



Wingecarribee Shire Council

SRLX Service Delivery Review Draft Report

March 2018

Executive summary

Wingecarribee Shire Council appointed GHD Pty Ltd to work in partnership with Council to undertake a Service Delivery Review of its Southern Regional Livestock Exchange (SRLX) service. The review is part of Council's 'Fit for the Future' local government reform process to ensure Council delivers services which are in line with community expectations underpinned by a detailed business analysis and a broad community engagement program.

The methodology for the review adopted the steps identified in the Australian Centre of Excellence for Local Government, *Service delivery review: a how to manual for local government* (Hunting, Ryan, Robinson 2014).

The SRLX is a saleyard facility owned and operated by the Wingecarribee Shire Council and is located at 205 Berrima Rd Moss Vale NSW. The land on which the SRLX and associated infrastructure is zoned for General Industrial, and is comprised of two lots totalling approximately 10 hectares. The facility supports both the local and regional cattle industry through the provision of a sales facility and holding yards.

Table 1 below outlines a Service Statement for the SRLX, as per the Service Delivery Review Manual.

Table 1 SRLX Service Statement

Service	Description
Division within Council	The SRLX forms part of the Business Services Branch of Council, which reports to the Deputy General Manager – Operations Finance and Risk.
Responsible officer	Business Services Manager
What does this service do?	Weekly livestock sales held each Wednesday morning, via three local agents. The facilities are also used on other days for loading, unloading, weighing, scanning, holding and aggregating cattle. The facility also provides a truck wash facility and is sometimes used for alternative purposes including industry training and extension.
External or internal service?	External service, used by local producers, agents and buyers.
How does this contribute to the strategic plan?	Management of the SRLX is aligned with the Council's <i>Community Strategic Plan</i> (June 2017) and incorporated into the 2017-2021 <i>Delivery Program</i> , as outlined in Table 10 below.
Is it a legislative requirement to deliver this service?	No
What legislation does this service comply with?	Various including: <ul style="list-style-type: none">• <i>Australian Animal Welfare Standards and Guidelines – Livestock at Saleyards and Depots</i>• <i>Australian Code of Practice for Selling Livestock</i>• <i>Australian Model Code of Practice for the Welfare of Animals</i>

Service	Description
	<ul style="list-style-type: none"> • <i>Environmental Protection Manual for Authorised Officers, 1995</i> • <i>Protection of the Environment Operations Act</i> • <i>National Livestock Identification System</i> • <i>Competitive Neutrality Policy</i>
Current Key Issues	<ul style="list-style-type: none"> • Operational efficiency • Multi-layered management and stakeholder advisory structures • OH&S risk: previous fatality and several injuries • Scrutiny on Council funding of facility; questions over whether facility is Council core business. • Backlog of capital improvements required to comply with the NSQA Program (~\$2.9 million).
Future Key Issues	<ul style="list-style-type: none"> • Competition from larger saleyards, in particular the South East Livestock Exchange (SELX) in Yass • Competition from alternative selling methods, e.g. Auctions Plus • Reduced throughput of cattle due to reduction in rural land from residential subdivision • Inability to fund backlog of required capital improvements under current operating model

Throughput

Cattle throughput at the facility has remained relatively flat, averaging 54,250 in the past 10 years (Figure 1).

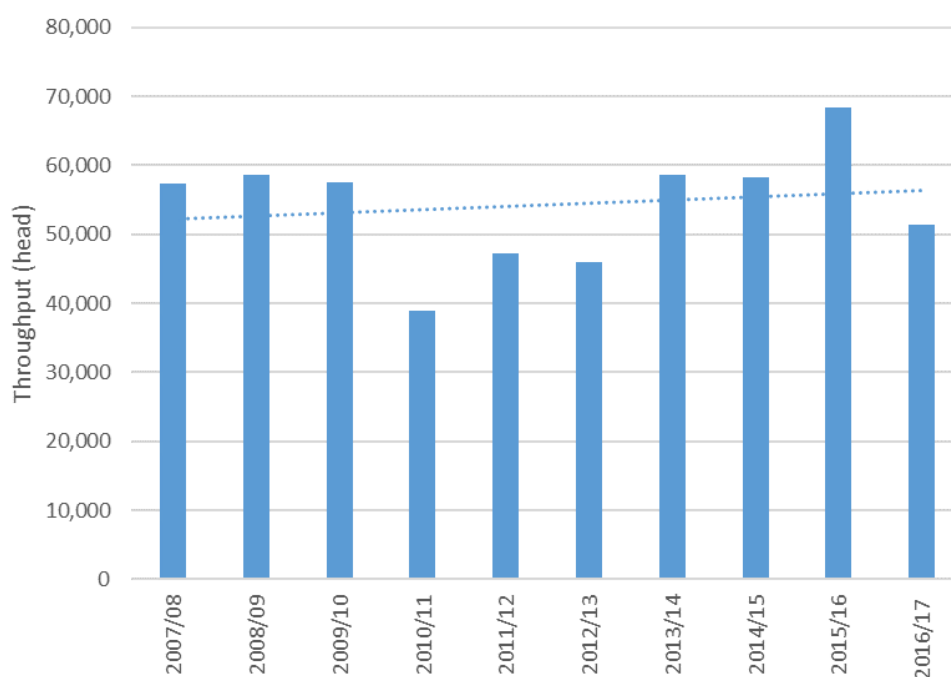


Figure 1 SRLX throughput

Financial performance

Table 2 provides actual financial summaries for the SRLX. In 2016/17 the Saleyards generated an annual operating income of \$1,048,269 and incurred expenses of \$876,577, leaving a net operating result of \$171,692. An additional \$124,241 was spent on capital improvements and \$39,830 on principal loan repayments.

Table 2 Financial results and budget

Item	Description	2014/15	2015/16	2016/17
		Actual	Actual	Actual
Operating Income	User Charges and Fees	\$15,058	\$8,197	\$4,351
	Overhead Selling / Turnover Contribution	\$151,889	\$250,539	\$172,702
	NLIS Income	\$112,068	\$136,988	\$106,503
	Yard Fees and Dues	\$430,309	\$539,083	\$443,227
	Other Income	\$173,141	\$117,650	\$167,409
	Capital Improvement Levy	-	-	\$154,077
	Total Operating Income	\$882,465	\$1,052,457	\$1,048,269
Operating Expenses	Employee Costs	\$236,043	\$339,895	\$334,061
	Maintenance and Repairs	\$3,430	\$38,872	\$35,395
	Information Technology	\$8,528	\$8,714	\$23,212
	Materials and Contracts	\$192,955	\$272,282	\$247,811
	Utilities	\$25,360	\$22,626	\$24,068
	Corporate Support	\$52,000	\$52,000	\$52,000
	Other Expenses	\$27,607	\$147,729	\$126,815
	Borrowing Costs (Interest)	\$37,514	\$35,425	\$33,215
	Total Operating Expenses	\$583,437	\$917,543	\$876,577
	Net Operating Result	\$299,028	\$134,914	\$171,692
Budget Reconciliation				
Less:	Capital Expenditure	\$42,938	\$7,576	\$124,241
	Loan Principal Repayments	\$35,532	\$37,619	\$39,830
	Profits after servicing loan	\$220,558	\$89,719	\$7,621
	Transfer to Operating Reserve	\$132,068	\$0	\$0
	Transfer to Capital Improvement Fund	\$0	\$0	\$154,077
Add:	Transfer from Operating Reserve	\$0	\$16,371	\$246,456
	Transfer from Capital Improvement Fund	\$0	\$0	\$0
	Transfer from Revotes Reserve	\$17,600	\$0	\$0
	Financial Return to General Fund (Dividend)	\$106,090	\$106,090	\$100,000

Projected Future Financial Performance

Table 3 below provides the projected future financial performance of the facility assuming an annual 2.7% CPI increase in operating income and expenses and expected loan servicing costs. This analysis assumes that all capital improvements will be funded from revenue collected via the Capital Improvement Levy, without additional borrowing.

The results suggest the facility is likely to return moderate operating losses for the remaining 11 years of the current loan on the assumption that Council retains the required \$100,000 per annum dividend. Initially losses would be covered from the operating reserve (current balance \$38,341), but unless changes are made to current arrangements, Council would not only forego its dividend, but would also be required to subsidise the facility.

In reality, if Council was faced with ongoing deficits, action would be taken to either increase fees, contain costs or change the service offering.

Table 3 Projected financial performance

Financial Year	Operating income	Operating expenses	Capital expenditure	Loan Principal Repayments	Operating result
2016/17	\$1,048,269	\$876,577	\$124,241	\$39,830	\$7,621
2017/18	\$1,076,572	\$897,907	\$158,237	\$41,271	-\$20,843
2018/19	\$1,105,640	\$918,920	\$162,509	\$43,644	-\$19,433
2019/20	\$1,135,492	\$940,427	\$166,897	\$46,153	-\$17,986
2020/21	\$1,166,150	\$962,439	\$171,403	\$48,807	-\$16,499
2021/22	\$1,197,636	\$984,964	\$176,031	\$51,614	-\$14,972
2022/23	\$1,229,973	\$1,008,011	\$180,784	\$54,581	-\$13,404
2023/24	\$1,263,182	\$1,031,591	\$185,665	\$57,720	-\$11,794
2024/25	\$1,297,288	\$1,055,711	\$190,678	\$61,039	-\$10,140
2025/26	\$1,332,314	\$1,080,381	\$195,827	\$64,548	-\$8,442
2026/27	\$1,368,287	\$1,105,610	\$201,114	\$68,260	-\$6,698
2027/28	\$1,405,231	\$1,131,408	\$206,544	\$72,185	-\$4,906
2028/29	\$1,443,172	\$1,161,073	\$212,121	\$0	\$69,979
2029/30	\$1,482,138	\$1,192,421	\$217,848	\$0	\$71,868
2030/31	\$1,522,155	\$1,224,617	\$223,730	\$0	\$73,808

Previous reviews

Several previous reviews have been completed into different aspects of the SRLX. The findings and recommendations from these reviews are presented in Table 4 below.

