

# Fit for the Future

Guidance material

Completing Template 1:

## Council Merger Proposal



Office of  
Local Government

October 2014

*“We need strong councils that  
are ready to face the challenges  
of the future . . .”*

*Paul Toole MP*

*Minister for Local Government*



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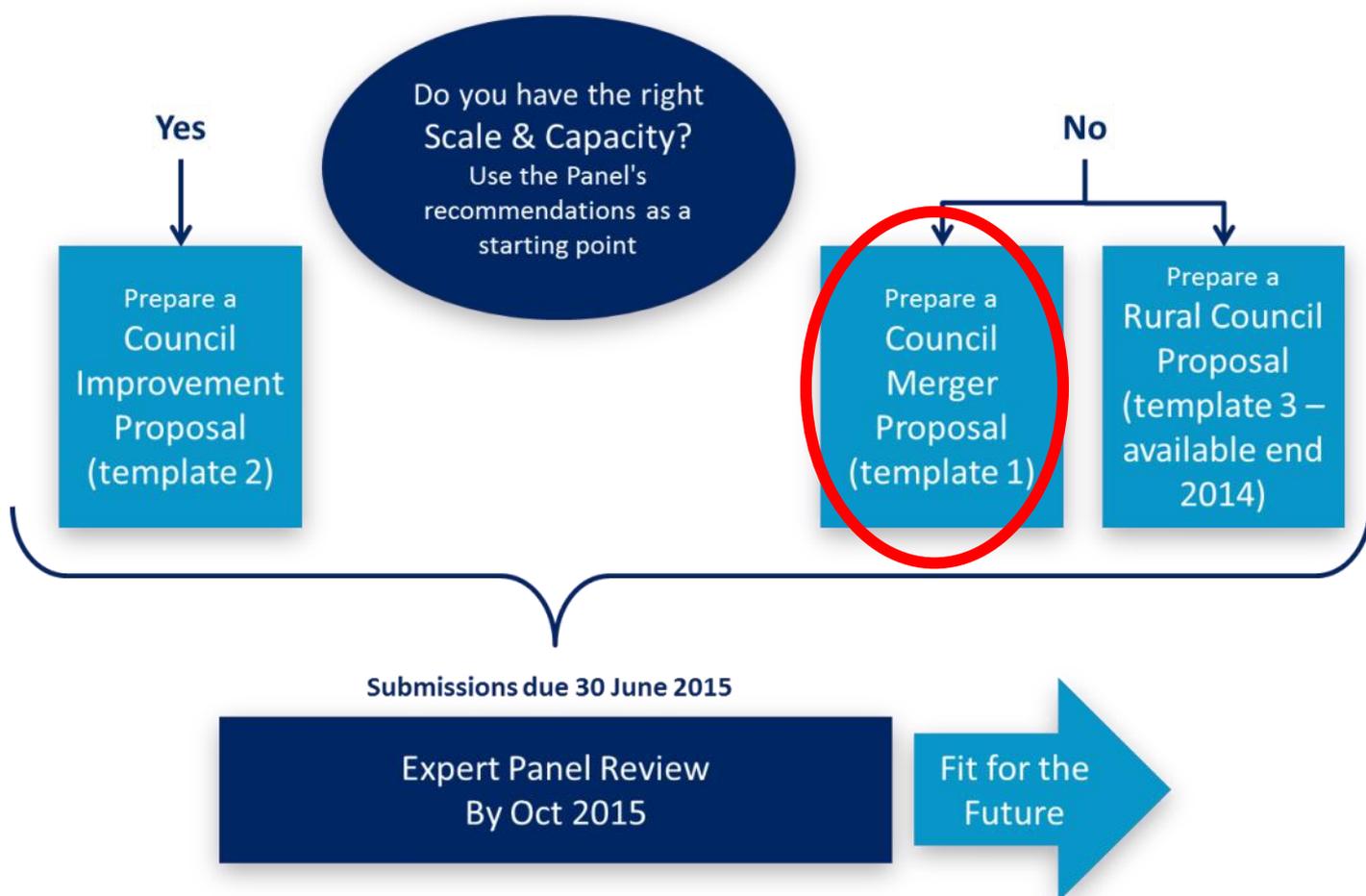
# About this guide . . .

This guide will assist councils in preparing a plan to become Fit for the Future. It explains the process and support available, and provides guidance on completing Template 1. Councils completing Template 1 are asked to outline the agreed merger proposal, the benefits and costs of the proposal and explain how the community has been informed and involved. To assist the new entity to plan the change, councils are also asked to provide an estimate of how the new entity will work to-

wards achieving the Fit for the Future benchmarks.

The group of councils proposing the merger may choose one of their number to complete the Template on their behalf. However, the proposal must include information relevant to all group members, as well as the endorsement of each proposed merger partner.

# Becoming Fit for the Future . . .



## Is this the right template for our council?

*This template is designed for councils that intend to undertake a voluntary merger.*

*You should only complete this template if you are satisfied that the newly merged council being proposed will be of the appropriate scale and capacity.*

*The recommendations of the Independent Panel are a starting point to help you with this assessment.*

# What information will help us to prepare our proposal?



Your current Integrated Planning and Reporting (IP&R) documents should be the starting point for your Fit for the Future Proposal. IP&R draws your council's plans together to ensure issues are not regarded in isolation. It is important to maintain this integrated approach when preparing your Merger Proposal.

## **Community Strategic Plan**

The priorities identified by your community, both locally and regionally should help to inform your Merger Proposal. How will the proposed merger help you to achieve your community's goals and priorities? The CSP also serves as a guide to your community's expectations regarding services and infrastructure. How will you continue to address these expectations in the newly-merged council?

## **Long Term Financial Plan**

Preparing this plan has already given your council the opportunity to undertake financial modelling for the future, and prepare financial projections for the resourcing required to meet your community's needs. The financial analysis undertaken in the LTFP and the forward estimates and budgets prepared for your Delivery Program and Operational Plan will be important in completing your Merger Business Case and assessing the benefits of the proposal. If the Merger Proposal is approved, further planning will be required to help the new council meet the Fit for the Future benchmarks.

## **Asset Management Strategy**

The Asset Management Strategy and Asset Management Plans prepared for IP&R should give you a clear understanding of the current state of your council's assets and the investment and works required to maintain them at the standards expected by your community. Councils with an infrastructure backlog will need to consider how they will continue to address this issue post merger. If the Merger Proposal is approved, further planning will be required to help the new council meet the Fit for the Future benchmarks.

## **Workforce Management Strategy**

Your workforce planning will be helpful in completing your Merger Business Case. Your Merger Proposal will need to consider the new council's capacity to attract and maintain suitably qualified staff and to deal with your specific workforce challenges.

## **Delivery Program and Operational Plan**

These documents give you a perspective of your community's current priorities and how your council is travelling in delivering these priorities within specification and budget. They will provide important information for your Merger Proposal.

## **Other useful documents**

Other documents you may wish to reference in preparing your Merger Proposal include: Your council's TCorp analysis report and Infrastructure Audit results; the Sydney Metropolitan Strategy; regional plans, such as Regional Growth Strategies and Economic Development Strategies; your council's land use and environmental strategies and community development plans, and other research undertaken by the Independent Panel during the Review.

