP project in its FFF Template 2 submission.

3.10 Private Works

Suggested Saving

There is significant scope for Council to increase the quantum of private works, thus increasing own source revenue, providing work for Council staff/plant and also providing a valuable service to ratepayers.

Details

Council has struggled to increase private works in the past due to poor quotation processes, a concentration on Council's own works and a lack of advertising or active pursuit of private works by Council officers. In order to increase the amount of private works being carried out by Council, Council has recently improved its quotation processes and is purchasing new signs to be placed around road works informing residents of works in their area and how to contact Council for private works. Council is also increasing advertisement for private works, and has also employed a Manager Projects to push for and manage private works for Council.

Financial Considerations

Council makes a small profit from private works, and private works also helps to increase utilization of Council staff and plant. Assuming all liability issues are managed, and that Council staff quote correctly, increasing private works should help to improve Council's financial position, with the scope for external revenue depending on the amount of works available.

Non-Financial Considerations

Council will need to ensure that Council's Delivery Program outputs are not being sacrificed in favour of private works if the volume of private works increases too much.

Options / Decision

In order to increase the quantity of private works carried out by Council, Council must:

- Improve its quotation process for private works (complete);
- Commence the use of road signs at all Council works detailing who to contact for Private Works (complete);
- Start a process of advertising where Council plant will be over the following month in local publications to allow residents to contact Council for private works (in progress);

RECOMMENDATION

It is recommended that Council increase its level of private works through better advertising and pursuit of private works resulting in expected increased revenue of $50k per annum, and **FURTHERMORE** that Council include the further pursuit of private works as an improvement plan in its FFF Template 2 submission.

3.11 Warrumbungle Quarry

Suggested Saving

Two years ago Council entered into a lease agreement to take over the management of the old Boral Quarry. Council also recently decided to expand its quarry business by purchasing the property neighbouring the quarry. This expansion should help to improve the profitability of the current quarry and increase Council's own source revenue.

Details

Council has already successfully run the quarry as a separate business unit for two years, and as at 30 June 2014 this business had returned to Council a surplus of $276k. Previous Delivery Programs forecast annual profit going forward of around $160k per annum.

In the November 2014 Council meeting council resolved to purchase the property neighbouring the quarry in order to expand Council's quarry operations. This purchase has now gone ahead and modelling used to calculate the expected total profit (over ten years) to Council from this purchase arrived at a figure of $831k (i.e. an additional $83k per annum).

Financial Considerations

It is forecast that the extension of the quarry will net Council an additional $83k per annum of own source revenue. These figures have been built into the outer years of the Delivery Program as it is not expected that the expansion of the operation shall commence in the 2015/16 financial year.

Non-Financial Considerations

Nil

Options / Decision

Council has already entered into the quarry business, and to date has made significant own source revenue from this operation ($276k as at 30 June 2014). Council should therefore include its quarry expansion in its FFF template 2 submission.

RECOMMENDATION

It is recommended that Council includes the quarry expansion in its FFF Template 2 submission, and adjust future year budgets to include the forecast $83k per annum increase in revenue.

3.12 Pricing Review of Non-Cost Recovery Services

Suggested Saving

Council currently provides a range of services to the community on a non-cost recovery basis, with in many cases any usage charge for the service covering a negligible amount of the total cost of the service to Council. Council could review all subsidized services and increase the cost recovery element of these services.

Details

Council provides a range of services at a subsidised rate to residents, including:

- Swimming pool access fees
- Fees for public halls;
- Sporting oval fees
- Aerodrome landing fees.

Fees relating to many of these services are not at full cost recovery, and many of them can never be charged at full cost recovery as unlike in urban councils or major centres utilization of these services is too small to enable full cost recovery. A prime example of this are swimming pools which cost Council over $600k per annum but only gain revenue of $100k per annum implying a $500k per annum subsidy by Council for the provision of this service. Swimming pools are fundamentally important to each town in the shire so Council would have difficulty closing them, although it should probably ask for residents to pay more to use them.

Aerodrome landing fees are currently not charged at all, which means that Council provides a service worth just under $100k per annum for free to users of Councils aerodromes, many of which can easily afford to pay a small landing fee. Council does however charge a hanger rent fee which nets Council approximately $5k per annum.

In order to boost own source revenue, achieve full cost recovery for as many services possible, and demonstrate that Council is fit for the future, Council could develop a pricing path that sees fees and charges for subsidized services such as pools, public halls ovals etc increased by around 50% over the next five years (i.e. 10% per annum).

Fees for aerodrome landings could also be introduced assuming monitoring and collection of these fees is achievable. Details of the 2014/15 revenue, and expenditure (as at the end of the December Quarter) for some of these services can be found in the table below:

Service	Revenue	Operational Expenditure	Shortfall
Public Swimming Pools	(108,298)	654,020	545,722
Public Halls	(36,758)	282,098	245,340
Sporting Ovals (excl capital grants)	(9,000)	309,383	300,383
Aerodromes	(5,000)	83,313	78,313
Total:	**(159,056)**	**1,328,814**	**1,169,758**

Financial Considerations

Assuming the utilization of swimming pools and other council services are price inelastic, a 10% per annum over five years increase in the fees associated with these services would increase Council's own source revenue per the table below:

Service	2016	2017	2018	2019	2020
Public Swimming Pools	10,830	22,743	35,847	50,261	66,117
Public Halls	3,676	7,719	12,167	17,059	22,441
Sporting Oval Fees	900	1,890	2,979	4,177	5,495
Aerodrome Hanger Fees	500	1,050	1,655	2,321	3,053
Total:	**15,906**	**33,402**	**52,648**	**73,818**	**97,106**

It should be noted that the above assumptions do not take into account the possible significant drop in attendance (and hence revenue) that could result from any price increases. Although the price elasticity of demand for services like swimming pools has not been formally measured, it is Council's view that these services are quite price elastic especially given the economic challenges facing our region.

Non-Financial Considerations

Non-cost recovery services such as public swimming pools are provided as a public good, and many residents are only able to use these services due to the significant subsidy provided by Council. Council must therefore walk a fine line between the principles of equity and user pays.

Options / Decision

Although there are some possible savings from Council increasing the fees associated with swimming pools, ovals, halls, and aerodromes, many of these services are provided at well below cost recovery in order to meet the service needs of the community.

Council should continue to subsidise these services as they provide a social benefit to residents of the Shire, many of which would be able to utilize these services if they were at full cost recovery. However, a higher than inflation increase in the fees associated with these services is feasible and should be pursued as one of Council's FFF action items.

RECOMMENDATION

It is recommended that Council continues to subsidise non-cost recovery services such as swimming pools, aerodromes and access to public halls/ovals, but at the same time increases the fees associated with these services at a rate that is slightly higher than inflation.

3.13 Grant Funded Programs (Review / Sell Off / Charge Internal Charges)

Suggested Saving

Council currently provides a wide array of community services to the community that were previously either provided by other levels of government or the private sector. Although the services are notionally full cost recovery except for documented rate relief and other subsidies approved by Council, Council has never carried out an analysis to determine whether or not there are hidden subsidies from general fund propping up these services.

Details

Council currently provides the following grant funded services that were previously either provided by other levels of government or the private sector (See table below including 14/15 budget):

Grant Funded Programs	Revenue	Expenditure	Capital	NCOS	RA Mvmnt	General Fund Impact
Connect 5	(196,392)	202,696	-	6,304	(6,304)	-
Family Day Care	(538,028)	544,736	9,500	16,208	(16,208)	-
Youth Development	(101,219)	119,314	-	18,095	(13,095)	5,000
OOSH & Vacation Care	(55,910)	60,217	-	4,307	(4,307)	-
Community Transport	(272,464)	249,016	50,000	26,552	(26,552)	-
Multiservice Outlet	(543,921)	495,240	45,000	(3,681)	3,681	-
Community Banking	(99,000)	97,980	-	(1,020)	-	(1,020)
Yuluwirri Kids	(1,293,501)	1,271,875	-	(21,626)	21,626	-
Total:	**(3,100,433)**	**3,041,074**	**104,500**	**45,141**	**(41,160)**	**3,980**

All of these services are notionally run on a cost recovery basis by Council, with some known subsides such as insurance and rate relief (per table below) as well as a $5k Council contribution for youth development.