Table 4 Summary of previous reviews

Review	Summary of findings and recommendations
MVLSC Review Phase II, Morrison Low, 2003	Recommended Council complete an Expression of Interest to lease the facility.
Assessment of assets, Proway, 2015	Recommended a range of capital works, totalling approximately \$1.9 million, to ensure the facility remained competitive and in line with user expectations and standards.
Site Visit and Observations, Outcross, 2017	Recommended a range of actions to improve the sales process to promote efficiency and allow for future technology to be incorporated. The report found the current Council management processes reduced the efficiency and responsiveness of the saleyard operations.

Level of service analysis

This report draws on survey feedback from saleyard users to assess the quality and importance of the various sub-services or functions within the SRLX.¹ The difference between the current quality of service and the importance of the service is presented in Figure 2 with a larger negative difference demonstrating a relatively higher level of dissatisfaction. There is dissatisfaction with many important sub-services, including for example Council's overall management and capital improvements. In contrast, there is relative satisfaction with a small number of sub-services (truck wash, canteen, website and tourism, education and training services), but interestingly these services are secondary or non-core functions of the saleyards.

Note that these results need to be considered in the context of the relatively small number of survey responses (26) and a tendency for such surveys to attract a higher proportion of responses from dissatisfied rather than satisfied stakeholders. Furthermore the difference or gap in service quality must be considered in the context of the service quality and importance ratings. For example the quality of animal welfare compliance and outcomes was rated around 4 (high), however the service importance was rated almost 5 (extremely important) resulting in a negative 1 difference.

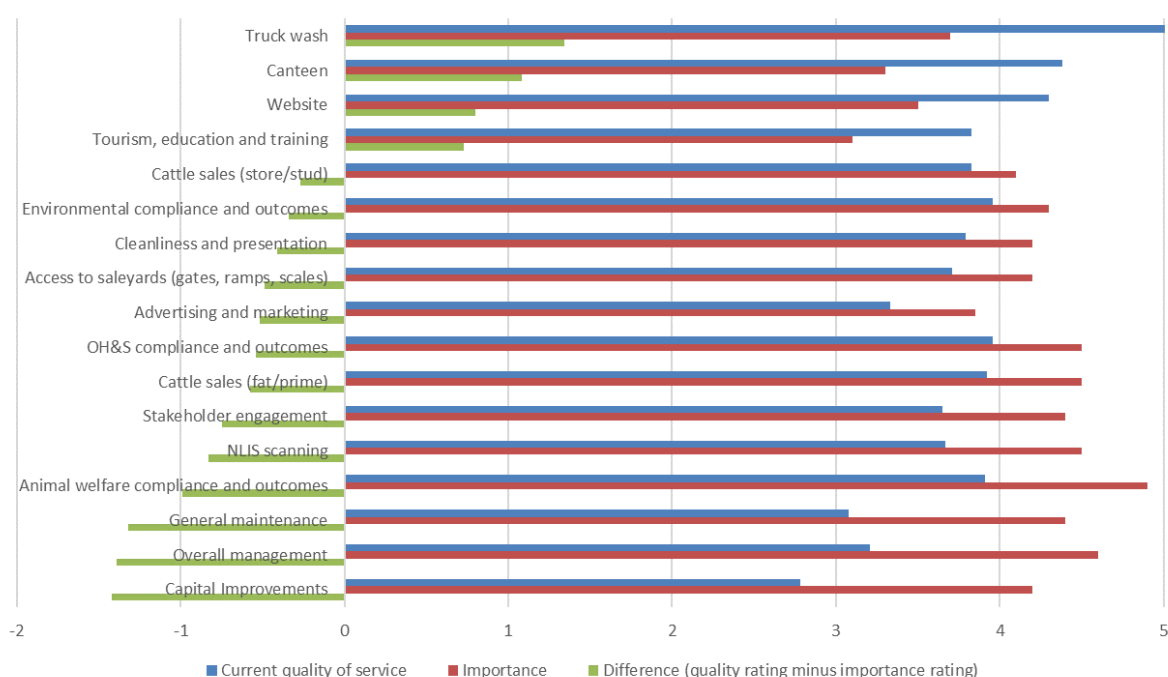


Figure 2 Relative difference between stakeholder ratings of service quality vs. importance

¹ A total of 26 participants took place in the survey. 42% of respondents were producers, 31% buyers and 15% were livestock agents.

Evaluation of service delivery options

After considering the issues identified in the review, GHD considers that five alternative management structure options are available as follows:²

- **Option 1: Status Quo:** Council would continue to manage the SRLX, seeking to implement ongoing improvements in efficiency and capital improvements. Council will continue to seek to satisfy the needs of the saleyard users while managing the inherent risks.
- **Option 2: Outsourced operations:** Council would contract a specialist private saleyard operator to undertake all day to day management of the facility, while retaining responsibility for stakeholder engagement, financial management, capital improvements.
- **Option 3: Operational lease:** Council would enter into a long-term lease of the facility to a 3rd party operator, retaining responsibility for implementing capital improvements.
- **Option 4: Capital lease:** As for option 3 above however the lessee could be required to maintain the facilities at a reasonable standard (e.g. the standard at the time of entering into the lease), thereby absolving Council of all responsibility for future maintenance and capital works.
- **Option 5: Sale of facility:** Council would sell the facility to a private investor/operator or agent.

In order to assess the change options GHD evaluated potential changes to broad Council imperatives as well as the quality and efficiency of specific SRLX services and functions, as compared to the status quo (Option 1).

² Note that relevance and timing of implementation of options depends in part on the success of capital grants for infrastructure

The following assessment ratings were applied.

Table 5 Assessment ratings

Rating	Description	Rating	Description
▲ ▲ ▲	Large improvements from status quo	▼	Small decline from status quo
▲ ▲	Medium improvements from status quo from status quo	▼ ▼	Medium decline from status quo
▲	Small improvements from status quo	▼ ▼ ▼	Large decline from status quo
-	Unchanged		

The results are presented in Table 6 and Table 7 below.

Table 6 Potential change to broader Council imperatives from status quo

Council imperative	1. Status Quo	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Alignment with Council Strategy	Management of the SRLX is aligned with the Council's Community Strategic Plan (2017) and incorporated into the 2017-2021 Delivery Program	-	-	-	▼
Financial return to Council	Net Present Value (NPV) of future returns over 15 years estimated at \$10,090	▲	▲	▲	▲
Community access and benefits	Highly accessible to community	-	▼	▼	▼ ▼
Operational efficiency and long term competitiveness	Currently has high operating costs and low return on capital with capital improvements in part reliant on Government grants and subsidies.	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲
Risk to Council	High liability to financial and operational risks, in particular OH&S	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲

Table 7 Potential change in service quality or efficiency from status quo

Services	1. Status Quo (Current service based on stakeholder survey results (Section 4))	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Sale day operations	-0.58	▲	▲▲▲	▲▲▲	▲▲▲
Cleaning	-0.41	▲	▲	▲	▲
General maintenance	-1.32	▲	▲▲	▲▲	▲▲▲
Truck wash	1.34	-	-	-	-
Canteen	1.08	-	-	-	-
Advertising and marketing	-0.52	▲	▲▲	▲▲▲	▲▲▲
OH&S compliance	-0.54	▲	▲	▲	▲
Environmental compliance	-0.34	-	-	-	-
Animal welfare compliance	-0.99	-	-	-	-
Tourism, education and training	0.73	-	▼	▼	▼
Website	0.8	▲	▲▲	▲▲▲	▲▲▲
Stakeholder engagement	-0.75	-	▼	▼▼	▼▼▼
Capital Improvements	-1.42	-	-	▲	?

In addition to the above evaluations, GHD modelled the projected financial return to Council under each of the options over a 15 year period. The results (Figure 3) show each of the change options providing a better return to Council than the status quo (refer to Appendix C for expanded results and assumptions used).