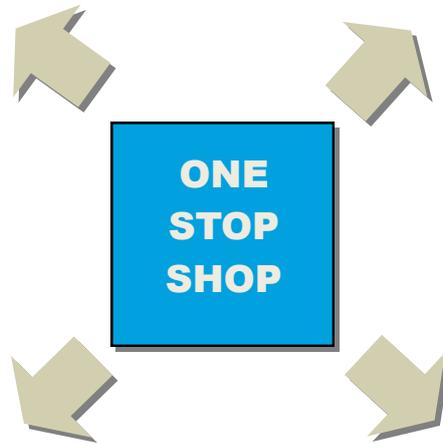
# What support is available to our council?

## Facilitators

- The NSW Government has assembled a Panel of fully-funded expert facilitators to help councils begin the discussions with their neighbours about structural change and provide support as they discuss the options and issues.

## Relationship Managers

- Your Regional Relationship Manager is there to support your council through the Fit for the Future process. He or she can help you to access the services of Facilitators and arrange for a Merger Business Case to be prepared.



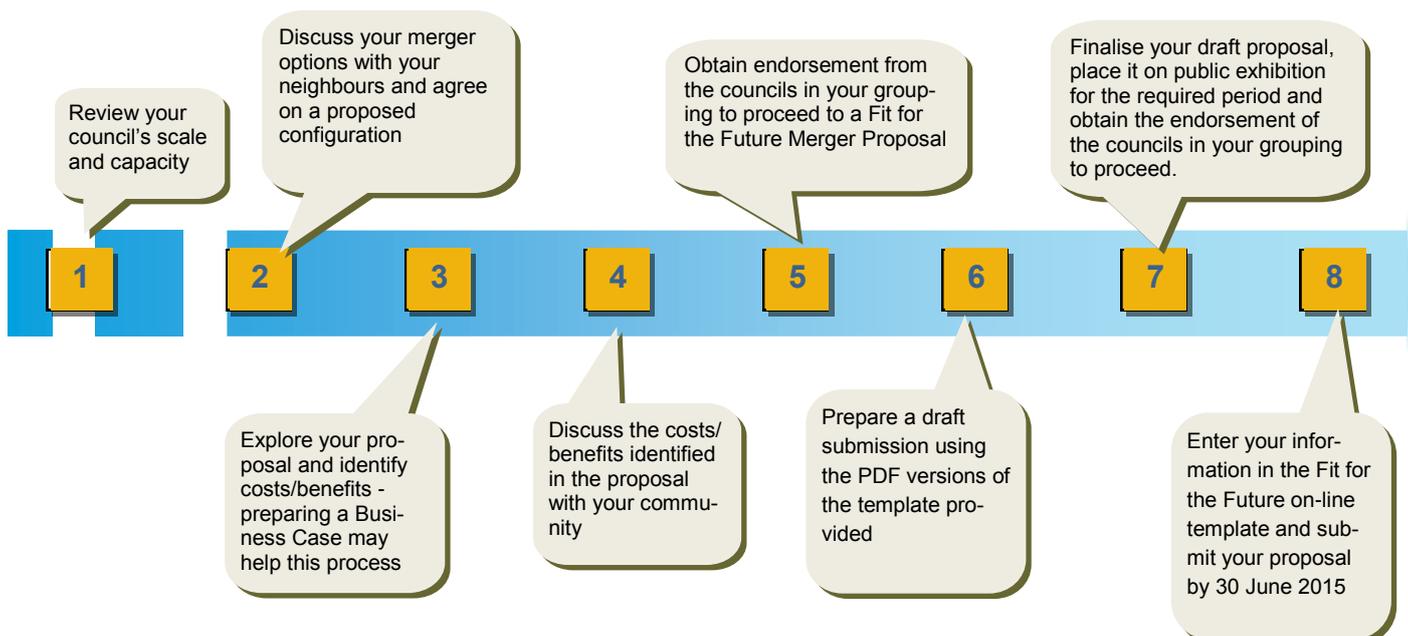
## Self-Assessment Tool

- The OLG has prepared a Self Assessment Tool to help councils get a clearer picture of their current performance against the Fit for the Future criteria. Completing the Self-Assessment may improve your understanding of the challenges facing your council and how structural change may assist in overcoming them.

## Business Case

- The NSW Government will provide 50% of the cost of preparing a Business Case for proposed mergers and provide access to a team of skilled professionals to carry out the work.

# How do we prepare and submit our proposal?



# Step 1

## Addressing the question of scale and capacity

Determining the appropriate scale for your council is a complex exercise. It involves considering a wide range of issues - some of which may be challenging for your community.

The Independent Pricing and Regulatory Tribunal recommended that councils should address Scale and Capacity before considering the other three criteria.

Your council's assessment of whether it has appropriate scale and capacity will determine which template you complete.

While it is important to acknowledge current views and attitudes when considering scale and capacity, it is also important to consider opportunities and options for the future.

The Independent Local Government Review Panel carried out extensive research and consultation on the question of scale and capacity and has made recommendations regarding each council in NSW.

In making its recommendations, the Panel did not take a "one size fits all" approach to scale and capacity. It did not set a minimum geographic or population size. It looked at the unique characteristics of each area—geography, economic and transport flows, communities of interest and local identity. The Panel made recommendations to ensure each council was able to meet the key elements of strategic capacity\*:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects

- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

The starting point for all Fit for the Future proposals is therefore the Independent Panel's final report.

These recommendations should serve as a guide for your Fit for the Future proposal.

You do not have to adopt the exact recommendations of the Panel (in some cases, several options were presented) but your proposal should demonstrate how your council has scale and capacity.

If the Panel recommended a merger for your council, this should be the first option that you consider.

If you support the Panel's position - or an alternative merger proposal broadly consistent with the Panel's proposal, then you should proceed with Template 1 - the Merger Proposal.

The following pages explain how to work through each section of the template.

\* Box 8, p 32 of *Revitalising Local Government, Final Report of the Independent Local Government Review Panel.*

# Step 2 Completing the template . . .

## Section 1: The proposed merger

### 1.1 Forming a new council



#### Purpose

This section confirms which councils have agreed to be part of the Merger Proposal.



#### How to complete

- Identify the councils that have agreed to participate in the new structure.
- Nominate the date that each council resolved to support the merger.



#### Things to consider

- It is important that each council that is party to the merger fully participates in this process.
- The proposal should reflect an agreed position in terms of the merger and the anticipated outcomes (ie, costs and benefits of the merger and the impact of the merger on the residents and ratepayers).

### 1.2 Agreed boundary changes



#### Purpose

To clarify whether additional boundary changes are proposed as part of the new structure.



#### How to complete

- Identify any proposed external boundary changes associated with the proposal and explain the reasons for these proposed changes.
- You should attach maps indicating the boundary change proposals.
- Provide evidence that the affected councils have agreed to the proposal.



#### Things to consider

- How will the proposed boundary changes impact on the affected councils' Fit for the Future proposals?

## 1.3 Scale and capacity



### Purpose

To confirm whether the proposed new structure will create sufficient scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel.



### How to complete

- Identify if your proposed new structure is the same as the recommendations of the Independent Local Government Review Panel.
- In some cases the Panel recommended several structural options for councils. Your proposal should be the same as one of these in order to answer 'Yes'.
- If your proposal is not the same as the Panel's recommendations, please explain why.



### Things to consider

- You should refer to the guidance on Scale and Capacity on Pg 7 when making this assessment
- You may also wish to reference your Merger Business Case in addressing this section.