Item / Area	Rates	Insurance	Total
Yuluwirri Kids	$8,520	$4,471	$12,991
FDC, Connect 5 & Youth Development	-	$3,336	$3,336
Dunedoo Pre School	$1,554	$3,188	$4,742
Item / Area	**$10,074**	**$10,995**	**$21,069**

Council also charges IT charges to these services for their use of Council's IT and a Manager of Children's and Community Services oversees the services and the majority of her time is also charged to these services. Monies for grant funded services are held as separate reserves and if a reserve were to be exhausted it would indicate that Council must now pay for the service in which case Council would need to seriously consider whether the service should be discontinued.

The grant funded programs have been full cost recovery to date. However, Council has never investigated whether there exist covert subsidies for these services (such as time spent by Finance, Admin, HR and Property & Risk on these services but not captured as part of the service's cost base) and if so, how much would these subsidies be costing Council.

The majority of the services run on very tight margins, and any increased back office cost passed to the services could result in them very quickly exhausting their restricted assets.

It should also be noted that since the employment of the Children's and Community Services position, the amount of time spent by back office functions on these services has decreased considerably, and the Manager Children's and Community Services is correctly allocating their time to the services which means some items that may have previously been carried out by Finance are now being carried out by the Manager C&C Services and effectively charged back to the services.

Financial Considerations

A detailed financial analysis of the total cost to Council's General Fund from the Granted Funded Programs that has either not already been recouped via internal charges; or has not been waived per Council Resolution is provided in the following table:

Expenditure Area to be Allocated	Rationale	Base Amount	% to Allocate	Amount to Allocate
Corporate and Community Services Mngmnt	The Manager Corporate and Community Services is responsible for HR, Finance, Administration, Communications and IT and Children and Community Services. In terms of total workload, the majority of the workload of this position revolves around corporate functions, particularly HR, Admin, finance and reporting (e.g. IP&R), and Management.	198,282	5%	9,914
Financial Services	Finance Branch does process creditors for the Grant Funded programs, but the total percentage of these bills is insignificant as a portion of total costs, with the majority of grant funded program costs being salaries. All acquittals are also done by the Manager C&C Services, and unlike water and sewer, there are no detailed reporting requirements for the grant funded programs carried out by finance. In terms of debtors, there are some requirements imposed upon finance for debt collection, but these are limited to > 90 days debts, and all billing is generally carried out by the grant funded programs themselves.	1,341,216	2.5%	33,530
Property and Risk	Council has already agreed to either forgo rent (as in the case of Yuluwirri Kids, C5 and FDC) or charge an internal rent figure for the other services to cover the costs of property and risk. Insurance costs (except for where they are forgiven) are also charged directly to the service so there should be no cost to Council (unless already agreed) from these services.	723,193	-	-

Expenditure Area to be Allocated	Rationale	Base Amount	% to Allocate	Amount to Allocate
HR Management	The Grant Funded programs use HR services for their payroll and WH&S functions, but pay for training, and recruitment themselves out of their own funds. Payroll functions are recouped via an on-cost already, as is WH&S costs. These costs are recouped as a percentage of total salaries and therefore already fairly capture the cost of the business arms. There are some costs associated with disciplinary procedures not already captured via on-costs however these are not a large portion of HR's total costs and are only applicable to HR Management. Assume a costing of 1% for HR Management.	387,918	1%	3,879
Learning and Development	Training costs for grant funded programs are funded directly by the program's budget. No cost to Council	357,133	-	-
Admin and Customer Services	All Admin and Customer Services work is carried out by either the Supervisors from the relevant services, or the Manager Children's and Community Services.	728,667	-	¶-
Governance	A portion of both the Governance and Management and Leadership budgets should be recouped from the grant funded programs as these programs do take up some of the GM and Councillors time.	365,765	1%	3,658
Management and Leadership	A portion of both the Governance and Management and Leadership budgets should be recouped from the grant funded programs as these programs do take up some of the GM and Councillors time.	622,837	1%	6,228
Total:		**4,725,011**		**57,210**

It should be noted that covert subsidies totaling $57k are relatively insignificant in the scheme of Council's roughly $35m to $40m per annum operations. To put this cost in perspective, this is the annual staff costs of a relatively junior staff member, the cost of doing one minor footpath construction job, or the amount that Council spends on cleaning three to four toilets a year.

Non-Financial Considerations

Non-financial considerations to note include:

- The Grant Funded programs provide an invaluable service to the residents of the Shire with minimal cost to Council;
- Council's Charter also requires that Council promote and provide and plan for the needs of children;
- Many of these services would not operate if not auspiced by Council, or Council would eventually be forced to take the services back when they do fail if operated by the private sector or a community group;

- These services help Council to achieve a level of scope and capacity in Council operations that Council could not achieve without these services;
- These services subsidise the majority of the salary of the Manager Community and Children's Services, a position which Council could not afford without these services;
- These services help to keep young families in town;
- These services help to keep Council staff on staff as many Council staff would not be able to work if they did not have long day care services provided for their children.

Options / Decision

Council's Grant Funded programs provide invaluable services to the residents of the Shire, and help Council to achieve a level of scope and capacity in Council operations that Council could not achieve without these services. Council is also in many cases the only entity able to ensure these services are provided in our area, as many of these services historically been unsuccessful when run by the private sector (e.g. Yuluwirri Kids) and if Council were to cease the operation of these services they would most likely fold, and then require Council intervention once more.

Despite the above advantages to Council and the community from Council running these services, all auspiced services should not be costing Council, and Council should therefore consider applying further internal charges to these services to ensure that all covert subsidies from General Fund have been eliminated. A breakdown of the $57,210 by service has been calculated per the following table:

Service	FTE	No. Active Staff~	% to Allocate	Amount to Allocate
Castlereagh Family Day Care	2.0	2	11.76%	6,731
Connect 5 Children's Service	2.0	1	5.88%	3,365
Warrumbungle Community Care	4.8	6	35.29%	20,192
Youth Development Program	0.8	1	5.88%	3,365
Yuluwirri Kids	18.2	7	41.18%	23,557
Total	**27.8**	**17**	**100.00%**	**57,210**

RECOMMENDATION

It is recommended that Council apply an internal charge of $57k per annum commencing from the 2015/16 financial year back to the services in order to cover the extra costs on general fund positions from Council running these services. If any service is found to be non-viable over the following years Council will then need to either:

- Negotiate for further funding from the relevant funding bodies; or
- Increase fees to make the service viable (if possible); or
- Agree to provide a further subsidy from Council; or
- Discontinue the service entirely.

FURTHERMORE, the implementation of this review should be included in Council's FFF Template 2 submission.

3.14 Asset Divestment

Suggested Saving

Council could possibly save money by divesting itself of assets such as public halls, and medical centres, as well as surplus land.

Details

Council currently spends around $282k (per 2014/15 budget) on the recurrent maintenance of public halls each year offset by revenue of around $30k, and $85k on medical centres including doctor housing which is offset by revenue of around $69k per annum and is hence near break even. Council also maintains (at a very low cost) significant holdings of operational land (total value $5.38m) some of which could possibly be disposed of.

Details of the amount budgeted to be spent on each hall/facility in the 2014/15 financial year is provided below:

Public Halls	Location	Expenditure Budget
Baradine Memorial Hall	Baradine	14,915
Mendooran Mechanics Institute	Mendooran	16,197
Coonabarabran Town Hall	Coonabarabran	73,585
Dunedoo Jubiliee Hall	Dunedoo	20,693
Goolhi Hall	Goolhi	3,925
Binnaway Hall	Binnaway	29,161
Coonabarabran Youth Centre	Coonabarabran	48,119
Coolah Shire Hall	Coolah	25,580
Purlewaugh Hall	Purlewaugh	18,949
Coonabarabran Community Service Building *	Coonabarabran	30,973
Total Public Halls:		**282,097**

It should be noted that the above figures do not include expenditure on capital renewal and expansion projects. Council also maintains several public amenities some of which could also be divested.

Financial Considerations

Although Council does spend a significant amount on the maintenance of public halls, medical centres and other property and buildings, many of these properties do return some revenue to Council and are invaluable to the community. If Council were to divest itself of these assets it would make some savings on yearly maintenance costs and any forecast capital costs, but would miss out on any revenue earned from these assets as well as possible grant funding for improvements going forward.

If Council were to attempt to divest these properties it would struggle to find a buyer in many cases, and these properties would then fall out of community hands, and if given away could quickly fall into disrepair becoming unsightly and requiring Council to further take control of these properties (possibly at a higher cost than was originally gained in the sale).

Non-Financial Considerations

Non-financial considerations to note include:

- Many of these assets are used by Council to provide services that are a public good, and many residents are only able to use these services due to the fact that these assets are Council owned for the community's benefit;
- If Council were to sell/dispose of these assets they could fall out of community control, or become run down and unsightly;
- Any move to divest assets would require significant community consultation before these assets could be sold.