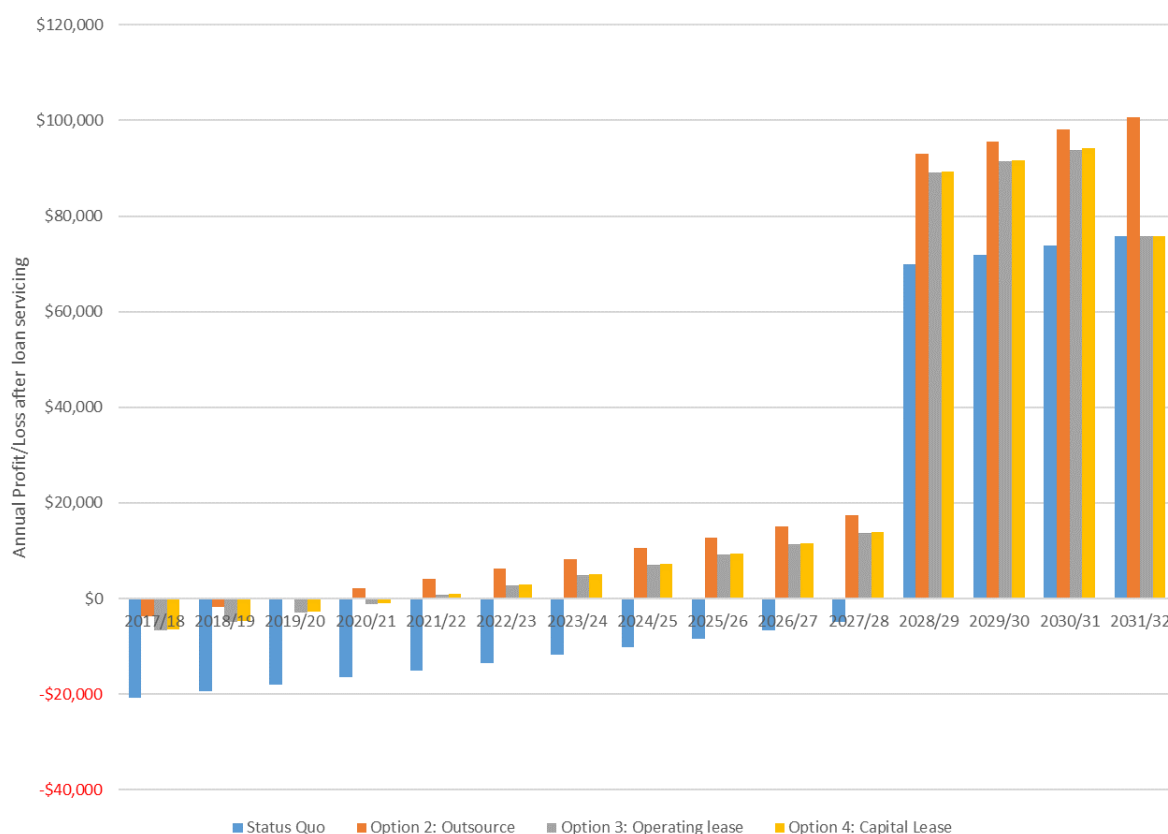


Figure 3 Projected annual profit/loss after loan servicing (excluding Council dividend)

Overall GHD consider the above analysis supports option 4 (Capital Lease) as the most preferred, followed by option 3 (Operational lease). While the modelling suggests option 2 (Outsourcing) offers slightly higher returns, GHD do not believe this would justify the additional risk and draw on council resources.

It should be noted that this above analysis is designed simply to consider the relative merits of the options and should not be taken as a definitive assessment. The scoring completed by GHD would likely vary if completed by different stakeholders. Furthermore the criteria are given equal weighting in the analysis, which may not reflect the actual relative importance of each consideration.

Recommendations

Preferred option: Capital lease

Council should pursue funding opportunities from State and Federal Government to address the \$2.9M backlog of capital works, where possible enabling the facility to obtain NSQA accreditation.

Council should then advertise for expressions of interest (EOI) to lease the facility with a preference for a long-term capital lease. As part of this arrangement the lessee should be required to at a minimum, maintain the facilities at current standards (e.g. NSQA accreditation standard if obtained). This arrangement would absolve Council of all responsibility for future maintenance and capital works.

The capital lease should also provide the lessee with the right of first refusal to purchase the facility, if during the course of the lease, or any extensions, Council decides to sell. In this event the negotiated price should account for any capital improvements the lessee has made to the facility in addition to the minimum requirements. Including this right of first refusal clause in the

lease agreement should draw a premium price for the lease, while also helping to ensure that if the facility is sold, it will most likely remain in the control of an experienced saleyard operator.

The lease agreement will need to be well structured to ensure the following:

- Roles and responsibilities are clearly defined
- Council liability is absolved or reduced as much as possible
- Ownership of current equipment, fittings and capital improvements is clearly defined (e.g. yards, generators, software etc.).
- Access or use obligations are clearly defined (e.g. requirements to hold regular sales, or to provide reasonable access to selling agents).

GHD would recommend Council develop and publish an indicative lease agreement with the EOI, allowing respondents to seek amendments to terms as required. Ideally, Council would not restrict the EOI to a particular type of lessee, instead evaluating each offer independently with consideration of price, terms, experience, potential throughput and access. If a satisfactory capital lease cannot be negotiated, the next preference would be for Council to enter into an operating lease, while maintaining the current Capital Improvement Levy to fund future capital works.

If the facility is leased, Council should dissolve the Advisory and Consultative Committees. Instead Council will deal directly with the lessee, who will in-turn be responsible for dealing with users.

Under the above arrangements GHD modelling suggests Council should be able to achieve a reasonable return from the asset to service current debts while also significantly reducing its risk exposure, and also ensuring an ongoing service to local producers with potential improvements in operational and management efficiency.

Failure to obtain grant funding

If Council is unsuccessful in obtaining State or Federal grant funding, it should continue to pursue a capital lease arrangement. In this scenario the value of the lease will be reduced, however an acceptable financial return should still be achievable. Council may consider contributing co-funding where possible to assist the lessee undertake certain capital works. However significant subsidisation of the facility should be avoided.

Secondary option: Improved management and operations

While the findings of GHD's analysis supports the capital lease option, if Council is not willing to lease the facility, GHD provides the following actions required to improve the efficiency and performance of the facility while remaining under Council management.

Develop updated Strategic Plan

Council should develop a revised 5-year Strategic Plan, with specific detail around planned operational and capital improvements, and funding sources. It is recommended that the Strategic Plan is a 5-year rolling plan with annual review and update if required.

Operate the facility as a business

The facility should be operated more as a business activity than a council service. This can be achieved by implementing the following:

- Increased rigour around budgeting
- Full cost recovery pricing where practical

- If the facility is to be subsidised, the amount should be included as a single annual transaction (e.g. reduced dividend), rather than incorporated across various transactions. This will allow Council and the community to clearly assess the extent to which ratepayers are subsidising the facility (i.e. the net cost).

Simplify the fee structure

A simplified fee structure should be introduced which achieves full cost recovery including required funding for future capital works. GHD would recommend:

- A flat per head fee for the sale of cattle, with appropriate variations for bulls and calves. This fee should replace the separate selling fees for per head sales, turnover contribution, scanning fees and capital contribution.
- The auctioneers permit fee be increased to cover appropriate overheads costs including marketing, NLRs reporting etc. The total cost should be spread evenly across all selling agents, including those separate businesses selling under the same agent brand.
- Transit fees and holding fees should be merged into a single holding fee.

Continue to seek efficiencies through outsourcing

Council should continue to seek opportunities to outsource or contract out aspects of the saleyard operations, if genuine efficiencies, cost savings and/or service improvements can be achieved. For management ease it would be preferable to have a single contract covering multiple functions, rather than multiple separate contracts.

Remove layers of stakeholder consultation with a re-constituted single Advisory Committee

The Consultative Committee and Agents Committee should be disbanded, with its members and agents encouraged to direct all issues to the saleyard manager via a reconstituted Advisory Committee. GHD recommend the following make-up for the Advisory Committee, with all positions appointed by Council.

- Independent Chair
- Community representative
- Agent representative
- Buyer
- Producer
- Councillor

The Committee should be provided with clear terms of reference, based primarily around the provision of advice to Council regarding the long term management of the facility, and implementation of the Strategic Plan. Short term or operational decisions should be managed by staff without input from the Advisory Committee, unless sought.

GHD would recommend the Committee meet quarterly or as otherwise required.

Saleyard users including agents should be encouraged to direct all feedback to the saleyard managers, which will be shared with the Advisory Committee as required. This could be facilitated via a formal feedback facility.

Saleyard management, including the team leader should provide an update at each meeting and be available to answer questions.

The above recommendations could be actioned over the coming two years, via the following implementation plan.

Continue to investigate additional uses

Council should continue to investigate opportunities to utilise the facility for alternate uses, including:

- The sale of horses, sheep and other species: Throughput could be attracted from Camden Saleyards which currently holds monthly horse sales and weekly sales for pigs, sheep, calves and other smaller animals.
- Machinery sales
- Education and training

Table 8 Implementation Plan

Financial year	Preferred option: Capital Lease	Secondary Option: Improved management and operations
2017/18	<ul style="list-style-type: none"> • Apply for Federal and/or State funding to address \$2.9 million capital works backlog. Implement capital improvements 	<ul style="list-style-type: none"> • Develop updated Strategic Plan • Operate the facility as a business • Remove layers of stakeholder consultation with a re-constituted single Advisory Committee
2018/19	<ul style="list-style-type: none"> • If funding is obtained, implement capital improvements to bring the facility in-line with NSQA standards • Release an EOI to lease the facility, evaluate responses and contract 	<ul style="list-style-type: none"> • Continue to seek efficiencies through outsourcing • Implement a simplified fee structure • Continue to investigate additional uses

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Appendices

Appendix A Fees and charges 2017/18

Appendix B Asset Renewal Capital Works Program

Appendix C Financial modelling of scenarios

Appendix D Sub-service analysis and feedback

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1. Introduction

1.1 Objectives

Wingecarribee Shire Council appointed GHD Pty Ltd to work in partnership with Council to undertake a Service Delivery Review of its Southern Regional Livestock Exchange (SRLX) service. The review is part of Council's 'Fit for the Future' local government reform process to ensure Council delivers services which are in line with community expectations underpinned by a detailed business analysis and a broad community engagement program.

The Service Delivery Review Program aims to ensure that Council delivers services that are appropriate, effective and efficient. More specifically, the Review Program will:

- Provide a full and holistic review of the services delivered to customers with a view to matching these services against the community's expectations and Council's vision
- Determine how these services can be delivered at the right level, at what cost and in the best way possible to meet community expectations
- Ensure value for money and operational efficiency
- Assess opportunities for better service delivery with other entities.

1.2 Scope and limitations

The methodology for the review adopted the steps identified in the Australian Centre of Excellence for Local Government, *Service delivery review: a how to manual for local government* (Hunting, Ryan, Robinson 2014). This manual outlines a recommended methodology for completing reviews of Local Government Services, which can be adapted as required for different types of services or situations. The approach adopted by GHD is outlined below.