## Section 2: The outcome

### 2.1 Delivering key priorities and addressing challenges



#### Purpose

This section defines the community, economic, social and environmental priorities for the new council and describes how the merger will assist in delivering these priorities and meeting the challenges the councils currently face.

This will provide a basis for Local Transition Committees, to be established once the merger is approved, to plan implementation.



#### How to complete

- Use the priorities already identified by each council in its Community Strategic Plan as a starting point.
- Describe how the merger will assist in achieving these priorities in terms of increased capabilities and resourcing, or increased strategic capacity.
- Consider the challenges facing the communities and what needs to be done to overcome them in implementing the merger.



#### Things to consider

- Consider the priorities outlined in the Community Strategic Plans, and in other relevant plans (e.g. Sydney Metropolitan Strategy) including:
  - economic priorities
  - environmental priorities
  - social priorities.
- Consider challenges faced in the past in delivering these priorities and identify how these challenges will be overcome through the merger.
- Consider any tensions between the current priorities of councils within the proposed grouping.
- You may also wish to draw on regional priorities previously identified in your CSP, or collaborative work with other councils and identify how the new structure will help you achieve these outcomes.
- You may wish to attach information from your Merger Business Case to support your submission.

*If you need help to undertake a merger business case to support your proposal, contact the One Stop Shop or your council's regional Relationship Manager for details.*

## 2.2 & 2.3 Considering benefits and costs of the proposal



### Purpose

These sections provide an overview of the financial and non-financial benefits and costs associated with the proposal.



### How to complete

- List the anticipated benefits and costs that will occur as a result of the merger.
- Only include incremental benefits/costs that are a consequence of the merger (i.e. exclude any benefits/costs that were likely to occur without the merger)
- Describe in qualitative and quantitative (where possible) terms the estimated impact of the benefit/cost and any assumptions that underpin the achievement of these benefits/costs.
- Identify the overall net benefit or cost if possible.
- Highlight any potential risks associated and what could be done to mitigate these risks.
- You may wish to attach your Merger Business Case and/or other supporting material to demonstrate the benefits, how they will be achieved and how the costs will be addressed.



### Things to consider

- Councils may wish to get funding from the Government to prepare a Merger Business Case or may wish to access existing tools to prepare a cost benefit analysis eg NSW Treasury Guidelines on cost-benefit analysis.
- You may also wish to refer to the guidance on Scale and Capacity on Pg 7 when identifying potential non-financial benefits.
- Consider the impact of the Government funding to support mergers in delivering the benefits and mitigating potential costs.
- Consider the costs that are likely to occur as a direct result of the merger, for example, implementation and consultation costs, impact on local employment and employee numbers. Ongoing costs should also be identified including qualitative and quantitative costs.
- Findings from your community consultation may assist in identifying benefits and costs associated with the proposed merger.

# Section 3: Community involvement

## 3.1 - 3.2 Discussing the options and impact



### Purpose

These sections identify the level of community awareness of the merger proposal.



### How to complete

- Provide an overview of the strategies your councils used to discuss the merger proposal with their respective communities.
- Your response should include confirmation that the minimum public exhibition period for the proposal has been achieved by each of the participating councils.
- Describe how the benefits and costs of the proposal were explained to the community.
- What methodologies did your councils use to communicate the information? eg brochures, website, social media, public meetings etc.



### Things to consider

- The Independent Panel conducted extensive consultation in determining the recommendations for mergers. Future consultation should build on this and focus on explaining the benefits to communities.
- You may wish to attach a copy of the communications plan your councils used during the community engagement process.
- You may also wish to attach examples of some of the material circulated by your councils to help the community participate in the discussions.
- Links to web-based information or results of community surveys/polls could also be included.
- Councils should also identify how council staff have been consulted on the proposal.

## 3.3 Community response



### Purpose

To identify the benefits and concerns highlighted in the community response.



### How to complete

- Provide an overview of the benefits and concerns identified by the community when considering the Merger Proposal.
- You may provide quantitative or qualitative information in your response, depending on the methodologies used to discuss the options with the community.



### Things to consider

- You may wish to refer to any community surveys or polls undertaken when preparing your proposal, or provide references to on-line resources or relevant social media.
- If your councils have prepared a draft communications strategy for the transition period, you may wish to reference this document or attach the Executive Summary.

## Section 4: Expected performance improvements



### Purpose

The purpose of this section is to highlight the new council's anticipated performance against the Fit for the Future benchmarks, to support implementation planning.



### How to complete

- Indicate your expected future performance (2016-17 to 2019-20) for each of the Fit for the Future benchmarks.
- Estimates are sufficient for this exercise - more detailed modelling will take place in the transition period.
- The new entity is not required to demonstrate it will meet the benchmarks by 2020. This section simply assists councils in identifying the possible strengths and challenges facing the new entity, to support implementation planning.



### Things to consider

In describing what is driving your new council's performance against the Fit for the Future benchmarks, key considerations include:

- Timeframe for transitioning to the new organisation
- Resources available to implement action
- Demographic factors that make improvement challenging
- Off-sets and transition agreements that may affect performance improvement.

Template 1

# Council Merger Proposal



Office of  
Local Government

# Getting started . . .

Before you commence this template, please check the following:



You have chosen the correct template – only councils that are intending to merge should complete Template 1



You have obtained a copy of the guidance material for Template 1 and instructions for completing each question



You have undertaken analysis of the costs and benefits of the proposed merger. This could include preparing a Merger Business Case for your proposal.



Each council has met the minimum public exhibition requirements for the proposal (28 days) and consulted with staff



Your submission has been endorsed by a resolution of each council involved in the proposed merger.

# 1. The proposed merger

*N.B. This template should be endorsed by all councils within the proposed merger group. The council completing the template on the group's behalf should ensure that endorsements from the other councils are attached to the submission.*

## 1.1 Which councils have agreed to merge and form a new council?

Council A	Council name	Select from the drop-down box ▼	Date of council resolution to support the merger
Council B		▼	
Council C		▼	
Council D		▼	
Council E		▼	
Council F		▼	

## 1.2 Agreed boundary changes

If there are any external boundary changes proposed in the merger, please provide details below and attach letters of support from the affected councils.



*See Guidance material Pg 8 for help completing this section.*

## 1.3 Scale and capacity

Is the proposed merger the same as the Independent Local Government Review Panel recommended for your councils?

*(or the same as one option, where more than one was presented)*

Yes/No



If NO, please explain:

- Why you have chosen a different grouping
- How your merger proposal is broadly consistent with what the Panel recommended
- How your merger proposal will provide sufficient scale and capacity

*For example, your proposal may include different councils from those proposed in the Panel's recommendation*



See Guidance material Pg 9 for help completing this section.

## 2. The outcome

### 2.1 Delivering key priorities and addressing challenges

Priorities	How will the merger help you deliver these priorities?
<i>Priorities for the new council, based on regional plans and the priorities of the existing councils, as identified in their CSPs</i>	
1.	
	
Challenges	How will the merger help you meet these challenges?
1.	
	



See Guidance material Pg 10 for help completing this section.

## 2.2 Financial and non-financial benefits of the merger

Summarise the key benefits of the proposal and the risk management strategies and assumptions that support your findings

*Councils may wish to attach a supporting business case and any research/analysis undertaken*

### Benefits

Benefits	Impacts	Assumptions	Risks	Mitigation



See Guidance material Pg 11 for help completing this section.