Options / Decision

Although there could be some gain to Council from Council divesting itself of public assets, the importance of these assets to the community and the possible risk of these assets falling into disrepair or falling out of community control would most likely outweigh any financial gains. Council has also not carried out consultation with the community on any such suggestions and thus the thought of this course of action would be premature.

Council recently tested the communities reaction to the closing down of a set of costly public toilets outside of Coolah (the Black Stump rest area). The general consensus from the community was that the community was strongly opposed to the suggested closing of the toilets. As such, it is suggested that before any move to divest assets is even considered, Council must first finalise its service levels, and if Council were to consider the sale of assets it should only do so via extensive community consultation, preferably as part of a possible Special Rates Variation discussion.

RECOMMENDATION

It is recommended that Council continue to monitor expenditure on public halls, medical centres, public amenities and operational land, but that it does not move to divest itself of these assets at this point in time due to the lack of a potential market for these assets, lack of community consultation on any changes to ownership and the importance of these assets to the community.

3.15 Library Service Review

Suggested Saving

Council spends a significant amount of money (around $550k net per annum) on providing library services to residents of the Shire. Council could possibly review its agreement with Macquarie Regional Library (MRL) at the end of the contract period and either seek to continue this agreement, enter into an agreement with another provider, provide the service itself, or discontinue/wind back the provision of library services.

Details

Council currently spends approximately $550k per annum on the provision of library services as part of its membership in the Macquarie Regional Library. This sum is significant, and Council may be able to save money by either:

<u>Ceasing the contract with MRL and providing the service in-house</u>

The contract for Council's MRL membership ceases in 30 June 2018 however, as long as Council decides to continue to provide a similar library service within the Shire, it is unlikely that Council would be able to provide the service cheaper or to the same standard that it could as part of MRL.

Reasons for this assessment include:

- The necessity to purchase IT and other infrastructure and the possible loss of economies of scale in library related purchasing;
- The special IT and technical knowledge that Council would need to bring in-house as opposed to sharing it as part of a larger organization. This would mean Council would need specific systems to manage library collections, and would also need to acquire inhouse knowledge on cataloging and other technical requirements;
- Council would loose the economies of scale that a joint organization provides;
- Council would be moving against the current trend in local government towards resource sharing.

In order to support this assessment Council has analysed the break up of expenditure that it spends on library services, as well as the total expenditure of the Joint Venture in order to assess which cost items could be saved/would have to be borne solely from Council if it were to go it alone. A breakdown of the costs to Council of providing the library service in the 2013/14 financial year can be found below:

Expense Line Item	**Cost**
Building Rent	51,805.50
Contractor & Consultancy Costs	9,942.84
Electricity & Heating	13,300.62
Internal Rent	19,000.00
Raw Materials & Consumables	1,268.21
Regional Library Contributions	447,394.99
Salaries & Wages	7,100.40
Total:	**549,812.56**

The $447k figure in the table above for contributions is the amount Council pays MRL for their running of the service. The figure per MRL is $473k as Council's figure includes a refund of a prior year overpayment. Council also received a $54k grant from the State Government to assist in funding the service.

Council's contribution to MRL funds the following services at a Joint Venture Level:

Expense Line Item (MRL)	Cost MRL	% We would need to pay if went alone	Cost WSC to stand alone
Operational Expenditure			
Salaries and Overheads (Warrumbungle)	273,374	100%	273,374
Salaries and Overheads (Other)	1,541,205	See note	54,121
Management Services	182,510	30%	54,753
Information Services	78,622	50%	39,311
Technical Services	16,017	50%	8,009
Information Technology	116,804	50%	58,402
Depreciation	325,562	-	-
Total Operational	**2,534,094**		**487,969**
Capital Expenditure			
Capital Purchases Books (Warrumbungle)	37,146	100%	37,146
Capital Purchases Books (Other)	188,710	-	-
Capital Purchases (Other)	69,925	30%	20,978
Total Capital	**295,781**		**58,124**
Grand Total	**2,829,875**		**546,093**

Note: Salaries and overheads other includes $616k worth of back office salaries and it is assumed that council would need to bare about $54k of this if it were to go it alone.

As can be seen from the table above, non-salaries back office costs form 18% of the total cost of running the library (excluding depreciation). This figure increases to 45% if you include the $616k worth of back office salaries expenditure included in Salaries and Overheads other.

If Council were to attempt to provide the service on its own it would need to fund IT and other back office costs on its own. Due to the lack of economies of scale, it is estimated that Council would need to pay anywhere between 30 and 50% of the cost paid by the Joint Venture (per the table above) for the same service. Based on this high level analysis on the 2013/14 actuals Council would have spent $546k for the portion of expenditure covered by MRL if it had gone it alone in the 2013/14 financial year. This is around $73k more than it actually spent with MRL.

If Council were to provide a lower level of service to the community there may be cost savings in the salaries area as well as electricity and other facilities costs that Council already pays if it were to close libraries in smaller towns, or to move to a system of volunteer librarians. However, judging from the 2013/14 MRL actuals and the high portion of back office and IT costs that Council would have to bear on its own if it were to go it alone Council should continue to remain part of a joint venture for the provision of library services.

The above analysis although crude, does indicate that there is a financial advantage to Council from remaining within the MRL Joint Venture. However, Council should carry out a detailed analysis i n the 2017/18 financial year prior to the conclusion of the MRL agreement.

Joining a similar joint venture to provide library services

Other joint library services within our region include:

- Central West libraries (Blayney, Cabonne, Cowra, Forbes and Orange LGAs);
- Central Northern Regional Libraries (Gwydir, Liverpool Plains, Narrabri. Tamworth, Uralla and Walcha LGAs);
- The North Western Library Co-Operative (Coonamble, Gilgandra, Warren and Bogan LGAs); and
- Big Sky Libraries (Brewarrina, Walgett and Moree LGAs).

Council could decide to join one of these other joint ventures and there may actually be cost savings by doing so over the long run, however, it should be noted that for the majority of the Shire Dubbo is our community of interest, and there would be significant administrative and other issues associated with any change in membership. Council is also a member of OROC and it therefore makes sense for Council to keep the current relationship with MRL as we already co-operate extensively with the other Joint Venture members.

Reviewing rental arrangements for the Coonabarabran Library

Another option Council does have to reduce expenditure on libraries would be to move the Coonabarabran library facilities into a council owned premise at the expiry of the current lease on 30 November 2016. The current lease costs for the premise are $51,000 for the 2014/15 financial year and another $21,250 for the 2015/16 financial year (until EOM November).

As part of the lease Council is liable for the following costs (roughly $5k per annum) in addition to its lease payments:

- Local Council rates;
- Water sewerage and drainage charges;
- Insurance;
- All levies and contribution of whatsoever nature determined and / or levied by the owners corporation with the exception of any contribution to a sinking fund or special levy in respect of the strata scheme of which the property owner forms part (if applicable).

If Council were to relocate the library at the end of the contract it would make annual savings of approximately $55k per annum, although there would be capital costs involved for the initial move and refurbishment, as well as non-financial considerations such as the impact on the community and the streetscape from any move.

Discontinue/wind back the provision of library services

Another option would be to review whether to continue with the provision of library services in some towns post the conclusion of the MRL agreement. Any move to discontinue/wind back the level of service would require significant community input and would need to be done as part of the service level review/SRV process mentioned in Improvement Action Plan 4.

Financial Considerations

As mentioned above, an initial analysis indicates that Council would not be able to run the library cheaper as a stand alone service unless it cut back on facilities by closing libraries or moved towards a system of volunteers staffing libraries. Council would still however, need to pay for many of the technical functions and software/hardware that would be required to run the service.

There is however, an opportunity for Council to save monies by moving the current Coonabarabran library to another location currently owned by Council when the current lease comes due.

Non-Financial Considerations

Non-financial considerations include:

- What level of service Council wishes to provide the residents in terms of libraries. Current service levels from MRL are very good, and it is unlikely that Council could provide a similar level of service at the same cost;
- The impact on the community and the streetscape if Council were to move the location of the Coonabarabran library.

Options / Decision

Council's current arrangement with MRL does not end until the 2017/18 financial year, and a high level analysis indicates that the advantages of economies of scale mean that MRL is able to provide library services (at the current level of service) for cheaper than Council would be able to if it were to go it alone. Council may have the option at the end of the agreement to join another Library Joint Venture, and should explore this option

Council should also review other possible locations for the MRL building before the end of the lease in November 2016.