1.3 Review Process

The review was completed via the following steps:

1. Project establishment

GHD held an inception meeting with Wingecarribee Shire Council on 20 September 2017 to confirm the scope and plan for the review. Following the meeting GHD developed a detailed *SRLX Service Delivery Review Project Plan* including the proposed approach to stakeholder engagement and communications.

2. Information gathering

Document review

GHD reviewed all relevant documents and data relating to the SRLX including:

- Schedule of Fees and Charges
- Contingency Plans (Standstill Plan)
- Contracts/permits (Agent contract and regulations)
- Previous reviews/reports (Morrison Low 2003, Proway 2015, OutCross 2017)
- Operating protocols (standard working procedure, SRLX Quality Manual, daily and weekly checklists)

- Strategic Plan
- Meeting minutes and consultation and throughput (Advisory board minutes, agent meeting minutes Consultative Committee meetings)
- Council reports
- Financial reports and budgets
- Throughput
- Agent contracts.

Stakeholder engagement

GHD engaged with relevant stakeholders via the following three means:

- Saleyard user survey designed by GHD and promoted and distributed online and at sale events
- Telephone interviews
- In person interviews completed during a site visit on 6th December 2017.

A breakdown of stakeholders consulted by engagement activity is provided in Table 9 below. Note that several stakeholders were engaged multiple times (e.g. via the survey and subsequent interviews).

Table 9 Stakeholder engagement summary

Stakeholder type	Survey	Telephone interviews	In person interviews
Producer	11	0	5
Livestock Agent	4	3	2
Buyer	8	1	2
Staff	0	5	4
Others (including Councillors and service providers)	3	3	2
Total	26	12	15

3. Analyse services

GHD analysed performance based on the following five types of analyses:

- levels of service analysis
- service delivery models
- financial analysis
- governance, process and technology
- benchmarking.

Based on the findings from these analyses, and following consultation with stakeholders, GHD documented a series of change options for the SRLX related to management structure and arrangements.

4. Engage stakeholders

Described in section 2 above.

5. Reporting

GHD prepared a draft report for consideration by the Project Steering Committee with feedback obtained via a workshop. This final report, including an implementation plan, was prepared following feedback from the Project Steering Committee.

2. Background to the SRLX

2.1 About the service

The SRLX is a saleyard facility owned and operated by the Wingecarribee Shire Council and is located at 205 Berrima Rd Moss Vale NSW. The land on which the SRLX and associated infrastructure is zoned for General Industrial, and is comprised of two lots totalling approximately 10 hectares.

The facility supports both the local and regional cattle industry through the provision of a sales facility and holding yards.

Mission

The SRLX's mission is to provide a modern, safe and well run facility in an environment which ensures the safe handling, marketing and sale of livestock and the opportunity for users to maximize their returns. Council is working to achieve accreditation of SRLX under the National Saleyards Quality Assurance (NSQA) program.

Vision

To be regarded by all sectors of the livestock marketing industry as consistently being a benchmark for saleyard operational efficiency and profitability in a QA environment while achieving a return on investment for its owner.

Management of the SRLX is aligned with the Council's *Community Strategic Plan* (2017) and incorporated into the 2017-2021 *Delivery Program*, as outlined in Table 10 below.

Table 10 SRLX alignment with Council strategy

Delivery Program 2017-2021: Community Goals	5.3 We support the productive use of our agricultural land and promote our diverse and thriving local agricultural industry and its right to farm
Community Strategic Plan (2017) Strategies	5.3.1 Develop and implement initiatives which allow rural industries to innovate, adapt and prosper
Delivery Program 2017-2021 4 year actions	DP92 Manage the operation of the SRLX including the coordination of cattle sales in the Southern Region and provide a financial return to Council
Operational Plan 2017/18 Annual Deliverables	OP206 Develop and implement an Asset Management Plan for the SRLX Strategic Plan OP207 Review and Implement the SRLX Strategic Plan
Other relevant strategies within the <i>Community Strategic Plan</i>	1.1.1 Effective financial and asset management ensures Council's long term sustainability 1.1.2 Effective and efficient Council service delivery is provided within a framework that puts customers first 2.1.5 Plan and deliver appropriate and accessible local services to the community 3.3.2 Create welcoming and accessible community facilities that support opportunities for people to meet and connect with one another 5.1.1 Broaden and promote the range of business and industry sectors 5.1.4 Provide diversity in tourist attractions and experiences 5.1.5 Promote Southern Highlands' unique brand identity 5.3.1 Develop and implement initiatives which allow rural industries to innovate, adapt and prosper 5.3.2 Manage development to ensure it does not impact on viable primary production and food security

2.2 Sub-services

The overall service offered by the SRLX can be divided into the following sub-services:

- Sale day operations
- Cleaning
- General maintenance
- Truck wash
- Canteen
- Advertising and marketing
- OH&S compliance
- Environmental compliance
- Animal welfare compliance
- Tourism, education and training
- Website
- Stakeholder engagement
- Capital Improvements

Each of these sub-services were individually reviewed as part of the project.

2.3 Assets

Land

The saleyards and associated infrastructure is located on two Council owned parcels of land totalling approximately 9.94 ha (Lot 1 DP 1070888 – 6.104 ha and Lot 2 DP 215782 - 3.835 ha) (see Figure 4). This land is zoned for General Industrial use and is located within the Moss Vale Enterprise Corridor (MVEC). MVEC is a significant area of land between Moss Vale and New Berrima set aside for employment generating development under the Wingecarribee Local Environmental Plan 2010 and reinforced in the Sydney-Canberra Corridor Regional Strategy 2006-31 (NSW Dept. of Planning and Infrastructure).



Figure 4 SRLX land parcels

Facilities (see Figure 5)

The facilities of the SRLX include:

- Saleyards (wood and steel construction)
- Roof over saleyards (constructed in 2011)
- Selling centre, including rented office space and canteen.
- Truck wash
- Effluent management systems
- Parking
- Holding paddocks

Some aspects of the facilities do not meet current industry standards, mainly due to their age (e.g. wood railings in yards). Council has developed a draft *Capital Works and Asset Renewal Program*, based on a risk management approach, to bring the facility into line with industry standards and achieve NSQA accreditation. The total value of this program is estimated at \$2.944M.

It is yet to be determined how these improvements will be funded. The current Capital Improvement Levy (\$3.30 per head) raised around \$155K in 2016/17. This amount is deemed adequate for addressing current needs, however not sufficient to address the backlog of

required works which is estimated at \$2.9M based on the Asset Renewal Capital Works Program (see Appendix B).



Figure 5 Facility layout

Source: Wingecarriebe Shire Council

Asset value

The recorded replacement value in Council's asset register of the infrastructure on site is \$10.9 million, excluding the value of the land. Council does not have a depreciated or written down value for the assets.

2.4 Management Structure

In total Council employs 3.75 full time equivalent (FTE) staff to manage the SRLX, including 3 full time operational staff members, and three supervisors/managers whose salaries are partially apportioned to the facility (Table 11). Note that the stated apportionments below are for the purpose of allocating salaries and wages and may not reflect the exact split of time spent managing the facility.

Table 11 Council staff and percent of salary apportioned to SRLX

Title/Role	% of salary apportioned to the SRLX
Manager Business Services	15% (will be increased as part of 2018/19 Budget to 20%)
Operations Supervisor	50%
Business Services Coordinator	10%
Team Leader	100%
Operations	100%
Operations	100%

Stakeholder and user input

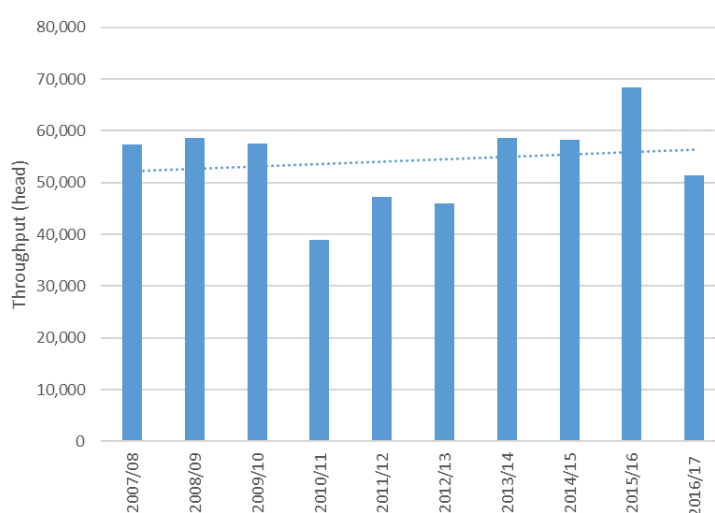
Management and operational decisions are informed by input from the following stakeholder committees:

- SRLX Advisory Committee: includes 3 Councillors, 4 Community Representatives and a non-voting position for one Livestock Selling Agent on a rotational basis (meets quarterly)
- SRLX Consultative Forum Committee: comprises 6 people, representing producers, transporters and buyers (meets monthly). Currently there are vacancies for one transporter and one buyer
- Selling Agents (meets monthly).

Council managers provide a comprehensive quarterly report to each of the committees as well as to Council and the general public, covering financial and operational performance and issues.

2.5 Throughput

Cattle throughput at the facility has remained relatively flat, averaging 54,250 in the past 10 years and 56,551 in the past 5 years (Figure 6).

**Figure 6 SRLX throughput**

2.6 Financial performance

Table 12 below summarises the financial performance of the SRLX over the past three years. In 2016/17 the Saleyards generated an annual operating income of \$1,048,269 and incurred expenses of \$876,577, leaving a net operating result of \$171,692. An additional \$124,241 was spent on capital improvements and \$39,830 on principal loan repayments.