## 2.3 Financial and non-financial costs of the merger

Summarise the anticipated costs of the proposal and the risk management strategies and assumptions that support your findings.

*Councils may wish to attach a supporting business case and any research/analysis undertaken.*

### Costs

Costs	Impacts	Assumptions	Risks	Mitigation



See Guidance material Pg 11 for help completing this section.

## 3. How has the community been involved?

### 3.1 Discussing the options

Explain how each council has involved the community in the merger proposal discussions



*See Guidance material Pg 12 for help completing this section*

### 3.2 Explaining the benefits and costs

Outline how the benefits and costs of the proposal were explained to your community

*You may wish to attach examples of the materials circulated*



*See Guidance material Pg 12 for help completing this section*

## 3.3 Community response

### Benefits

*What were the main benefits identified with the proposal?*

*Eg: Savings, improved services, lower rates etc*



### Concerns

*What were the main areas of concern?*

*Eg: Local identity, taking on debt etc*



See Guidance material Pg 13 for help completing this section.

## 4. How will the merger help you achieve the benchmarks?

Please provide some estimates to show the new organisation's anticipated performance

### 4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)				
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)				
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)				
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)				
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)				
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)				
<b>Real Operating Expenditure per capita</b> (A decrease in real operating expenditure per capita over time)				

# Fit for the Future

Guidance material

Completing Template 2:

## Council Improvement Proposal (Existing structure)



Office of  
Local Government

October 2014

***“We need strong councils that  
are ready to face the challenges  
of the future . . .”***

***Paul Toole MP***

***Minister for Local Government***



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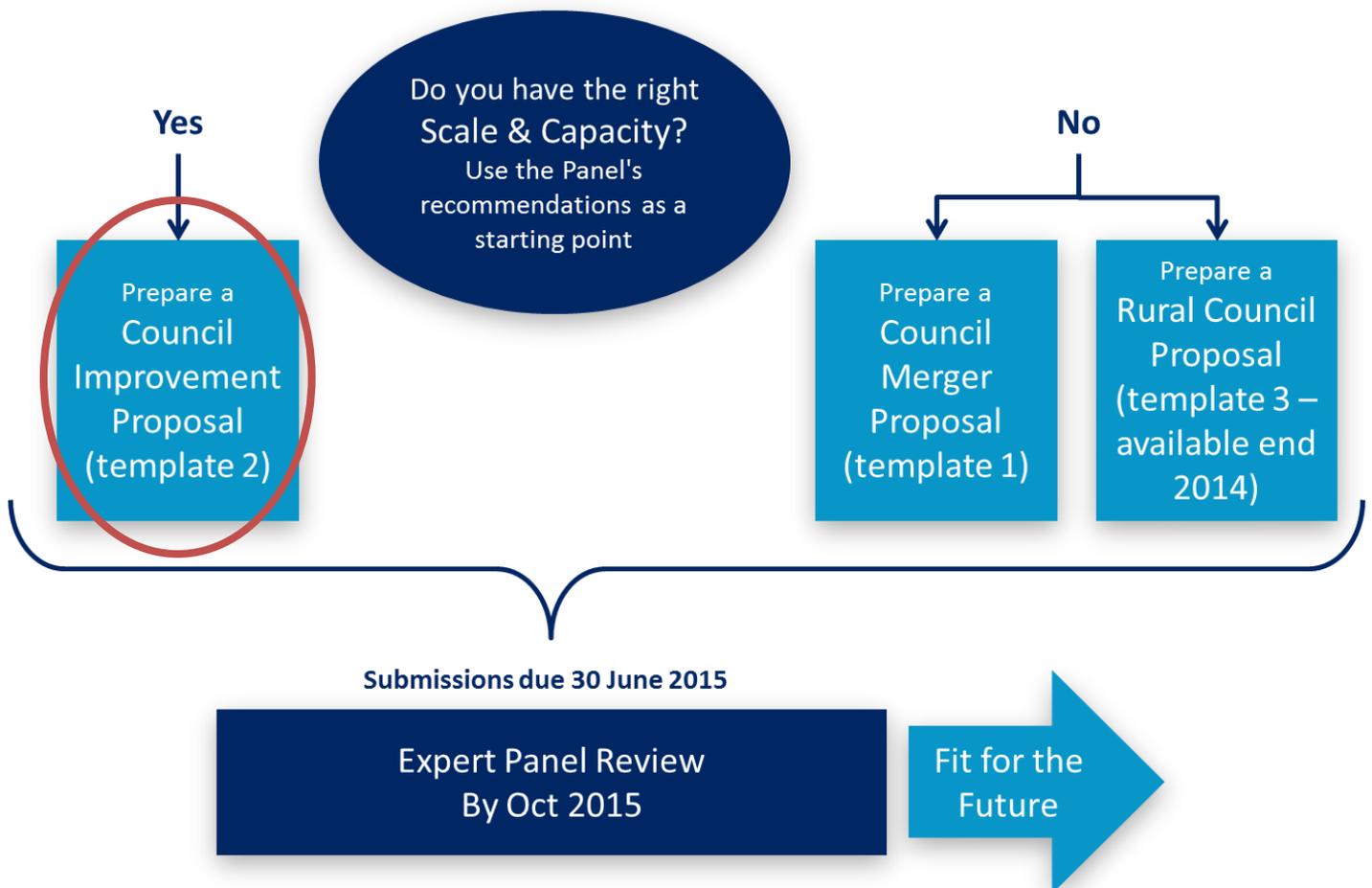
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# About this guide . . .

This guide will assist councils in preparing a plan to become Fit for the Future. It explains the process and support available, and provides guidance on completing Template 2. Councils that have scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel should read this guide and complete a Council Improvement Proposal (Template 2) - showing how they will become Fit for the Future within their existing structure.

Councils completing Template 2 are asked to assess their current and forecast performance against the Fit for the Future benchmarks, and develop strategies and actions to improve performance against the criteria of Sustainability, Infrastructure and Services and Efficiency, having already demonstrated they meet the Scale and Capacity criteria. This plan will put your council on a pathway to becoming Fit for the Future.