RECOMMENDATION

It is recommended that Council continue its membership of MRL until the end of the contract, and complete a detailed analysis of its provision of library services in the 2017/18 financial year before deciding whether or not to renegotiate an extension of its contract with MRL; and **FURTHERMORE** that Council review other locations for the library before the end of the current lease on 30 November 2016.

3.16 Visitors Information Centre (VIC)

Suggested Saving

Council spends just over $400k per annum on Tourism and Development, including the running of the VIC in Coonabarabran. There may be opportunities for joint development of this site to partially subsidise the VIC.

Details

The Visitor Information Centre in Coonabarabran is strategically located on the Newell Highway relatively close to the center of town (within the 50km per hr zone) but far away to ensure adequate parking. The center is currently fully funded by Council but due to its size and favourable location there could be opportunities to re-develop the site to provide facilities to a commercial operator such as a fast food outlet, thus providing Council with potential own source revenue that could subsidise Council's operations.

Financial Considerations

Assuming Council was successful in finding a commercial operator willing to locate at the VIC, there could be a reasonable rental return to Council from a joint operation. The possible financial impact is currently unknown, and would need to be considered if a party interested in the site was found.

Non-Financial Considerations

Non-financial considerations to consider include:

- Possible increased competition for local business owners, especially if a well known fast food outlet was to open at the VIC;
- The possible temporary impact of any forseeable change to the layout of the current centre;
- The possible impact on current displays such as the Diprotodon if a joint development was to go ahead;
- Issues surrounding ownership of a portion of the land at the centre;
- Possible negative impacts on the VIC operations.

Options / Decision

Council should actively seek opportunities for joint development, as the possible rental return from having another tenant share the cost of the building would far outweigh any potential disadvantages such as disruption to current operations etc. It should be noted that a joint tenant may even lead to a joint re-development of the site which would be both advantageous to Council and the town of Coonabarabran in general.

RECOMMENDATION

It is recommended that Council actively investigate and pursue opportunities for joint development of the Coonabarabran VIC site in order to boost own source revenue.

3.17 Noxious Weeds

Suggested Saving

Council should review its membership of Castlereagh Macquarie County Council (CMCC) in order to determine whether Council could provide the service at a cheaper rate in-house.

Details

Council currently spends just under $100k per annum on the provision of noxious weeds control services via CMCC. There is an argument that Council could provide the service cheaper with the utilization of Council staff. CMCC is also going through financial challenges at the moment, and Council has already provided the organization with a $50k loan to help it re-structure its business to remain viable.

In order to provide the service itself, Council would need to up skill and gear up and would need at least one staff member (most likely 1.5 FTE) to be responsible for the service (who would need special training), a ute for them to travel in, and access to chemicals, and other resources.

Financial Considerations

Assuming the cost of one staff member is $63k (level 9, step 3) and the cost of a ute is $10.4k per annum, with the only unknown being the cost of materials/contracts and back office support, the total cost of providing this service would be close to the cost that Council currently pays CMCC (more if Council needs 1.5 FTE). If Council were to take on this service there could be opportunities for private works revenue, but the quantum of this revenue is unknown.

Non-Financial Considerations

The non-financial considerations to consider if Council were to provide noxious weeds control services itself include:

- Loss of another form of resource sharing;
- Council taking on extensive liability and WH&S responsibilities considering the dangerous nature of chemicals used, the nature of the work controlling weeds on busy roads, and possible liability issues if noxious weeds were to spread to local farms;
- Possible loss of reputation if Council was perceived to be doing a bad job;

Options / Decision

Council is inexperienced in the provision of noxious weeds control, is not geared up for the provision of this service, and although there is possible access to own source revenue from private works, the non-financial considerations such as increased risk to council and possible liabilities and loss of reputation outweigh any opportunities to increase own source revenue.

RECOMMENDATION

It is recommended that Council continues its membership of CMCC for the provision of noxious weeds control.

3.18 Road Safety Officer

Suggested Saving

Council could save approximately $50k per annum by not continuing to part fund the road safety officer position.

Details

Council's Road Safety Officer (RSO) position is funded 50 per cent by Roads and Maritime Services (RMS) and is a permanent part-time position with Council. The RSO is responsible for analysing local crash statistics, liaising with stakeholders, as well as the planning, developing, implementing and promoting of relevant road safety projects.

Functions include; submitting project proposals for RMS funding through the Local Government Road Safety Projects (LGRSP) database, display of Council's 'speed advisory sign', reporting monthly to RMS and Council on road safety issues, completing projects allocated by Council such as the Pedestrian and Mobility Plan and Council's Safe Driving Policy, maintenance of Council's Road Safety Strategic Plan and quarterly budget reporting and attendance at Council's Traffic Committee meetings.

Council could discontinue its support for the RSO position, however, if it were to do this it would loose the services provided by this position.

Financial Considerations

There would be an annual cost saving of roughly $50k if Council were to discontinue this program, however, there could be an impact on Council's success in grant applications such as Black Spots as well as other grants.

Non-Financial Considerations

Road safety is extremely important and there could be negative consequences if Council were to discontinue this service, including reputational risk, and negative impacts on inter governmental co-operation for example with RMS.

Options / Decision

Although Council could make some initial savings from discontinuing the Road Safety function, the impact on grant applications and the negative reputational risk from Council discontinuing this service would outweigh the possible $50k annual saving.

RECOMMENDATION

It is recommended that Council continues to partially fund the Road Safety Officer position.

3.19 Solar Power Utilisation Review

Suggested Saving

Council currently spends approximately $600k per annum on electricity and heating costs across all Council properties. Council could possibly reduce this expenditure in the long run by going solar, which would also have the added positive result of reducing Council's carbon footprint.

Details

Electricity and heating costs are one of Council's major expense line items, and with recent significant reductions in the cost of solar power, Council has been considering the advantages of utilizing solar panels on suitable sites.

At the July 2014 Ordinary Meeting of Council a motion was moved to investigate the fitment of solar panels to every appropriate Council building (Resolution 08/1415). A solar power provider with a history of supply to councils in this region was approached to assist in a feasibility study on three base sites owned by Council. Those sites were the Coonabarabran Shire Office, Coolah Town Hall and Coolah Shire Office. This feasibility study indicated that the installation of solar power on these facilities was financially viable.

Post forwarding of this feasibility study to Council's electricity consultant Energy & Management Services, it was indicated that further research by Council was required as a result of recent changes in the electricity market. In the December 2014 Council meeting Councilresolved to engage an independent consultant to investigate fully the benefits Council will receive from the installation of Solar PV on all appropriate buildings.

Council is currently still in the investigation stage, but believes that there are significant savings to be made in the long run if Council were to utilise solar panels on Council buildings. Council has also recently installed one solar street light and has commenced a project to review the viability of increasing its utilisation of stand alone solar street lights for the provision of street lighting across the shire.

It should also be noted, that the Community Solar Scheme, which is currently operating in the ACT, enables households who can not install solar panels to buy-in to community-owned solar. This means whatever unused solar energy Council has left over they can sell it back to the community. This could be another opportunity for Council to increase its own source revenue.

Financial Considerations

Council is still in the process of carrying out a detailed cost-benefit analysis on both the installation of solar power facilities on buildings and the use of solar powered street lights, and expects to be able to make a decision sometime in the near future.

Non-Financial Considerations

Non-financial considerations to consider include:

- The reduction in Council's carbon footprint as a result of going solar;
- Council would be demonstrating environmental leadership and could position itself to further appeal to the tree-change demographic;
- Council could reduce its exposure to future fluctuations in electricity prices and possible supply interruptions;

- There is little maintenance once the panels have been installed.

Options / Decision

Electricity and heating costs are one of Council's major expense line items, and with recent significant reductions in the cost of solar power, Council has been considering the advantages of utilizing solar panels on suitable sites. In December 2014 Council resolved to engage an independent consultant to investigate fully the benefits Council will receive from the installation of Solar PV on all appropriate buildings.

Although this project is still in the early stages it deserves special mention in Council's Fit for the Future road map as it clearly demonstrates innovation on Council's part and the fact that Council is ensuring that it is financially, socially and environmentally Fit for the Future.

RECOMMENDATION

It is recommended that Council continue its review of the applicability of solar power to Council's operations and include its plans and work to date to increase the utilisation of solar energy across the shire in its FFF Template 2 proposal.

3.20 Office Locations Review

Suggested Saving

Council could possibly save money by closing down one of its two offices.