Table 12 Financial performance

Item	Description	2014/15	2015/16	2016/17
Throughput		51,359	68,432	58,321
Operating Income	User Charges and Fees	\$15,058	\$8,197	\$4,351
	Overhead Selling / Turnover Contribution	\$151,889	\$250,539	\$172,702
	NLIS Income	\$112,068	\$136,988	\$106,503
	Yard Fees and Dues	\$430,309	\$539,083	\$443,227
	Other Income	\$173,141	\$117,650	\$167,409
	Capital Improvement Levy	-	-	\$154,077
	Total Operating Income	\$882,465	\$1,052,457	\$1,048,269
Operating Expenses	Employee Costs	\$236,043	\$339,895	\$334,061
	Maintenance and Repairs	\$3,430	\$38,872	\$35,395
	Information Technology	\$8,528	\$8,714	\$23,212
	Materials and Contracts	\$192,955	\$272,282	\$247,811
	Utilities	\$25,360	\$22,626	\$24,068
	Corporate Support	\$52,000	\$52,000	\$52,000
	Other Expenses	\$27,607	\$147,729	\$126,815
	Borrowing Costs (Interest)	\$37,514	\$35,425	\$33,215
	Total Operating Expenses	\$583,437	\$917,543	\$876,577
	Net Operating Result	\$299,028	\$134,914	\$171,692
Budget Reconciliation				
Less:	Capital Expenditure	\$42,938	\$7,576	\$124,241
	Loan Principal Repayments	\$35,532	\$37,619	\$39,830
	Profits after servicing loan	\$220,558	\$89,719	\$7,621
	Transfer to Operating Reserve	\$132,068	\$0	\$0
	Transfer to Capital Improvement Fund	\$0	\$0	\$154,077
Add:	Transfer from Operating Reserve	\$0	\$16,371	\$246,456
	Transfer from Capital Improvement Fund	\$0	\$0	\$0
	Transfer from Revotes Reserve	\$17,600	\$0	\$0
	Financial Return to General Fund (Dividend)	\$106,090	\$106,090	\$100,000

Council dividend and management of reserve funds

Council has a target for the Saleyards to return a \$100,000 annual dividend which is viewed as a reasonable return to cover foregone rates, water charges and the capital value of the land. When profits exceed \$100,000, the excess is held in an operating fund which is drawn on in subsequent years if profits fall below \$100,000³. The closing balance of the SRLX operating reserve as at 30 June 2017 was \$38,341. At this stage, the projected result for the SRLX for the

³ Note that due to an accounting error in 2014/15 and 2015/16 Council received a dividend of \$106,090 instead of \$100,000

2017/18 financial year is a balanced budget (taking into account Council's dividend), therefore there is no expected drawdown or increase in this reserve for the current financial year.

In 2016/17 an additional Capital Improvement Levy of \$3.30 per head incl. GST was introduced to fund future capital improvements. Funds collected from this levy are held in a Capital Improvement Fund and drawn on as required (Table 13).

Table 13 Projected reserve statement for year ended 30 June 2018

Internal Reserves	Opening balance	Transfers to reserves	Transfers from reserves	Closing balance
Operating Reserve	\$38,341	\$0	\$0	\$38,341
Capital Fund	\$24,848	\$138,375	(\$115,000) ⁴	\$48,223
Total Reserves	\$63,189	\$138,375	(\$115,000)	\$86,564

Council has a policy to achieve the \$100,000 dividend by drawing on available funds in the following order:

1. SRLX profits
2. Operating reserve
3. Council General Fund (consolidated revenue).

Costs, revenue and dividend per head

Table 14 provides an analysis of the costs and dividends calculated on a per head basis for the last three years.

Table 14 Throughput, costs and dividend per head

	2014/15	2015/16	2016/17
Throughput (head)	58,321	68,432	51,359
Revenue per head (excluding capital improvement levy)	\$17	\$15	\$16.47
Cost per head	\$11	\$13	\$14
Dividend per head	\$2.07	\$1.55	\$1.71

Table 15 shows that the average net cost (profit) to Council from operating the SRLX is +\$105,966 per year based on the last three years of operation. Level of staffing has been similar for each of these three years, with staffing allocation described further in Table 11 above.

Table 15 Net cost or profits from service

	Income	Expenditure	Net cost (profit) of service	Staff numbers (FTE)
2014/15	\$882,465	\$661,907	\$220,558	3.75
2015/16	\$1,052,457	\$962,738	\$89,719	3.75
2016/17	\$1,048,269	\$1,040,648	\$7,621	3.75
Average	\$994,397	\$888,431	\$105,966	3.75

⁴ Projects funded from the Capital Improvement Reserve in 2017/18 include security improvements (\$80,000) and the purchase and installation of a diesel powered air compressor (\$35,000).

2.7 Revenue

Overall revenue collection has exceeded \$1 million in the past two years (Figure 7). Revenue is collected via a range of different fee types including yard fees and dues (per head fees), a turnover contribution (percent of sale value) as well as additional fees for different types of uses/services (e.g. NLIS scanning, holding and transit, feeding). Selling agents pay an annual fee of \$5,000 incl. GST. The full schedule of current fees is provided in Appendix A.

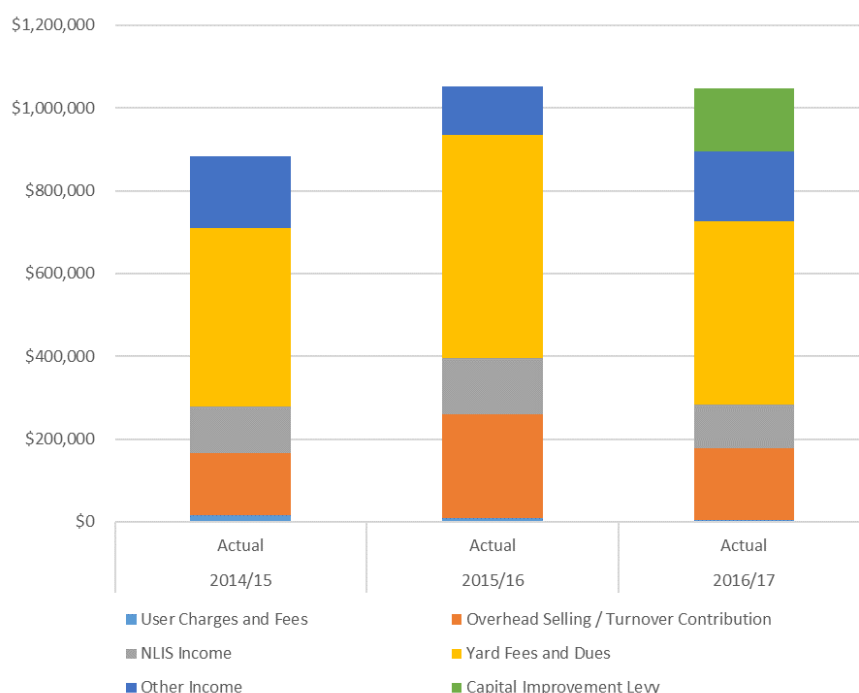


Figure 7 Revenue categories over time

2.8 Costs

Operating costs (excluding capital improvements and the Council dividend) have risen considerably since 2014/15 totalling \$876,577 in 2016/17. Employment costs is the largest cost category, totalling \$334,061 in 2016/17 or 38% of total operating costs. Materials and contracts (including contract labour) totalled \$247,811 or 28% of total operating costs. Other expenses include advertising, software, electricity, equipment, clothing etc. (Figure 8).

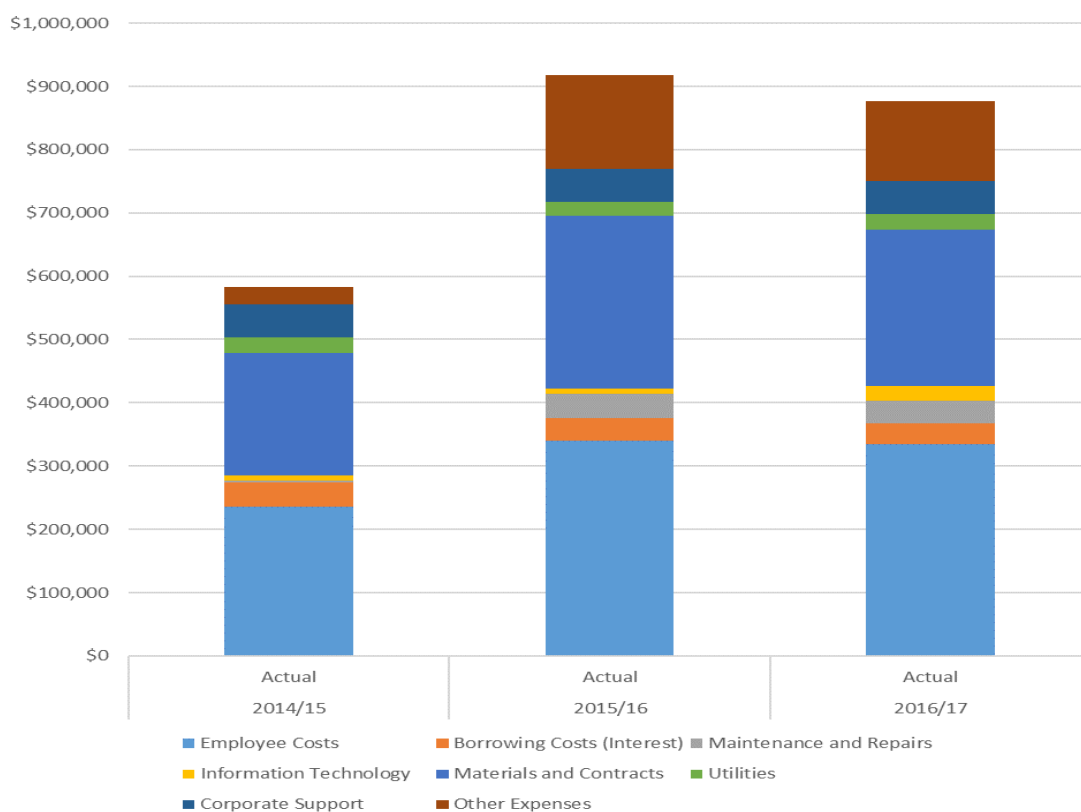


Figure 8 Cost categories over time

2.9 Debt

In 2010, Council secured a \$4.1 million grant under the Federal Government's Regional and Local Community Infrastructure Program for the construction of a roof over the external yards. Council provided supplementary funding for this project via an internal loan of \$730,800 from the Property Development Reserve.