# Becoming Fit for the Future . . .



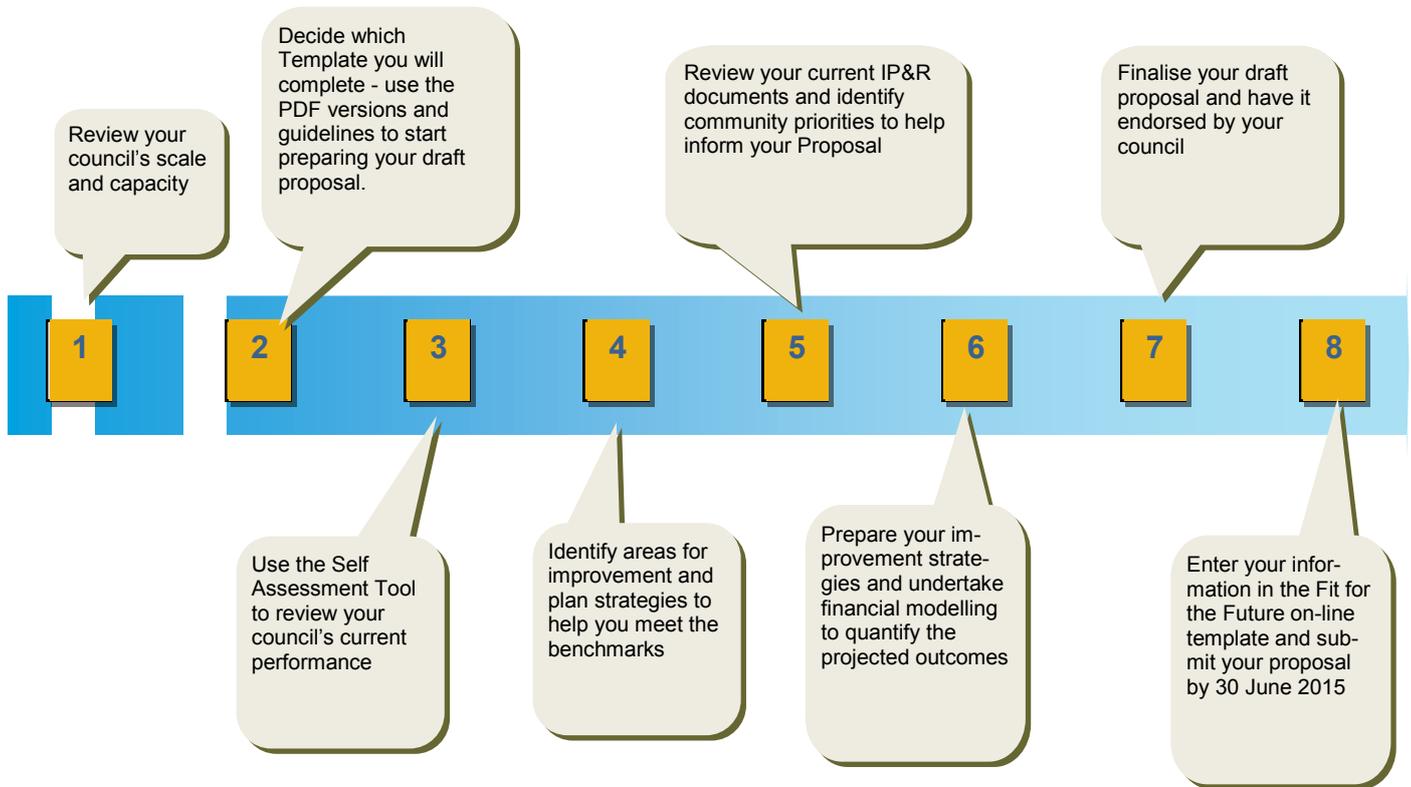
# Is this the right template for our council?

This template is designed for councils that will not be undertaking a voluntary merger, or adopting the Rural Council model.

You should only complete this template if you are satisfied that your council currently has sufficient scale and capacity to become Fit for the Future.

The recommendations of the Independent Panel are a starting point to help you with this assessment.

# How do we prepare and submit our proposal?



# How will completing a Fit for the Future Improvement Proposal help our council?

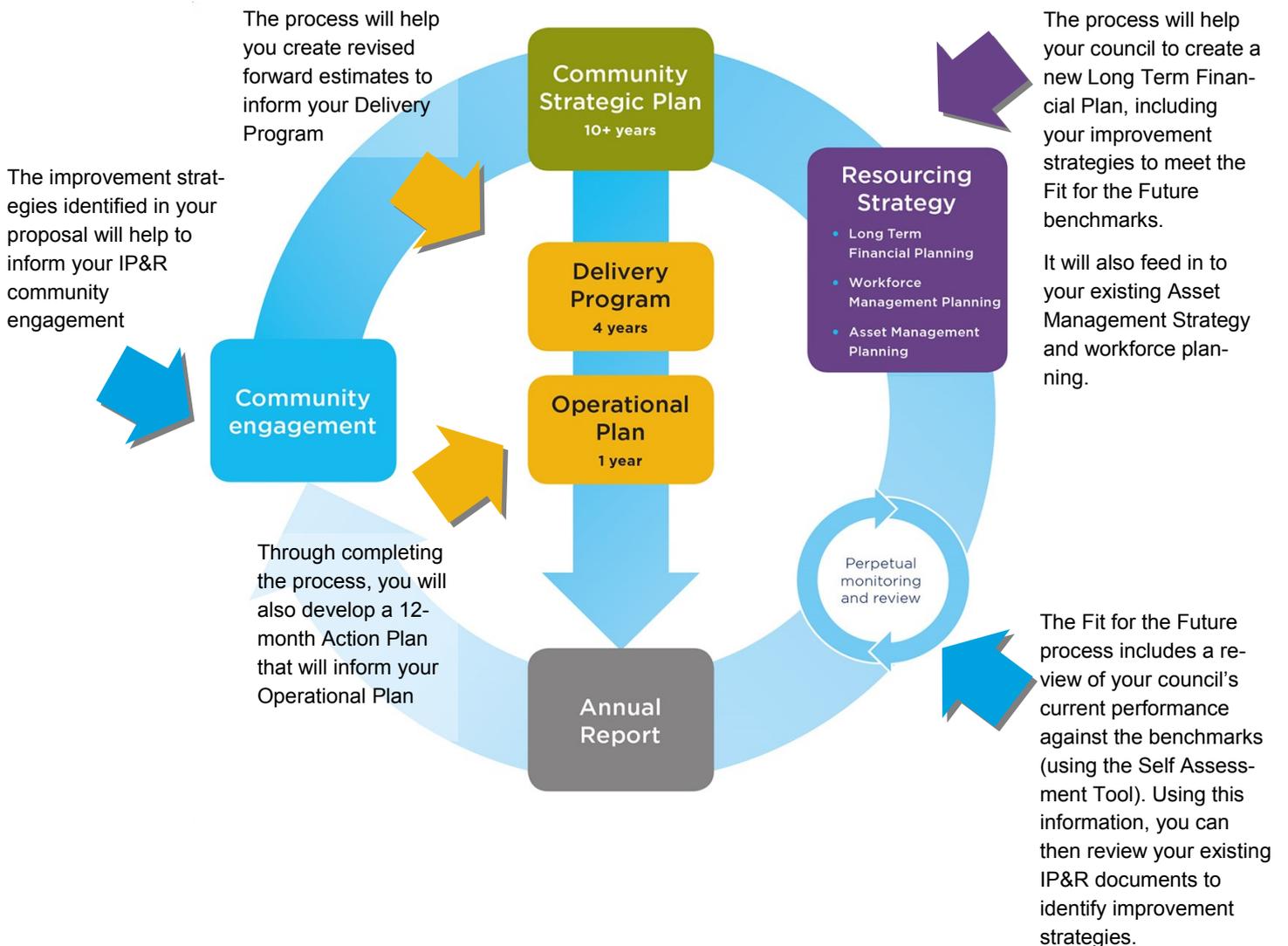
The process of creating your Fit for the Future Improvement Proposal will provide a series of strategies and plans that can be linked directly with the next iteration of your Integrated Planning and Reporting (IP&R) documents (see the diagram below).

The process involves looking critically at your existing IP&R documents and developing strategies for your

council to become more sustainable. It will help you to create a new Long Term Financial Plan to ensure your council is operating sustainably and efficiently and is able to deliver services and infrastructure the community wants and is willing to pay for. It will incorporate the strategies you will use to help you meet the Fit for the Future benchmarks.