Details

Post the voluntary amalgamation of the Coonabarabran and Coolah shires the newly created Warrumbungle Shire Council has maintained two separate offices, one in Coolah and one in Coonabarabran, with the two offices located 87km (one hour drive) from each other. Part of the condition of the voluntary amalgamation was for an office to be maintained in both Coonabarabran and Coolah.

Due to the size of the Shire (over 12,000 square km) and the fact that neither Coonabarabran or Coolah is the major center for the other town (Coolah residents travel to Mudgee / Dubbo, while Coonabarbarn residents gravitate to either Dubbo or Tamworth), it has historically made sense to have two offices in order to ensure representation across the shire, and to have staff close to both centres.

Despite the importance of each office to the Shire, one option for Council to save money would be to close one of the two offices down, and re-allocate all staff in that office to the remaining office. Council could then try to sell the associated building infrastructure.

Financial Considerations

The additional costs associated with maintaining two offices include:

- Additional electricity, cleaning and maintenance costs for the buildings;
- Extra costs for the datalink between the two offices, and other costs relating to phones and faxes;
- The costs associated with staff travelling between the two offices, both in terms of lost work hours and driving costs;
- Additional costs due to reduced economies of scale;

Estimates of the total cost of the two offices can be found in the table below (per 2014/15 budget):

Cost type	Coonabarabran Office	Coolah Office
Electricity	50,070	18,277
Other utilities	6,102	2,177
Insurance	10,807	7,162
General building maintenance (includes cleaning)	77,380	56,372
Travel costs Coolah to Coonabarabran only	46,783	46,783
Datalink costs	90,000	78,000
Total:	**281,142**	**208,771**

Note: datalink contract ends in March 2016 and these costs should decrease considerably post this date.

It should be noted that the costs in the table above are mostly per the 2014/15 budget (except for travel costs) and do not include any possible profit from the sale of surplus buildings if one of the buildings were to be closed.

It has been assumed that Council would struggle to sell either of the office buildings as there is no real demand for this infrastructure in either Coonabarabran or Coolah. Council also owns six houses in Coolah, although Council would be challenged to dispose of any of these houses if it were to remove the major source of employment from the town.

Estimates of staff travel costs between the two buildings are per below:

Coolah Staff member	Trips per week	KM Per year	Cost per yr
Manager Communications and IT	1	9,120	6,931
CFO	1	9,120	6,931
Manager Property and Risk	1	9,120	6,931
Projects Manager	0.5	4,560	3,465
Road Ops Manager	0.5	4,560	3,465
GIS Officer	1	9,120	6,931
Council meetings (6 per year assume 36 trips)	-	6,840	5,198
Other Non-Managerial Staff	1	9,120	6,931
Total:	**6**	**61,560**	**46,783**

Note: cost per year is based on total trips taken per week for admin purposes only (i.e. not including trips to visit a property up north) multiplied by 190km and 48 weeks. The total km is then multiplied by $0.76,being the ATO car expense per km rate for 1,601 to 2,600cc vehicles, and is considerably higher than Council's current charge out rate. It should be noted that this figure will reduce dramatically post the implementation of video conferencing this financial year. Lost staff productivity from the travelling is not included in the analysis above.

It should be noted that if Council were to actually close one of the two offices there would be significant refurbishment requirements to handle the increased staffing in the remaining office, and it is unlikely that even the larger Coonabarabran office would have space (even post refurb) for the additional staff.

Other financial considerations to be taken into account include:

- If Council were to close the Coolah office, it would loose the majority of the value of its 6 staff houses as Council would struggle to sell these houses at the current book values;
- A significant amount of current staff travel time relates to Managers overseeing works on the other end of the Shire, and removing an office would not solve this problem, and would mean that staff would need to travel more often as there would be no on-site management at the other end of the shire;
- Council may be unable to completely close the office due to the need for either an RMS agency or Rural Transaction Center to serve the Coolah/Dunedoo region.

Non-Financial Considerations

The non-financial considerations to consider include:

- In Coolah Council owns six (6) staff houses) and the value of these houses would decline significantly once it was known that the town had lost its major employer (i.e. Council would be stranded with assets that it would find difficult to sell and could not use).

- It is likely that current staff employed in the office to be closed would be unwilling to stay with Council due to the long distance between the two centres;
- Council is the largest employer in the Shire, and the town with the office chosen for closure would be devastated economically leading to significant socio-economic impacts to that community;
- By having offices in two (2) locations, especially one location that is only four (4) hours drive to Sydney, Council is able to improve opportunities for recruitment. There are many positions that have historically only been filled due to Coolah being closer to Sydney (e.g. previous CFO);
- Council's workload is relatively evenly divided between the north and the south of the shire, with a lot of the roadworks happening in the south of the shire due to Council's responsibility for maintaining the State network in the south. By having a southern office, Council is able to better manage and track works in the southern half of the shire;

Options / Decision

Council could theoretically save between $209 and $281k per annum in operational costs if it were to close one of the two offices. However, these potential savings would be quickly eroded by the additional fitout and staff recruitment costs required to relocate to the new office.

Despite the possible small annual savings to Council a decision to close one of the two offices would leave one half of the shire without representation, and due to the fact that Council is the largest employer in the region a decision to close one of the offices would cause significant economic losses to the town whose office closed. Council should therefore continue to operate out of two offices: one in Coonabarabran and one in Coolah.

RECOMMENDATION

It is recommended that in recognition of the importance of having representation in both the north and the south of the Shire that Council continue to operate out of two offices: one in Coonabarabran and one in Coolah.

3.21 Stormwater Levy

Suggested Saving

Council could implement a stormwater levy to fund stormwater projects that Council is currently unable to fund from General Fund due to funding limitations.

Details

Per Section 496A of the Local Government Act 1993, land within an urban area rated as either residential or business for rating purposes (except vacant land) can be charged an annual levy for Council to provide a stormwater management service. Within Warrumbungle Shire Council there are a total of 3,828 assessments rated as residential and 379 assessments rated as business. Currently none of these assessments are being charged an annual stormwater levy.

Under the Local Government (General) Regulation 2005, Section 125AA, the maximum annual charge for stormwater management services that may be levied in respect of a parcel of rateable land is for land categorised as urban residential land at $25 and for businesses up to $25 per 350m^2.

The stormwater levy helps Council's improve the management of the quality and quantity of stormwater that flows off a parcel of a privately owned land and also includes a service to manage the re-use of stormwater for any purpose.

If Council were to implement a stormwater levy and charge an annual fee to residential ratepayers and businesses, Council would accrue additional revenue of $105,175 per annum for expenditure for stormwater management (assuming each business and residential assessment is charged a flat $25 per assessment).

Income from this charge could only be spent on the following items, and would need to relate to new or additional stormwater management services:

- Planning, constructions and maintenance of drainage systems, including pipes, channels, retarding basins and waters receiving urban stormwater;
- Planning, construction and maintenance of stormwater treatment measures, including gross pollutant traps and constructed wetlands;
- Planning, construction and maintenance of stormwater harvesting and reuse projects;
- Planning and undertaking of community and industry stormwater pollution education campaigns;
- Inspection of commercial and industrial premises for stormwater pollution prevention;
- Cleaning up of stormwater pollution incidents (charge can fund a proportion);
- Water quality and aquatic ecosystems health monitoring of waterways, to assess the effectiveness of stormwater pollution controls (charge can fund a proportion); and monitoring of flows in drains and creeks, to assess the effectiveness for flow management (flooding) controls (charge can fund a proportion); and
- Non-permanent staff specifically appointed to work on stormwater management projects.

Funding from the charge would not be able to be spent on the following activities which do not relate to the stormwater management from eligible land:

- Parks and garden activities;
- Riparian restoration or management;
- Bushcare (unless proposed activity specifically relates to stormwater impacts on bushland);
- Street sweeping;
- Kerb and guttering (unless dealing with flooding from a private land); and
- Permanent staff positions.

Narromine Shire Council is the only OROC member Council to currently have the stormwater levy in place.