The loan was for a period of 15 years at a fixed interest rate of 5.75%. The principal outstanding as at 30 June 2017 is \$552,595, with the loan projected to be repaid by 2027 (Table 16).

Table 16 Projected future loan servicing

Financial Year	Loan balance	Interest	Principal	Interest and principal
2016/17	\$552,595	\$33,215	\$39,830	\$73,045
2017/18	\$511,324	\$31,774	\$41,271	\$73,045
2018/19	\$467,680	\$29,401	\$43,644	\$73,045
2019/20	\$421,527	\$26,892	\$46,153	\$73,045
2020/21	\$372,720	\$24,238	\$48,807	\$73,045
2021/22	\$321,106	\$21,431	\$51,614	\$73,045
2022/23	\$266,525	\$18,464	\$54,581	\$73,045
2023/24	\$208,805	\$15,325	\$57,720	\$73,045
2024/25	\$147,766	\$12,006	\$61,039	\$73,045
2025/26	\$83,218	\$8,497	\$64,548	\$73,045
2026/27	\$14,958	\$4,785	\$68,260	\$73,045
2027/28	\$0	\$860	\$14,958	\$15,818

2.10 Projected future financial performance

Table 17 below provides the projected future financial performance of the facility assuming an annual 2.7% CPI increase in operating income and expenses and the above loan servicing costs. This analysis assumes that all capital improvements will be funded from revenue collected via the Capital Improvement Levy, without additional borrowing.

The results suggest the facility is likely to return moderate operating losses for the remaining 11 years of the current loan.

These losses would be covered initially by the limited funds held in the operating reserve (current balance \$38,341) helping to provide Council with the required \$100,000 per annum dividend, however once these funds were used, Council would not only forego the dividend funding, but would also be required to subsidise the operations of the facility.

In reality, if Council was faced with ongoing deficits, action would be taken to either increase fees, contain costs or change the service offering.

Table 17 Projected financial performance

Financial Year	Operating income	Operating expenses	Capital expenditure	Loan Principal Repayments	Operating result
2016/17	\$1,048,269	\$876,577	\$124,241	\$39,830	\$7,621
2017/18	\$1,076,572	\$897,907	\$158,237	\$41,271	-\$20,843
2018/19	\$1,105,640	\$918,920	\$162,509	\$43,644	-\$19,433
2019/20	\$1,135,492	\$940,427	\$166,897	\$46,153	-\$17,986
2020/21	\$1,166,150	\$962,439	\$171,403	\$48,807	-\$16,499
2021/22	\$1,197,636	\$984,964	\$176,031	\$51,614	-\$14,972
2022/23	\$1,229,973	\$1,008,011	\$180,784	\$54,581	-\$13,404
2023/24	\$1,263,182	\$1,031,591	\$185,665	\$57,720	-\$11,794
2024/25	\$1,297,288	\$1,055,711	\$190,678	\$61,039	-\$10,140
2025/26	\$1,332,314	\$1,080,381	\$195,827	\$64,548	-\$8,442
2026/27	\$1,368,287	\$1,105,610	\$201,114	\$68,260	-\$6,698
2027/28	\$1,405,231	\$1,131,408	\$206,544	\$72,185	-\$4,906
2028/29	\$1,443,172	\$1,161,073	\$212,121	\$0	\$69,979
2029/30	\$1,482,138	\$1,192,421	\$217,848	\$0	\$71,868
2030/31	\$1,522,155	\$1,224,617	\$223,730	\$0	\$73,808

3. Previous reviews

Presented below is a summary of the key findings and recommendations from previous reviews and studies completed for the facility.

3.1 MVLSC Review Phase II, Morrison Low, 2003

Findings

The report evaluated six potential management options for the facility using a simple multi-criteria analysis. The results suggested that leasing the facility was the most preferred option, closely followed by establishing the saleyards as a separate Council Unit with a Strategic Advisory Board.

Table 18 Evaluation of management and governance options

Options	Criteria (Scores: 1 = very poor, 5 = outstanding)				
	Community Wealth	Continuing Business	Risk	Community Engagement	Total
Status Quo	3	2	1	2	8
Improved Status Quo	4	3	2	3	12
Council Unit with Strategic Advisory Board	4	4	3	3	14
Lease Entire Facility	4	4	4	3	15
Trust or Co-operative	3	2	2	3	10
Local Government Owned Corp.	3	3	4	2	12

Source: Morrison Low 2003

Recommendations

- Complete an Expressions of Interest (EOI) process to test the market for interested parties to lease the Saleyard
- If the EOI is successful, lease the Saleyard
- If the EOI is unsuccessful, progress with establishing a Separate Unit with an Advisory Board

Progress

Council was not supportive of leasing the facility at the time, so instead opted to establish a separate Council Unit and Advisory Committee. Following this report Council also established a required annual dividend of \$100,000 which would be returned to Council from operating profits.

3.2 Assessment of assets, Proway, 2015

The Proway assessment reviewed the condition and configuration of the saleyards following the construction of the roof. The report recommended a range of capital works to ensure the facility remained competitive and in line with user expectations and standards.

The recommended works and estimated costs totalling \$1.9 million are listed in Table 19.

Table 19 Summary of recommendations from Proway assessment, 2015

Recommended improvements	Estimated cost
New sale pens in a modern configuration	\$1,449,109
New trucking/receiving yards and loading ramps	\$119,950
New separate drafting yards to avoid drafting in sale pens or cattle lanes	\$170,232
Weighbridge upgrade (pneumatic gates)	\$13,900
Selling ring exit upgrade (automatic pneumatic gates)	\$20,680
General maintenance and capital improvements (including upgrades to fencing, sheds, signage, admin building, housekeeping and general maintenance)	\$138,000
Total	\$1,911,871

3.3 Site Visit and Observations, Outcross, 2017

Outcross Consulting visited the saleyards in February 2017 to observe the sales process and provide observations and recommendations with respect to infrastructure and process.

The report made a number of recommendations to improve the sales process designed to promote efficiency and allow for future technology to be incorporated, with the key recommendations outlined in Table 20 below.

Table 20 Summary of recommendations from OutCross 2017 review

Item	Recommendations (summary)
Unloading facilities	That a safety audit be conducted and include assessment of the loading facilities.
Drafting facilities	An auto draft should be installed at the bottom mouthing crush to enable drafting with restricted interaction between humans and animals. As a minimum, the drafting pens could be built off the existing mouthing crush.
Receival yards	Increase the number of receival pens
Sale pens	Increase the number of selling pens
Export weighbridge	The auto draft can also be used as a single scale for weighing. The draft yards can also double as stack pens following the single scale. This will enable single lots to be stacked in the pens and moved as a group at the end of weighing. This will assist the delivery process as single lots will not be continually moved.
Sale ring	WSC should consider an internet based system to increase the depth of the market, once other issues in the sales and administration process have been resolved.
NLIS scanning	WSC should move to a pre-sale pen scanning system
Water troughs	Renew the plumbing and water reticulation system as part of a new build
Sales process	That WSC begin with designing a sales process that will promote efficiency and allow for future technology to be incorporated
Security	The night watchman role prior to the sale could be completed by the scanning contractor if pre-scanning was incorporated into the process. Following the sale, the delivery and load out contractor should be able to complete this role.
Hours of operation	Saleyard should not be open 24 hours per day, with access to the facility controlled through the existing Av Data system.

The report found the current Council management processes reduced the efficiency and responsiveness of the saleyard operations as per the following summary:

‘The process of sale management at SRLX is restricted by Council regulations that are incongruous with the time bound requirements of running a sale. The restricted working hours required by Council affects the sale operation and information management at the facility.

All processes at the saleyard are delayed when compared to best practice. This results in ‘just in time’ processes that do not allow for the issues that occur regularly in a saleyard environment. When issues occur, there is insufficient time to resolve the problem and the interruption of the selling process results.’

While the report did not recommend a change of management structure, it listed the following options:

Ownership options: Maintain Council ownership, or sale to a private operator.

Operation options: Council operate the facility, or lease to a private operator, or contract a private operator to manage the facility.

4. Levels of service analysis

This section documents and reviews the individual sub-services provided by the SRLX, drawing on feedback provided by stakeholders via the completed survey, which included ratings of service quality and importance. For each sub-service, ratings of the current quality of the service are contrasted with the importance of the service.

A total of 26 participants took place in the survey. 42% of respondents were producers, 31% buyers and 15% were livestock agents.

Figure 9 provides a summary of the level of satisfaction of the sub-services with a more detailed analysis of each sub-service provided in Appendix D. The analysis is presented as the difference between the quality of service and the importance of the service.

For a small number of sub-services (truck wash, canteen, website and tourism, education and training services), the quality of the services was rated as exceeding the importance of the service. Interestingly, these services are secondary or non-core functions of the saleyards. For the remainder of sub-services, service quality was rated as lower than the level of importance of the service, with a larger negative difference demonstrating a relatively higher level of dissatisfaction. A selection of stakeholder comments for a range of services is provided below.