Through completing the process,

you will also develop four-year forward estimates that integrate with your Delivery Program and a one-year action plan, that will be an important input to your council's Operational Plan.



# What support is available to our council?

## Technical Panel

- The NSW Government has assembled a panel of technical experts, with skills in financial analysis, asset management, service delivery and community engagement. Councils can access the Panel, at their own cost, to help them undertake analysis, or prepare studies that support their Improvement Proposal if necessary.

## Relationship Managers

- Your regional Relationship Manager is there to support your council through the Fit for the Future process. You can access the services of the Technical Panel through your Relationship Manager. He or she is also there to help with general enquiries and information about the process.



## Self-assessment tool

- The OLG has prepared a Self Assessment Tool to help councils get a clearer picture of their current performance against the Fit for the Future criteria. You should complete the Self-Assessment as a starting point for preparing your Improvement Proposal.

## Regional workshops

- The OLG will be running a second series of regional workshops to assist practitioners in working with the self-assessment tool and templates. A webinar tutorial will also be available.

# What are the requirements for water utilities?

Councils who have responsibilities for water and sewer management will need to consider these activities as separate when preparing their Fit for the Future Improvement Proposal.

Clause 206 of the *Local Government (General) Regulation 2005* requires

councils to maintain a separate Water and Sewer Fund.

Accordingly, the financial modelling required for Sections 2 - 4 of the Template addresses only the General Fund. This also ensures that councils are assessed on a consistent basis.

Financial modelling for water and sewer should not be included.

There are a number of general questions for water utilities to complete in Section 2 of the Template. See page 12 for further guidance.

# Step 1

## Addressing the question of scale and capacity

Determining the appropriate scale for your council is a complex exercise. It involves considering a wide range of issues - some of which may be challenging for your community.

The Independent Pricing and Regulatory Tribunal recommended that councils should address Scale and Capacity before considering the other three criteria.

Your council's assessment of whether it has appropriate scale and capacity will determine which template you complete.

While it is important to acknowledge current views and attitudes when considering scale and capacity, it is also important to consider opportunities and options for the future.

The Independent Local Government Review Panel carried out extensive research and consultation on the question of scale and capacity and has made recommendations regarding each council in NSW.

In making its recommendations, the Panel did not take a one size fits all approach to scale and capacity. It did not set a minimum geographic or population size. It looked at the unique characteristics of each area - geography, economic and transport flows, communities of interest and local identity. The Panel made recommendations to ensure each council was able to meet the key elements of strategic capacity\*:

- More robust revenue base and increased discretionary spending
- Scope to undertake new func-

tions and major projects

- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

The starting point for all Fit for the Future proposals is therefore the Independent Panel's final report.

These recommendations should serve as a guide for your Fit for the Future proposal.

You do not have to adopt the exact recommendations of the Panel (in some cases, several options were presented) but your proposal should demonstrate how your council has scale and capacity.

If the Panel recommended a merger for your council, this should be the first option that you consider.

If, after considering all the issues, you believe your council is of the appropriate scale, you should proceed with completing Template 2 - the Improvement Proposal. Your proposal will need to demonstrate

why you are not proceeding with the recommendation made by the Panel and show that your council has sufficient scale and strategic capacity.

Section 1.2 of the Template addresses the issue of scale and capacity.

The following pages explain how to work through each section of the Template.

\* Box 8, p 32 of *Revitalising Local Government, Final Report of the Independent Local Government Review Panel*.

# Step 2 Completing the template . . .

## Section 1: About your Proposal

### 1.1 Executive summary



#### Purpose

This section presents an overall summary (up to 500 words) of the key points of your proposal.



#### How to complete

The Executive summary will be drawn from the overall proposal, with a particular focus on:

- Council's current performance with reference to the Fit For the Future criteria
- Strategies aimed at improving your council's performance against the benchmarks
- Anticipated outcomes of the successful implementation of the action plan.



#### Things to consider

This section should focus on highlighting the most important matters included in your Proposal.

### 1.2 Scale and capacity



#### Purpose

To explain the rationale behind your council's decision on Scale and Capacity.



#### How to complete

- If the Panel did not recommend your council merge or become a Rural Council, answer 'Yes'.
- If the Panel recommended your council merge or become a Rural Council, provide a short summary (up to 500 words) on why you are not proposing to adopt the Independent Panel's recommendations for your council. You may wish to include other studies or documents that helped to inform your decision.
- If your council supported a merger but was unable to agree with the merger partner/s, please include this in your response and attach any supporting analysis.



#### Things to consider

- The Panel's recommendations should be the starting point for your discussion
- If you are not accepting the recommendation of the Panel for your council, your response should demonstrate how your council has strategic capacity in its current form. The guidance on Pg8 may assist in preparing your response.

## Section 2: Your council's current position

### 2.1 About your local government area



#### Purpose

This section provides an overview of the key characteristics of your local government area to assist the Expert Panel in understanding your local context.



#### How to complete

- The information presented here should be drawn from current data that helps to describe the economic, social and demographic profile of the council. You should draw from your council's Community Strategic Plan when completing this section.
- You may also wish to include data such as population figures, demographic trends, number and value of community assets etc.



#### Things to consider

- You may wish to draw on data from existing regional strategies and plans.
- The Planning NSW population projections and information from the Australian Bureau of Statistics may also assist.

### 2.2 Key challenges and opportunities



#### Purpose

Undertaking the Strengths, Weaknesses, Opportunities and Threats analysis will help councils to identify improvement actions and priorities based on a strong understanding of their current position.



#### How to complete

- Identify the positive and negative drivers working within your council and in the external environment.



#### Things to consider

- In preparing this section, you may wish to frame your response in terms of the Fit for the Future criteria. For example, what are your council's sustainability strengths/weaknesses? What are your asset/service management strengths/weaknesses? What environmental factors impact on your asset management strategies? What are the opportunities for improved efficiencies?
- Documents you may wish to reference in preparing your proposal include: Your council's Treasury Corporation (TCorp) analysis report and Infrastructure Audit results; the Sydney Metropolitan Strategy; regional plans, such as Regional Growth Strategies and Economic Development Strategies; your council's land use and environmental strategies and community development plans, and other research undertaken by the Independent Local Government Review Panel.

## 2.3 Performance against the Fit for the Future benchmarks



### Purpose

This section establishes your council's current position and where the council is currently forecast to be if nothing changes against the other three Fit for the Future criteria. It should assist in identifying potential areas for improvement.



### How to complete

- Use the Self Assessment Tool provided by OLG as a guide to get you started and form a view of your current position. Enter the results from the tool in this section
- When entering data into the template **current performance** is defined as your 2013-14 (General Fund) financial results.
- **Forecast performance** is based on your forecast 2016-17 (General Fund) financial results. Your forecast performance should be based on your current financial plans and assumptions (as per your IP&R documents).
- The Template will automatically calculate whether your council meets the benchmark (as it does in the Self Assessment Tool).
- If your council currently doesn't meet the benchmarks, or there is a reason why you cannot achieve them in the future, there is space on the template to provide an explanation of why this is the case.
- In preparing your proposal, it is important to demonstrate the robustness of your current results and forecast performance. Your working sheets should be attached, along with details of the assumptions that underpin your results, and the process you used to develop these assumptions. Where possible, indicate any involvement of any third parties, such as consultants, who have helped you develop or review the estimates.