Financial Considerations

If Council were to implement a flat $25 per residential and business assessment stormwater levy Council would accrue additional income of $105,175 per annum. This income would be tied to expenditure to be used in the management of stormwater services, and over the following five years would be allocated to the following stormwater projects:

Drainage Project - Description	2015/16	2016/17	2017/18	2018/19	2019/20
Baradine					
Flood levee design	20,000	20,000	-	-	-
Flood levee construction	-	-	20,000	20,000	15,000
Binnaway					
Renshaw Street / Railway Street pipe renewal	-	-	20,000	-	-
Norman Street/Yeubla Street, pipe drainage system	-	-	-	-	20,000
Coolah					
Drainage Study, Bowen Oval, Goddard & Martin Sts	15,000	-	-	-	-
Pipe drainage Goddard Street, Binnia Street Martin St	-	45,000	35,000	40,000	-
Coonabarabran					
Belar Street, Merebene Street Drainage Pipe	70,000	-	-	-	-
Cowper Street, concreting of open channel	-	-	-	-	20,000
Barker Street drainage pipe	-	20,000	-	-	-
Newell Highway opposite Yuluwirri Kids, design	-	5,000	-	-	-
Newell Highway opposite Yuluwirri Kids, pipe drainage	-	-	-	15,000	20,000
Dunedoo					
Drainage study and design, Wargundy Street	-	15,000	-	-	-
Pipe drainage construction, Wargundy Street	-	-	-	-	30,000
Mendooran					
Cobra Street pipe drainage	-	-	30,000	30,000	-
Total	**105,000**	**105,000**	**105,000**	**105,000**	**105,000**

Non-Financial Considerations

Non-financial considerations include:

- Council will need to provide an additional or higher level of stormwater management services if it were to apply the charge to eligible properties;
- A new charge could be seen as an impost or cash raising exercise by Council, especially as the monies would go to fund stormwater works which residents do not see;
- The time for consultation with the community is limited and the community will only find out about a potential $25 impost just over a month before it is imposed. Although this implementation time line is similar to the $100 levy for waste that Council implemented two years ago;
- There will be system changes required to capture the new charge.

Options / Decision

As a result of the Federal Government's decision to pause the FAGs grants and revenue constraints faced by rural councils such as WSC, Council must ensure that limited monies available for capital expenditure are allocated to the capital projects that will most reduce Council's long term renewal and maintenance costs. Council is responsible for stormwater management, and given the limited capital funds available and lack of "feel good factor" relating to the construction of stormwater assets such as culverts and drainage systems, stormwater priorities are often overlooked at the budget process.

Council could ensure that the right amount of funding is being allocated to addressing stormwater issues by adopting a stormwater levy, the income of which would be tied to stormwater projects. Although capped at $25 per residential property with a variable rate for businesses, a stormwater levy would bring in an extra $105,175 per annum that could be used to address stormwater issues.

RECOMMENDATION

It is recommended that Council does not implement a flat $25 per assessment Stormwater levy for all residential and business assessments across the Shire commencing in the 2015/16 financial year.

3.22 Better Utilisation of Grant Funding

Suggested Saving

Council could better access grant funding if it had an officer dedicated solely to identifying and applying for grants, or an established grants working group to ensure better internal communication within the business.

Details

The sourcing of grant funding by Council is now done by various managers such as the Manager, Tourism and Economic Development, the Manager, Children's and Community Services, the Manager, Property and Risk and the Manager, Urban Services amongst others. Each of these Managers has a broad portfolio of responsibilities and grant applications are only one of the many things they are responsible for.

Council could possibly improve its performance and success in grant applications if it had a dedicated officer responsible for seeking out, applying for and managing the reporting and administration of grants.

If a Grants Officer position were to be created it would need to be relatively senior (at least grade 14) and would thus be quite costly to Council. The wealth of knowledge and experience in grant management that Council could achieve by having one dedicated grants officer may outweigh these costs, and the KPI to judge whether the position is succesfull would be very easy to measure. Council could also consider employing a grants officer on a shared basis with a neighbouring Council.

Financial Considerations

If Council were to employ a grants officer the expected cost (assuming grade 14 step 2) would be $86k per annum. This amount may be offset by grant monies earned from the position.

It should be noted that grant funding gained by Council is generally tied to a specific project, and the position would therefore still have to be majority funded from unrestricted cash (i.e. general fund). The financial advantage of the position being that Council would have funds to build/renew more assets or provide more services to the community.

Non-Financial Considerations

N/A

Options / Decision

Although there may be room for Council to source more funds if it were to employ a dedicated grants officer, it is Council's view that the current arrangement has been quite sucesfull as proven by Council's recent success in the Cobbora Transition Fund grants, grants for road works on MR55, and the Water Security Grants to name a few. However, it is evident that some opportunities are lost due to communication and co-ordination issues.

It is therefore recommended that Council continue with the current arrangement where Council Managers source and manage grants for their area, with two suggested changes to the current process:

- In the short term Council should set up an internal grants working group to oversee the management of the grants process within Council, and to ensure that Council is effectively managing all facets of the grants process. This working group will meet regularly and will be chaired by one officer who will have grants management as part of their portfolio;

- That Council investigate the possibility of sharing a dedicated grants officer with a neighbouring Council;

RECOMMENDATION

It is recommended that Council:

- Continue with its current model of grant funding being sourced by individual Managers;
- Set up an internal grants working group to oversee the management of the grants process within Council;
- Investigate the possibility of sharing a dedicated grants officer with a neighbouring Council.

3.23 Pushback on Cost Shifting

Suggested Saving

Council would be financially viable if it were not for cost shifting from other levels of government, with Warrumbungle Shire Council spending $1.109m In the 2011/12 financial year on functions that should rightly belong with the State or Federal government.

Details

Cost shifting is one of the major reasons for local government (particularly local governments in rural areas) not meeting the Fit for the Future benchmarks. Examples of cost shifting that affect WSC are detailed in the table below (figures are from the 2011/12 cost shifting survey):

Example of Cost Shifting	Cost to WSC
Contribution to Fire and Rescue NSW	42,064
Contribution to NSW Rural Fire Service	340,249
Contribution to NSW State Emergency Service	38,634
Pensioner Rates Rebated (Our portion)	122,328
Public Library Operations (Funded by us due to change in funding arrangement)	217,000
Shortfall in admin of the Companion Animals Act	112,131
Cost of Noxious Weeds provision	88,034
Shortfall in cost recovery for administering food safety regulation	5,000
Medical services. Net cost in $ of providing medical services necessary because of insufficient services by other levels of government	43,354
Cost of providing Road Safety Officer Position	54,000
Cost of providing community services	28,642
Sewerage treatment system license fees	7,319
Taking away of revenue from crown reserve land under council management	9,809
Total Cost due to Cost Shifting	**$1,108,564**

Financial Considerations

The impact of cost shifting on Warrumbungle Shire Council is around $1.1m per annum.

Non-Financial Considerations

Unfortunately for small rural councils like ours, Council is the level of government “on the ground” so to speak, and sees first hand the effect of local services being taken away from the community. It is therefore very hard for Council to stand back when the community is suffering, and Council often gets involved in the provision of services that are not Council’s responsibility as “if Council doesn’t do it nobody will”.

Due to these reasons Council is unable to cease the provision of services that have been “cost shifted” to it, despite the financial impact this cost shifting imposes on Council.

Options / Decision

The reversal of decades of cost shifting by other levels of government can not be reversed overnight, and although Council has no control over items "cost shifted" to it, Council is able to quantify the impact of cost shifting from the Cost Shifting survey and should report the cost shift figure in its Template 2 submission.

RECOMMENDATION

It is recommended that Council details the costs of cost shifting (per the cost shifting survey) in its Fit for the Future Template 2 submission.

3.24 Other Business Arms of Council

Suggested Saving

Council could seek to develop other business arms where it has a natural advantage and will not crowd out local established businesses.

Details

Some examples of areas where Council could investigate business arms opportunities include:

2. Recycling centres
3. Caravan parks;
4. Public Private Partnerships;
5. Development of a transportation hub;
6. Possible provision of farm machinery repairs by Council where there is no such services provided in town;
7. Bio-security wash for truck movements from farms.

Financial Considerations

Unknown at this point in time, but would involve an increase in own source revenue.

Non-Financial Considerations

N/A

Options / Decision

The development of other business arms of Council really depends on opportunities available at the time, and will require significant research and time by various Council officers. Council should not be closed to the idea of developing other business arms of Council, and Council could focus on this as one of the outcomes form a renewed concentration on economic development for the region.

RECOMMENDATION

It is recommended that Council further investigates other business opportunities as part of its Economic Development function.

4. Projected Performance and Impact of IAPs

Council has prepared its Operational Plan and Delivery Program with many of its FFF Improvement Action Plans incorporated directly into its forecast performance. Other FFF IAPs have been separately listed in Council's budget by function such as a forecast increase in the FAGs grants from the re-allocation of these grants to rural area, but are included in Council's Income Statement and other Statutory Reports.