The results indicate that improvements are required for the majority of sub-services of the SRLX. These improvements are discussed in later sections of this report.

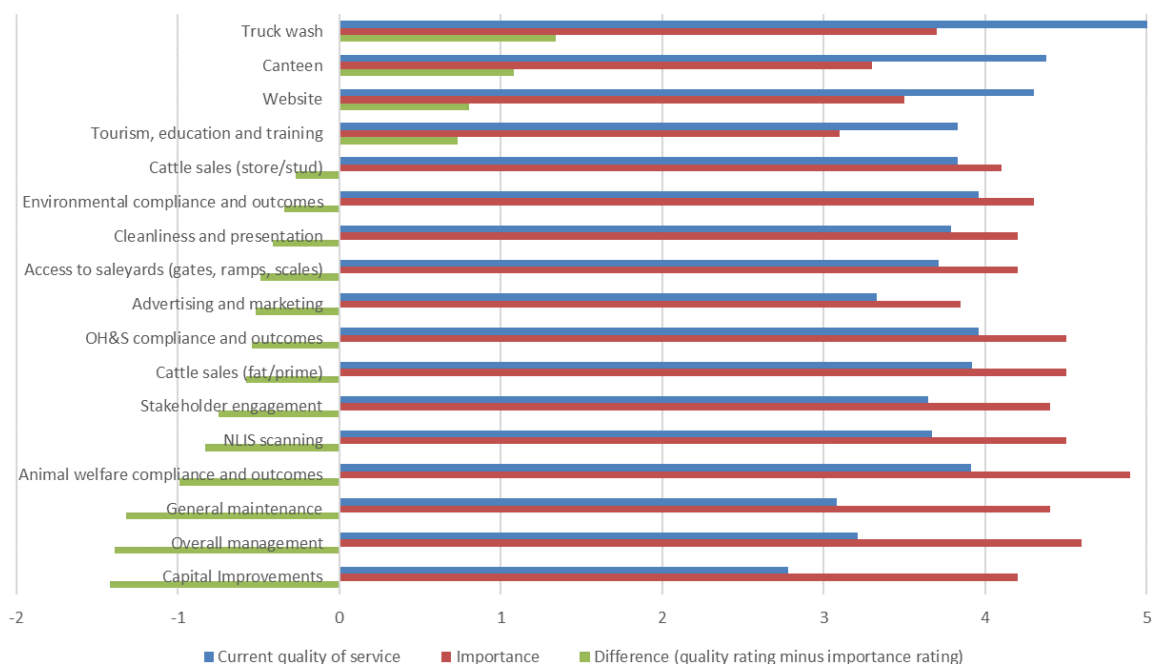


Figure 9 Relative difference between stakeholder ratings of service quality vs. importance

Note that these results need to be considered in the context of the relatively small number of survey responses (26) and a tendency for such surveys to attract a higher proportion of responses from dissatisfied rather than satisfied stakeholders. Furthermore the difference or gap in service quality must be considered in the context of the service quality and importance ratings. For example the quality of animal welfare compliance and outcomes was rated around 4 (high), however the service importance was rated almost 5 (extremely important) resulting in a negative 1 difference.

Comments provided by stakeholders in relation to the sub-services include the following:

- *Need to attract higher numbers of cattle, with recognition that cattle in this region are superior as they retain quality for longer due to the benign season.*

- *Council must retain control, because the facility is good for the local community. However, could outsource maintenance to Agri-Worx. Tip employees are not trained cattle workers so should not be used.*
- *Change name from SRLX - should be Moss Vale Saleyards.*
- *Very good facility. Need to keep up. Attracting cattle from good radius due to relationship between buyers and agents. Retain as council operated so long as keep up maintenance.*
- *Build relationships between producers & agents. All for production*
- *Competition is high. We can't afford to lose more from our drawing area.*
- *Need to look after buyers (only 4-5 here).*
- *Lease is not a good option, as it may become controlled by a single agent as it is not commercial for an independent operator.*
- *SRLX is a good saleyard compared to Yass (better viewing angle). Provides good community benefit e.g. service, visitation etc.*
- *SRLX is economically and socially important for the community providing multiple job opportunities, acting as a central meeting/work place for those involved in the agricultural industry and providing a service needed for this agricultural area. Its proximity to Sydney supplies the domestic market with high quality beef grown in the local area. Buyers operating at the SRLX also supply feedlots, interstate and export markets. The future direction of the SRLX should be that it is a state-of-the art facility.*
- *Centre could be made far more functional with some active marketing.*

5. Benchmarking analysis

This section outlines some measures of performance for the SRLX and, where benchmarks exist, against other saleyards.

- Operations
- Facilities
- Throughput
- Costs per head
- Revenue per head

5.1 Operations

In 2015, Outcross Consulting completed a saleyard benchmarking study which assessed saleyards in terms of a selection of key performance indicators (KPIs). The results are presented below, along with the SRLX performance, where available.

Table 21 Saleyard performance benchmarking.

KPI	Measure	National average (or best practice)	SRLX
Data Processing Efficiency	NVD Management Efficient saleyards enter NVD on night before the sale	15% NVDs incorrectly completed	0.48% incorrect NVDs from July-September 2017
	NLIS Compliance (July-Sep 2017)	99.65% (State Average)	99.87% (ranked 29 th out of 52 saleyards)
	Lot Entry	Best practice is scanning night before sale	Export cattle are pre-scanned the morning of the sale. Trade cattle are scanned as they enter the ring to be sold.
Labour Efficiency	Drafting	9 – 11 head per man hour	Delivery done by Agri-worx at speed of the ring sale.
	Scanning	50 – 100 head per man hour	Approx. 60- 80 head per man hour. (4 head per minute, with 3-4 staff).
	Weighing speeds	Average 55 sec / Lot (best = 37 sec / Lot)	Approximately 50 sec/Lot through the ring. (average 3.5 head per minute, and average lot size of 1.5 – 2 head.
	Curfew before weighing	13 hr	12 hours (8pm curfew)

5.2 Facilities

The SRLX is an aging facility which has been upgraded periodically, including the construction of a new roof. Some aspects of the facility fall short of best practice standards, for example the presence of wooden railing in some pens and the lack of soft flooring.

Compared to other local saleyards, the condition of the SRLX falls within the mid-range, exceeding many smaller and older facilities (Camden, Nowra, Braidwood), however falling short of newer and larger facilities (Yass, Carcoar, Wagga). Table 22 summarises various attributes of saleyards within the vicinity.

Table 22 Summary of local saleyards

	SRLX	Nowra	Camden	Yass	Braidwood	Carcoar	Cowra	Wagga
Distance from Moss Vale (Km)	0	60	85	162	183	249	264	340
Soft floor	N	N	N	Y	N	Y	N	N
Roof	Y	N	Y (ring only)	Y	N	Y	N	Y (ring only)
NSQA	No	N	No	Yes	No	Yes	No	Yes
Operated by	Council	Private	Private	Private	Council	Private	Council	Council

5.3 Throughput

The SRLX has maintained a relatively even share of the local saleyard throughput in recent years (see Figure 10 and **Error! Reference source not found.**). The SRLX competes with a range of nearby saleyards, including smaller facilities at Camden, Braidwood and Cowra, and larger facilities at Yass, Carcoar and Wagga Wagga. Competition is intensifying with the newly opened South East Livestock Exchange (SELX) in Yass achieving a throughput of 66,062 cattle in its first year of operation (6th highest in NSW). With a capacity to sell 3,800 cattle per day, there is a significant opportunity for SELX cattle throughput to increase further.

On the other hand, some of the smaller local saleyards have closed or are experiencing difficulties. The nearby (73km) Goulburn Saleyards, which generated a throughput of 8,118 in 2016/17, has recently ceased holding regular sales, in part due to the establishment of the SELX. Other smaller facilities in Camden and Braidwood have undergone some essential capital improvements in order to remain in operation.

If/when the smaller nearby saleyards close, there will be an opportunity for the SRLX to attract additional throughput. This may include horses, sheep and other species. For example Camden Saleyards currently holds monthly horse sales and weekly sales for pigs, sheep, calves and other smaller animals.