### Things to consider

In describing what is driving your council performance against the Fit for the Future benchmarks, key considerations might include:

- Population base and density and the need to fund and maintain infrastructure
- Historical constraints/context
- Ability to attract, secure and retain appropriately skilled and experienced employees
- Council policies on financial management (eg "no borrowings" policy)
- Susceptibility to natural disasters (eg drought, floods, storms and bushfires)
- Population demographics and/or holiday population placing pressure on services and infrastructure
- Increases in costs (eg employee expenses)
- High existing infrastructure backlog and inability to reduce in the short term
- One-off adjustments or "trade offs" to reflect community priorities (eg reducing the spend on new assets to free up funds to address the backlog)
- Inter-generational equity (eg sharing the whole of life costs of major assets)
- Community expectations of services

*If you need to undertake financial modeling, or prepare detailed forecasts to support your proposal, you can get help from members of the Fit for the Future Technical Panel. Contact the One Stop Shop or your council's regional Relationship Manager for details.*

## 2.4 Water utility performance

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



### Purpose

This section aims to provide an overview of how councils that have responsibility for water supply and sewerage management are currently performing.



### How to complete

- You should only complete this section if your council is directly responsible for water supply and sewerage (ie you are the reporting agency under the NSW Government Best Practice Management of Water Supply and Sewerage Framework).
- If you are responsible for sewerage only, please indicate this in your answers.
- Identify your current performance under the Best Practice Framework. You may wish to reference your council's most recent report.
- If your council is currently not meeting the requirements of the Framework, please identify the issues that are influencing that performance - eg water/sewer backlog works, aging infrastructure, lack of resourcing, pricing paths etc.
- Identify any major capital works (>\$1m) planned for your water and sewer operations over the 2016-19 to 2019-20 period and nominate any external funding that may be available to support these works - eg grants or developer contributions.
- Identify whether your council is currently managing its water and sewerage operations on at least a break-even basis and explain the factors that may be influencing this performance - eg pricing policies, extensive capital works program, backlog works etc.
- List some of the strategies your council has identified to improve its performance in water and sewer management in the 2016-17 to 2019-20 period and the anticipated outcomes. You need only provide a high level summary of these strategies, financial modeling is not required to support the outcomes.



### Things to consider

- You may wish to refer to your council's current plans under the Best Practice Framework - eg your Integrated Water Cycle Management Strategy and your Strategic Business Plan.
- You do not need to attach any of your council's Best Practice Framework documents.

# Fit for the Future Measures and Benchmarks

Measure	Definition	Benchmark
<b>Sustainability</b>		
<b>Operating Performance Ratio</b>	$\frac{\text{Total continuing operating revenue (exc. capital grants and contributions) less operating expenses}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$	Greater than or equal to break-even -average over 3 years
<b>Own Source Revenue Ratio</b>	$\frac{\text{Total continuing operating revenue less all grants and contributions}}{\text{Total continuing operating revenue inclusive of capital grants and contributions}}$	Greater than 60% - average over 3 years
<b>Building and Asset Renewal Ratio</b>	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	Greater than 100% - average over 3 years

## Infrastructure and Service Management

<b>Infrastructure Backlog Ratio</b>	$\frac{\text{Estimated cost to bring assets to a satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets}}$	Less than 2%
<b>Asset Maintenance Ratio</b>	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	Greater than 100% - average over 3 years
<b>Debt Service Ratio</b>	$\frac{\text{Cost of debt service (interest expense \& principal repayments)}}{\text{Total continuing operating revenue (exc. capital grants and contributions)}}$	Greater than 0% and less than or equal to 20% - average over 3 years

## Efficiency

<b>Real Operating Expenditure</b>	$\frac{\text{Operating expenditure}}{\text{Population}}$	A decrease in Real Operating Expenditure per capita over time
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### About these measures

**Measures are based on General Fund data and do not include water and sewer funds.**

#### Operating Performance:-

- Consistent with Accounting Code/TCorp measure.
- Numerator and denominator excludes fair value adjustments, reversal of revaluation decrements, net gain/losses on sale of assets and net share/loss of interests in joint ventures.

#### Own Source Revenue:-

- Consistent with Accounting Code/TCorp measure.
- Numerator and denominator excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures.

#### Building and Asset Renewal, Infrastructure Backlog and Asset Maintenance:-

- Consistent with Accounting Code/TCorp measures.

#### Debt Service:-

- Denominator excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures.

#### Real Operating Expenditure per capita over time:-

- Expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by IPART.
- The numerator excludes revaluation decrements, net loss from disposal of assets and net loss of interests in joint ventures.
- The denominator is population data from ABS, Regional Population Growth, Australia - Table 1. Estimated Resident Population, LGAs, NSW - Released 3.4.2014. The data has been averaged over 2 calendar years except for 2013-14 where population data for 2013 has been used.

For more information refer to the Self Assessment Tool.

# Section 3: Becoming Fit for the Future

## 3.1 - 3.3 Improvement strategies and outcomes



### Purpose

These sections map out your council's strategies to improve its performance against each of the other three Fit for the Future criteria - Sustainability, Infrastructure & Service Management, and Efficiency (having already met the first criterion, Scale and Capacity).



### How to complete

Provide a detailed plan of how your council intends to improve its performance against the other three Fit For the Future criteria. For each criterion:

- Summarise the key strategies and outcomes
- Provide additional detail, in terms of objectives, strategies, milestones, outcomes and the impact on other measures
- Objectives should clearly align to the criteria and associated benchmarks
- Key milestones should indicate specific timeframes where appropriate
- Outcomes should be quantified wherever possible
- For each criterion, provide a summary of the key assumptions underpinning your improvement strategies, for example, the key assumptions that may be relevant for sustainability include the use of SRVs, growth in rates, wage increases, Financial Assistance and other operating grants, depreciation and other major expense or revenue items.
- Ensure that assumptions are realistic and are clearly defined. This information will be considered during the assessment process.



### Things to consider

- Your strategies should clearly support your council's working towards achieving the benchmarks within a reasonable time period. What is reasonable for each council will vary based on its starting position and local circumstances.
- The template asks you to consider strategies, actions and impacts over the 2016-17 to 2019-20 timeframe, to align with the next cycle of IP&R.
- You may wish to refer to Chapter 3 of the Integrated Planning and Reporting Manual, which deals with the Resourcing Strategy, to help you develop your assumptions.
- You may wish to consult with your community and staff on your council's performance against the benchmarks and the proposed strategies.

## 3.4 Improvement Action Plan



### Purpose

This section defines the specific actions that your council will undertake to deliver its improvement objectives and the process that you undertook in developing your Improvement Action Plan.



### How to complete

- The template provides an overview of the first year of your council's Action Plan - ie key actions and timeframes.
- You should attach a more detailed plan to your submission, identifying the costs/benefits and risks associated with the actions and the assumptions that underpin these estimates.
- The financial modelling which supports your council's Action Plan should also be attached.
- The template includes space to explain how your council went about the process of preparing its Action Plan. You should include details of who was involved in the process, what consultation and collaboration took place, any external assistance you received and how your council reviewed and approved the Plan.



### Things to consider

- The findings from Sections 3.1 to 3.3 should underpin your Action Plan.
- Your plan should outline realistic actions within a clear timeframe, supported by robust assumptions.
- You should also consider how these actions relate to your current Delivery Program and the objectives set out in your Community Strategic Plan.
- Explaining how the Plan was developed provides an insight into how your council arrived at its conclusions and how it determined priorities. If elected representatives, staff or community members were involved in the development process, it's important to highlight that involvement and how it influenced the final plan.