Details of Council's forecast financial performance in its General Fund including all IAPs can be found in the following tables (note all figures are in $'000):

Table 4.1: Income Statement

Income Statement	2015/16	2016/17	2017/18	2018/19	2019/20
Income from Continuing Ops					
Rates & Annual Charges	9,099	9,367	9,643	9,927	10,220
User Charges and Fees	6,258	6,524	9,698	9,878	10,063
Interest & Investment Rev	602	539	526	512	498
Other Revenues	769	674	691	708	726
Grants & Contributions (Ops)	16,296	15,655	16,690	17,115	17,629
Grants & Contributions (Cap)	12,190	1,620	700	708	715
Gains/(Loss) Disposal of Assets	59	59	59	59	59
Share of interest in JV gains	10	10	10	10	10
Total Income From Ops	**45,283**	**34,448**	**38,017**	**38,917**	**39,920**
Expenses fr Continuing Ops					
Employee Benefits	12,644	12,789	13,153	13,544	14,010
Borrowing Costs	342	307	269	230	191
Materials & Contracts	5,713	5,651	8,497	8,627	8,698
Depreciation & Impairment	7,800	8,280	8,553	8,842	9,145
Other Expenses	7,035	7,268	7,373	7,556	7,743
Total Expenses From Ops	**33,534**	**34,295**	**37,845**	**38,799**	**39,787**
Operating Result	**11,749**	**153**	**172**	**118**	**133**
Remove Capital Grants	(12,190)	(1,620)	(700)	(708)	(715)
Operating Result Excl Cap Grants	**(441)**	**(1,467)**	**(528)**	**(590)**	**(582)**

Table 4.2: Summarised Capital Expenditure Information

CAPEX	2015/16	2016/17	2017/18	2018/19	2019/20
Capital Expenditure – Non Infrastructure	3,346	2,337	2,995	3,633	3,416
Capital Renewals – Infra & Buildings	10,588	4,208	5,603	5,565	5,297
Capital Expansion – Infra & Buildings	8,101	1,339	147	296	160
Total Capital	**22,035**	**7,884**	**8,745**	**9,494**	**8,873**
Depreciation – Non Infrastructure	2,300	2,442	2,522	2,607	2,697
Depreciation – Infra & Buildings	5,500	5,838	6,031	6,235	6,448
Total Depreciation	**7,800**	**8,280**	**8,553**	**8,842**	**9,145**

Table 4.3: Performance against the FFF Benchmarks Post Implementation of Recommended IAPs

Benchmark	2015/16	2016/17	2017/18	2018/19	2019/20
Sustainability					
Operating Performance Ratio	**-1.54%**	**-4.69%**	**-1.60%**	**-1.73%**	**-1.66%**
Own Source Revenue	**51%**	**68%**	**71%**	**72%**	**72%**
Asset Renewal Ratio	**193%**	**72%**	**93%**	**89%**	**82%**
Effective Infrastructure					
Infrastructure Backlog Ratio	**2.06**	**2.71**	**2.83**	**3.03**	**3.42**
Asset Maintenance Ratio	**>1**	**>1**	**>1**	**>1**	**>1**
Debt Service Ratio	**3.55%**	**3.59%**	**3.17%**	**3.10%**	**3.04%**
Efficiency					
Real Operating Expenditure per Capita	**2.957**	**2.948**	**2.938**	**2.937**	**2.937**

As can be seen from the table above, Council will move closer to meeting the three sustainability benchmarks over the next five years.

Council already meets the asset maintenance ratio and debt service ratio, and will continue to meet these ratios over the following five years. Council will also meet the Own Source Revenue ratio with the inclusion of the FAGs grants as own source revenue.

Council has forecast an infrastructure backlog ratio of between 2.06 and 3.42 based on the previous year ratio with adjustments for Council's renewals program.. Council is also currently forecasting a decreasing result for the real operating expenditure per capita benchmark.

The impact of Council's IAPs on its projected performance over the following five years is best summarized by the following table (Note: figures are actual savings):

Table 4.4: Impact of IAPs

IAP	P&L Line Items Affected	2016	2017	2018	2019	2020
Items Under Council Control						
Staffing Review (IAP 1)	Employee Benefits	691,278	710,634	731,242	753,179	775,775
Plant Review (IAP 2)	Materials and Contracts	172,231	176,024	179,767	183,582	187,471
Business Arms of Council Review (IAP 3)	Various	190,000	194,750	199,619	204,609	209,724

IAP	P&L Line Items Affected	2016	2017	2018	2019	2020
Capital Program Review (IAP 7)	Nil P&L Impact	-	-	-	-	-
Resource Sharing (IAP 8)	User Charges	-	50,000	51,250	52,531	53,845
Depreciation Assumptions (IAP 9)	Depreciation	1,000,000	1,025,000	1,050,625	1,076,891	1,103,813
Private Works (IAP 10)	User Charges	50,000	51,250	52,531	53,845	55,191
Quarry (IAP 11)	User Charges	83,000	83,000	83,000	83,000	83,000
Grant Funded Program (IAP 13)	Various	57,210	58,640	60,106	61,609	63,149
Items Involving Third Parties						
State Roads Maintenance Contracts (IAP 5)	User Charges & Various Expenditure Line Items	-	-	-	-	-
FAGS Fairer Distribution (IAP 6)	Grants	-	500,000	1,000,000	1,040,000	1,066,000
Push Back on Cost Shifting (IAP 23)	Various – Not Included as a saving	-	-	-	-	-
Items Involving Further Research						
Library Services Review (IAP 15)	Unknown	-	-	-	-	-
Visitors Information Center (IAP 16)	Unknown	-	-	-	-	-
Solar Power Utilisation Review (IAP 19)	Unknown	-	-	-	-	-
Alternate Business Arms of Council (IAP 24)	Unknown	-	-	-	-	-
Total Savings		**2,245,735**	**2,851,315**	**3,410,158**	**3,511,265**	**3,599,988**

As can be seen from the table above, Council has identified between $2.2 and $3.6m per annum of possible savings.

Improvement Action Plans considered by Council but not adopted are listed in the table below:

IAP	P&L Line Items Affected	2016	2017	2018	2019	2020
Service Levels and Special Rates Variation (SRV) (IAP 4)	Rates & Annual Charges	-	-	254,760	524,492	817,794
Pricing Review (Subsidised items) (IAP 12)	Various		-	-	-	-
Asset Divestment (IAP 14)	Various	-	-	-	-	-
Noxious Weeds (IAP 17)	Various	-	-	-	-	-
Road Safety Officer (IAP 18)	Various	50,000	51,250	52,531	53,844	55,191
Office Location Review (IAP 20)	Various	209,000	214,225	219,581	225,070	230,697
Stormwater Levy (IAP 21)	Rates & Annual Charges	105,000	105,000	105,000	105,000	105,000
Better Utilisation of Grant Funding (IAP 22)	Various	-	-	-	-	-

5. Conclusion and Recommendations

Over the last three years (post Council completing its Long Term Financial Plan as part of the IP&R journey), Council has made significant strides in addressing its financial performance and position, and prior to the 2013/14 decision to not bring forward the Financial Assistance Grants (FAGs) and the subsequent pause in indexation of these grants Council was starting to make real headway in its effort to become financially sustainable.

Unfortunately, a worsening funding environment due to the FAGs adjustments and imposed statutory limitations on Council revenue, and the need for Council to become more self reliant in the face of reduced grants income means that Council must now do even more to improve its financial performance going forward.

On 10 September 2014 the release of the Fit for the Future (FFF) reform package was announced by the OLG, giving Council a further impetus to continue with actions it had carried out to date to improve its financial performance. Although Council currently does not meet a majority of the Fit for the Future benchmarks (despite improvements over recent years), Council sees the FFF process as a perfect opportunity to move forward and further improve Council's financial performance and position. In order to improve its financial performance Council has reviewed 24 Improvement Action Plans (IAPs), of which 16 IAPs have been recommended for implementation.

Assuming these 16 IAPs are implemented Council will be able to meet five (5) of the seven (7) benchmarks by 2019/20, and all the benchmarks except possibly the infrastructure backlog ratio by the end of Council's Long Term Financial Plan.

Council sees these improvement action plans as a c b omprehensive list of action items that can be utilized in Council's FFF road map and if implemented should lead Council to being deemed FFF by the Office of Local Government. Details of Council's forecast performance post the implementation of its IAPs and a full listing of recommendations from this document are detailed below.

Benchmark	2015/16	2016/17	2017/18	2018/19	2019/20
Sustainability					
Operating Performance Ratio	-1.54%	-4.69%	-1.60%	-1.73%	-1.66%
Own Source Revenue	51%	68%	71%	72%	72%
Asset Renewal Ratio	193%	72%	93%	89%	82%
Effective Infrastructure					
Infrastructure Backlog Ratio	2.06	2.71	2.83	3.03	3.42
Asset Maintenance Ratio	>1	>1	>1	>1	>1
Debt Service Ratio	3.55%	3.59%	3.17%	3.10%	3.04%
Efficiency					
Real Operating Expenditure per Capita	2.957	2.948	2.938	2.937	2.937

In order for Council to ensure that it is Fit for the Future, it is recommended that Council:

<u>IAP 1 – Staffing Level Review</u>

1. It is recommended that Council adopt the revised new organizational Structure as part of its Fit for the Future program, and **FURTHERMORE** that Council further reduce through attrition indoor staff positions in Corporate Services by three (3) for a total annual cost saving of $691k per annum over 5 years.

<u>IAP 2 – Review of Contractors, Plant Utilisation and Plant Hire</u>

2. It is recommended that Council:
   - Sell one grader in the 2015/16 financial year to reduce the total number of graders down to seven (7) resulting in a $400k reduction in capital expenditure, and recurrent savings of approximately $100k per annum;
   - Purchase an additional water cart with trailer in 2015/16, to be based in Dunedoo and that Council monitor the success of the purchase via a benefit cost analysis after 12months. **FURTHERMORE** that going forward, combination water cart and trailer are investigated as a replacement option for current water carts.
   - Purchase an additional roller in the 2016/17 financial year for annual recurrent cost savings of $21k per annum subject to the investigation of the most appropriate type of roller;
   - Convene a formalized meeting with all plant contractors during the public consultation period once the forecast adjustments to Council's plant levels have been finalized to inform them of the expected reduction in contractor utilization in future years.
   - Utilize a dry hire arrangement in the 2015/16 financial year for any works that require the use of a soil stabilizer as a test run to determine whether or not to purchase a soil stabilizer in the future;
   - Investigate the utilization of a dry hire arrangement in the 2015/16 financial year for a crusher to test whether or not Council should purchase a crusher for use in Council's quarry and pits;
   - Present to the Plant Committee details of the full cost analysis from the test case on the 7 year old Urban Service truck in Baradine in order to inform future decisions on whether to extend trade in times for plant items;
   - And **FURTHERMORE**, that the recommendations above be put to plant committee for final approval.

<u>IAP 3 – Business Arms of Council Review</u>

3. It is recommended that Council adopt new on-cost and internal charges that ensure full cost recovery by General Fund from the water, sewer, waste and quarry businesses for a saving to General Fund of approximately $190k per annum, and **FURTHERMORE** that Council adopt pricing levels for these businesses to ensure that they are sustainable in the long run and do not require support from General Fund.

<u>IAP 4 – Service Levels and Special Rates Variation</u>

4. It is recommended that Council finalise its current service levels, determine what level of service can be provided within the current budget and then consult with the community on what level of service they are willing to pay for.

IAP 5 – State Roads Maintenance Contracts

5. It is recommended that Council continue to engage the State government to increase its involvement in maintaining the Newell and Oxley highways by expanding the length of these highways that we maintain under our RMCC contract, and **FURTHERMORE** that Council include the full responsibility for maintenance of the State Road network in the Shire as one of our FFF action plans in Council's FFF Template 2 submission.

IAP 6 – Financial Assistance Grants Fairer Distribution to Rural Councils

6. It is recommended that Council:
   - Continue to engage with State and Federal Members to implement Recommendation 8 of the Review Panel Report, resulting in forecast increased FAGs grant revenue of up to $2m per annum;
   - Include the implementation of Recommendation 8 of the Review Panel report and its impact on Council's financial sustainability as an action plan in Council's FFF Template 2 submission;

IAP 7 – Capital Program Review

7. It is recommended that Council adopt a Capital Funds Allocation policy that states: Capital expansion projects in General Fund that are over $200k will not be included in Council's capital program unless at least one of the following criteria is met:
   - The project is a 50% or greater capital grant (or approved community) funded project; or
   - The project will reduce Council's long term costs and there is a detailed cost benefit analysis showing why the capital works would reduce Council's cost base; or
   - The projects are detailed as a specific deliverable as part of a Special Rates Variation application.

   FURTHERMORE that Council includes this review of its capital program as an improvement plan in its FFF Template 2 submission.

IAP 8 – Resource Sharing

8. It is recommended that Council further seek out opportunities to resource share particularly the provision of fee for service by WSC to other councils. **FUTHERMORE** that Council include its success in resource sharing and future resource sharing plans as an improvement plan in its FFF Template 2 submission, and increase forecast revenue by $50k for expected increased own source revenue from the provision of fee for service works to other councils.

IAP 9 – Depreciation Assumptions and Asset Management

9. It is recommended that Council includes the review of its depreciation assumptions forecasting a $1m reduction in depreciation expense and advances in Council's asset management processes such as the AMIP project in its FFF Template 2 submission.

IAP 10 – Private Works

10. It is recommended that Council increase its level of private works through better advertising and pursuit of private works resulting in expected increased revenue of $50k per annum, and **FURTHERMORE** that Council include the further pursuit of private works as an improvement plan in its FFF Template 2 submission.

IAP 11 – Warrumbungle Quarry

11. It is recommended that Council includes the quarry expansion in its FFF Template 2 submission, and adjust future year budgets to include the forecast $83k per annum increase in revenue

IAP 12 – Pricing Review of Non-Cost Recovery Services

12. It is recommended that Council continues to subsidise non-cost recovery services such as swimming pools, aerodromes and access to public halls/ovals, but at the same time increases the fees associated with these services at a rate that is slightly higher than inflation.

IAP 13 – Grant Funded Programs

13. It is recommended that Council apply an internal charge of $57k per annum commencing from the 2015/16 financial year back to the services in order to cover the extra costs on general fund positions from Council running these services. If any service is found to be non-viable over the following years Council will then need to either:
    - Negotiate for further funding from the relevant funding bodies; or
    - Increase fees to make the service viable (if possible); or
    - Agree to provide a further subsidy from Council; or
    - Discontinue the service entirely.

    FURTHERMORE, the implementation of this review should be included in Council's FFF Template 2 submission.

IAP 14 – Asset Divestment

14. It is recommended that Council continue to monitor expenditure on public halls, medical centres, public amenities and operational land, but that it does not move to divest itself of these assets at this point in time due to the lack of a potential market for these assets, lack of community consultation on any changes to ownership and the importance of these assets to the community.

IAP 15 – Library Services Review

15. It is recommended that Council continue its membership of MRL until the end of the contract, and complete a detailed analysis of its provision of library services in the 2017/18 financial year before deciding whether or not to renegotiate an extension of its contract with MRL; and **FURTHERMORE** that Council review other locations for the library before the end of the current lease on 30 November 2016.

IAP 16 – Visitors Information Centre

16. It is recommended that Council actively investigate and pursue opportunities for joint development of the Coonabarabran VIC site in order to boost own source revenue.

IAP 17 – Noxious Weeds

17. It is recommended that Council continues its membership of CMCC for the provision of noxious weeds control.

IAP 18 – Road Safety Officer

18. It is recommended that Council continues to partially fund the Road Safety Officer position.

IAP 19 – Solar Power Utilisation Review

19. It is recommended that Council continue its review of the applicability of solar power to Council's operations and include its plans and work to date to increase the utilisation of solar energy across the shire in its FFF Template 2 proposal.

IAP 20 – Office Location Review

20. It is recommended that in recognition of the importance of having representation in both the north and the south of the Shire that Council continue to operate out of two offices: one in Coonabarabran and one in Coolah.

IAP 21 – Stormwater Levy

21. It is recommended that Council does not implement a flat $25 per assessment Stormwater levy for all residential and business assessments across the Shire commencing in the 2015/16 financial year.

IAP 22 – Better Utilization of Grant Funding

22. It is recommended that Council:
    - Continue with its current model of grant funding being sourced by individual Managers;
    - Set up an internal grants working group to oversee the management of the grants process within Council;
    - Investigate the possibility of sharing a dedicated grants officer with a neighbouring Council.

IAP 23 – Pushback on Cost Shifting

23. It is recommended that Council details the costs of cost shifting (per the cost shifting survey) in its Fit for the Future Template 2 submission.

IAP 24 – Other Business Arms of Council

24. It is recommended that Council further investigates other business opportunities as part of its Economic Development function.