*If your council needs help to prepare your plan, you can get support from members of the Fit for the Future Technical Panel. Contact the One Stop Shop or your council's Relationship Manager for details.*

## 3.5 Other strategies considered



### Purpose

This section seeks to determine how broadly your council considered its options when preparing its Improvement Action Plan.



### How to complete

- List the actions that were considered and could have been pursued to achieve the improvement objectives of your council - for example, reducing services, selling/decommissioning assets etc.
- Provide an explanation as to why the action was deemed not appropriate for your council.



### Things to consider

- There are a broad range of potential actions that councils could take to improve performance, but not all of them will be suitable for your council's situation, or in line with your community's values and priorities. Explaining the rationale behind these decisions helps to demonstrate how your council arrived at its final Action Plan.
- If one of the options you considered to improve performance was undertaking a merger but you could not reach agreement with your neighbours, attach any supporting information regarding this option, for example a Merger Business Case.

## Resources

Documents that may assist your council in completing Section 3 of the template include:

- [Final Report of the NSW Independent Local Government Review Panel](#)
- [Fit for the Future – A Blueprint for the future of Local Government](#)
- [Fit for the Future – A Roadmap for Stronger, Smarter Councils](#)

- Your council's Integrated Planning and Reporting documents - Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan
- Your council's TCorp sustainability assessment
- Your council's Infrastructure Audit results
- Relevant regional plans



## Section 4: Expected outcomes

### 4.1 Expected performance improvements



#### Purpose

The purpose of this section is to highlight your council's anticipated improvement in performance against the Fit for the Future benchmarks.



#### How to complete

- Indicate your expected future performance (2016-17 to 2019-20) for each of the Fit for the Future benchmarks.
- Future performance estimates should reflect your council's performance following the successful implementation of your Improvement Action Plan.
- You should attach supporting information to verify your forecasts.
- The template will automatically calculate whether or not your council meets the benchmark for each criterion.
- If your council is still unlikely to meet the Fit for the Future benchmarks, describe what is driving this outcome - for example historical constraints, trade-off between criteria to achieve community outcomes, or the need for a longer timeframe to realise improvements.



#### Things to consider

Councils completing this template will have been required to consider whether the council has the scale and capacity broadly consistent with the recommendations of the Independent Panel and if not proceeding with a voluntary merger or Rural Council where this was recommended, explain why and demonstrate how they achieve scale and capacity. Councils may wish to reconsider this assessment if they do not meet the Fit for the Future benchmarks.

In describing what is driving your council performance against the Fit for the Future benchmarks, additional considerations may include:

- Timeframe for improvement in performance
- Resources available to implement action
- Demographic factors that make improvement challenging
- Environmental factors that affect performance improvement

## Section 5: Implementation



### Purpose

This section establishes your council's implementation plans for the proposal.



### How to complete

- Outline the process your council will use to implement its improvement plans, for example, who will be responsible, how progress will be monitored, anticipated timeframes etc.



### Things to consider

- The plan will result in a large number of actions to be undertaken. Consider how your council will manage delivery of these actions, to ensure that the desired result of improved performance is achieved.
- You may wish to outline your council's project or portfolio management methodologies and how they will be applied to implementing your improvement proposals.
- Also consider how you will ensure that the Action Plan is integrated with your Council's future Delivery Program and Operational Plans.

Template 2

# Council Improvement Proposal

(Existing structure)



Office of  
Local Government

# Getting started . . .

Before you commence this template, please check the following:



You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)



You have obtained a copy of the guidance material for Template 2 and instructions for completing each question



You have completed the self-assessment of your current performance, using the tool provided



You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.



Your Proposal has been endorsed by a resolution of your Council

## Council details

Council Name



Date of council resolution endorsing this submission

### 1.1 Executive summary

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



*See Guidance material Pg 9 for help completing this section*

## 1.2 Scale and capacity

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

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

Yes/No



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



See Guidance material Pg 8 for help completing this section

## 2. Your council's current position

### 2.1 About your local government area

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

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



See Guidance material Pg 10 for help completing this section

## 2.2 Key challenges and opportunities

Strengths



Weaknesses



Opportunities



Threats



See Guidance material Pg 10 for help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	Calculate using Self- Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>
<b>Own Source Revenue Ratio</b> Ratio (Greater than 60% average over 3 years)				
<b>Building and Infrastructure Asset Renewal</b> Ratio (Greater than 100% average over 3 years)				

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

*For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.*



See Guidance material Pg 11 for help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)	Calculate using Self Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)				
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)				

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



See Guidance material Pg 11 for help completing this section

## 2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
<b>Real Operating Expenditure per capita</b>  A decrease in Real Operating Expenditure per capita over time	Calculate using Self Assessment Tool	Yes/No <i>Automatic calculation</i>	Estimate performance	Yes/No <i>Automatic calculation</i>

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



See Guidance material Pg 11 for  
help completing this section

## 2.4 Water utility performance

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

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

Yes/No



If NO, please explain the factors that influence your performance against the Framework.

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

\$

## 2.4 Water utility performance

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

Capital works			
Proposed works	Timeframe	Cost	Grants or external funding
			

## 2.4 Water utility performance

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

Yes/No



If No, please explain the factors that influence your performance.

## 2.4 Water utility performance

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

### Improvement strategies

Strategy	Timeframe	Anticipated outcome
1.		

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

### 3.1 Sustainability

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



*See Guidance material Pg 14 for help completing this section*

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

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



*See Guidance material Pg 14 for help completing this section*

Outline your strategies and outcomes in the table below.

## 3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

## 3.2 Infrastructure and service management

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



*See Guidance material Pg 14 for help completing this section*

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



*See Guidance material Pg 14 for help completing this section*

Outline your strategies and outcomes in the table below.

## 3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

## 3.3 Efficiency

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



*See Guidance material Pg 14 for help completing this section*

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



*See Guidance material Pg 14 for help completing this section*

Outline your strategies and outcomes in the table below.

### 3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.	a) b) c)			
				

## 3.4 Improvement Action Plan

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

Action plan	
Actions	Milestones
1.	
* Please attach detailed action plan and supporting financial modelling	

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

*For example, who was involved, any external assistance, consultation or collaboration, and how the council has reviewed and approved the plan.*



See Guidance material Pg 15 for help completing this section

## 3.5 Other actions considered

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

*For example, neighbouring council did not want to pursue a merger, unable to increase rates or increase borrowing, changes in policy or service standards*



*See Guidance material Pg 16 for help completing this section*

## 4. How will your plan improve performance?

### 4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)					Yes/No  <i>Automatic calculation</i>
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)					
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)					
<b>Infrastructure Backlog Ratio</b> (Greater than 2%)					
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)					
<b>Debt Service Ratio</b> (Greater than 0% and less than or equal to 20% average over 3 years)					
<b>Real Operating Expenditure per capita</b> A decrease in Real Operating Expenditure per capita over time					

## 4.1 Expected improvement in performance

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

*For example, historical constraints, trade-offs between criteria, longer time required.*



*See Guidance material Pg 17 for help completing this section*

## 5. Putting your plan into action

How will your council implement your Improvement Action Plan?

*For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3.*