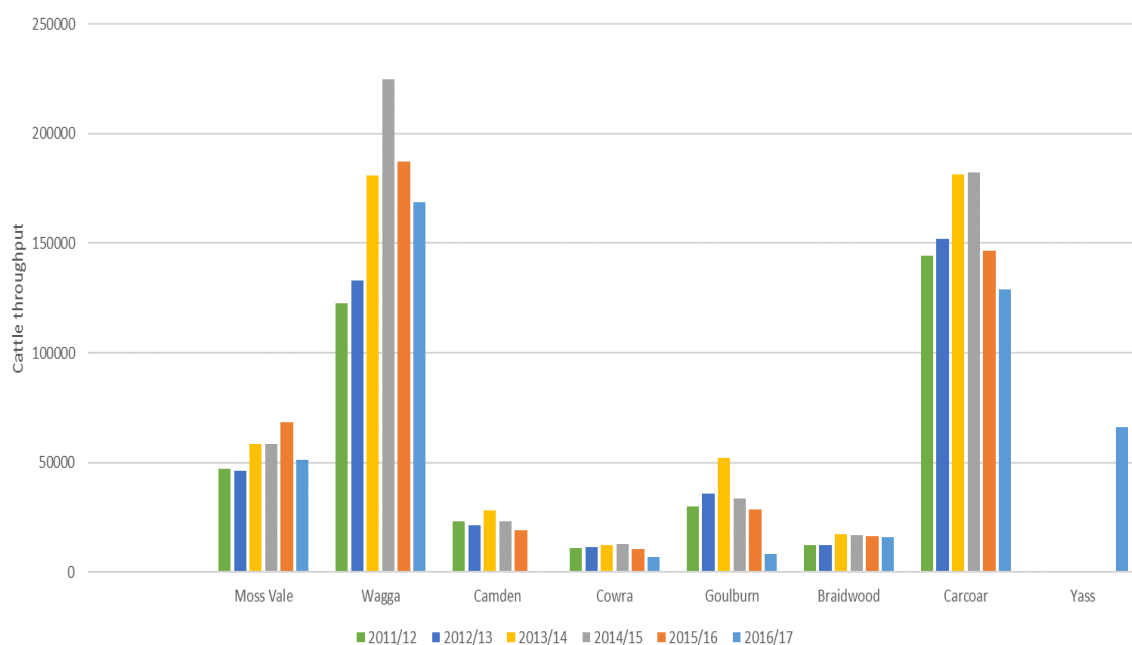


Figure 10 Throughput of nearby saleyards

5.4 Cost and revenue per head

Over the past three years, the average operating cost per head sold has risen from \$10 to \$17, while revenue collection per head has also risen from around \$14 to over \$20. For comparative purposes, Figure 11 shows per head costs and revenue for saleyards at Gloucester (annual throughput ~ 17,000) and Kempsey (annual throughput ~ 36,000). While this is a very small sample, the results show that the SRLX has higher costs but this is offset by higher revenue.

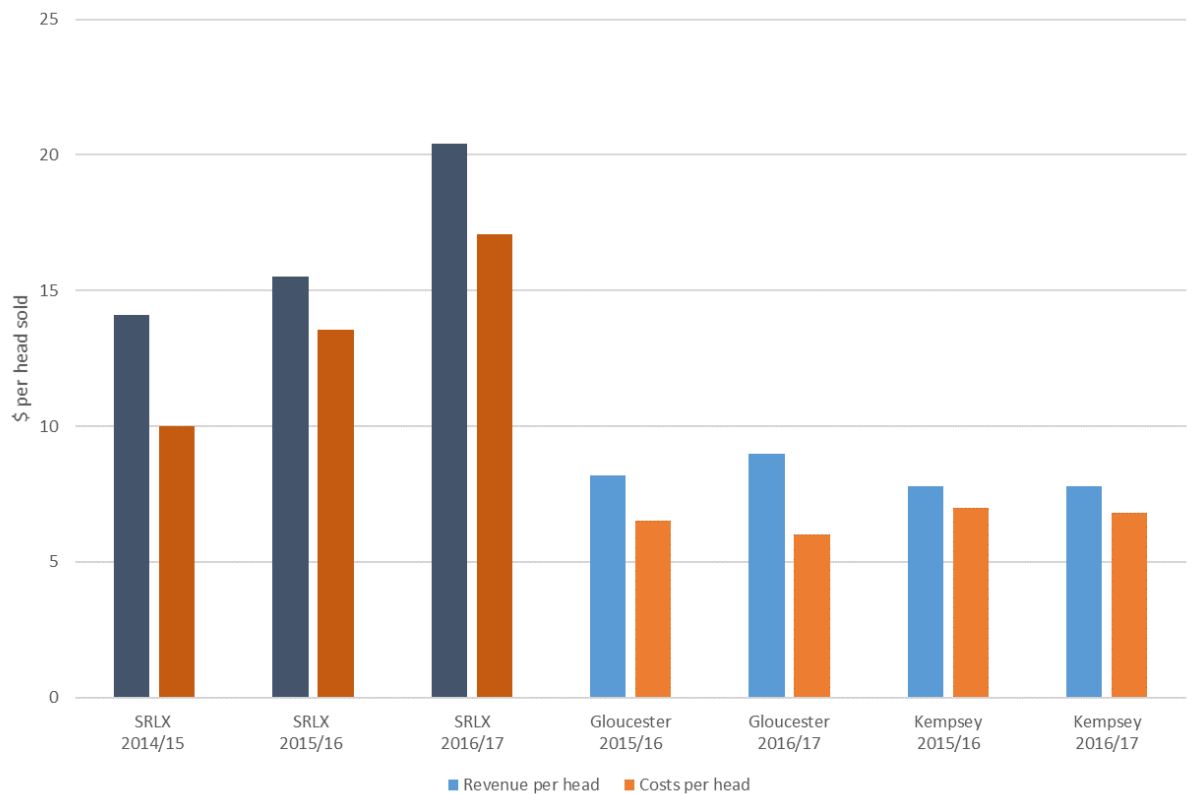


Figure 11 Benchmark of costs and revenue per head

Staffing costs are a major component of the facility's high operating costs, represent 35-40% of total SRLX operating costs. By comparison, other (larger) facilities in Wagga Wagga, Dubbo and Forbes incur staffing costs of 15-20% of total operating costs (Figure 12).

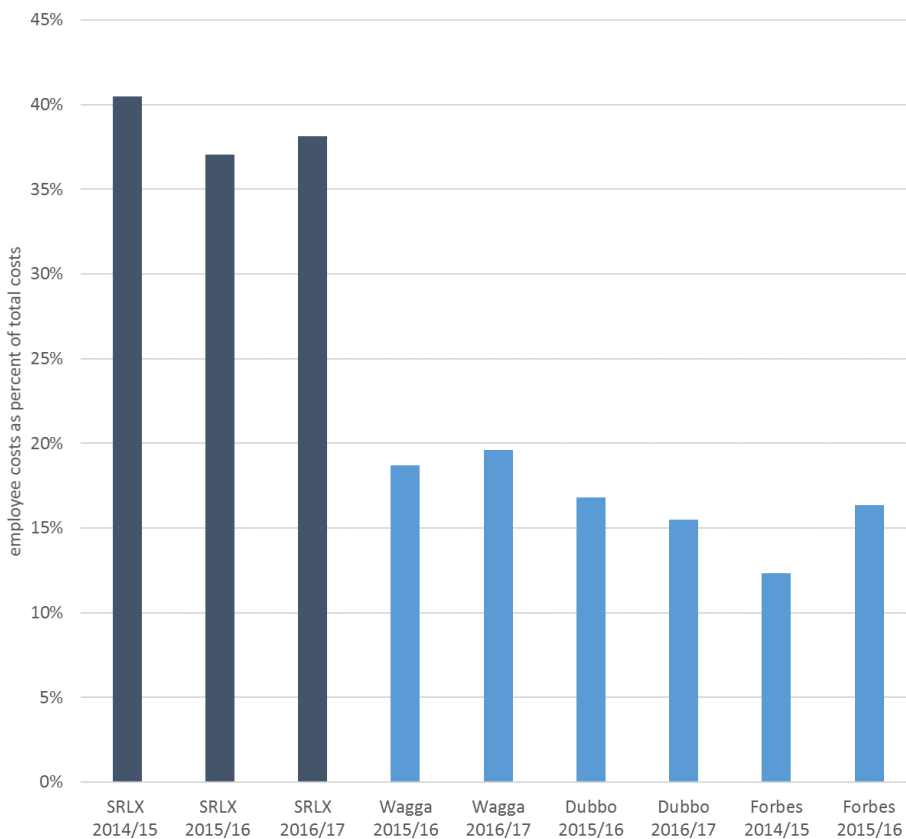


Figure 12 Benchmark of staffing costs as percentage of total costs

5.5 Summary

The above benchmarking analysis has found that the SRLX generally falls within the mid-range compared to other saleyards. The facility does incur higher operating costs than most facilities, which has contributed in part to lower returns on capital (Table 23).

Table 23 Summary of benchmarking findings

Item	Benchmarking Assessment
Operations	Mid-range, some practices not aligned with best practice (e.g. scanning, curfew times)
Facilities	Mid-range, better than many smaller facilities but not NSQA accredited and trailing newer, larger facilities.
Throughput	Mid-range, flat but retaining market share
Costs per head	Generally higher than average: increased from \$10 to \$17 per head in past 3 years.
Employment costs per head	Generally higher than average: Employee costs represent 35-40% of total SRLX operating costs, by comparison other (larger) facilities at Wagga Wagga, Dubbo and Forbes, incur staffing costs between 15-20% of operating costs.
Revenue per head	Generally higher than average: increased from \$14 to \$20 per head in past 3 years.

6. Economic analysis

To date there has been no analysis of the economic impact of the SRLX, however it is possible to derive an estimated benefit by reviewing similar studies completed for other saleyards. The Wagga Livestock Marketing Centre (WLMC) *Strategic Masterplan* (2015) includes an analysis of economic significance during the 2014/15 year. This analysis found that through the sale of livestock to the value of \$387M, the facility generated \$32.60M in Gross Regional Product (GRP) for the local economy, including 212 jobs. Table 24 calculates the SRLX economic performance on the assumption that performance is proportional to the value of livestock transactions (\$70.20M or 18% of the WLMC). On this basis, the SRLX would generate an annual increase in GRP of \$5.91M and 38 direct and indirect jobs.

Table 24 Estimated economic impact of WLMC and derived impact of SRLX

	WLMC			SRLX
	Direct	Flow on	Total	Total (Derived from WLMC analysis, based on value of livestock transactions)
Value of livestock transactions	\$387M			\$70.20M (actual)
Output	\$28.7M	\$34.8M	\$63.50M	\$11.52M (derived)
Gross Value Added	\$14.20M	\$18.40M	\$32.60M	\$5.91M (derived)
Incomes	\$8.90M	\$8.60M	\$17.50M	\$3.17M (derived)
Employment (FTE)	88	125	212	38 (derived)

It should be noted that the above analysis is very rudimentary, as it does not account for differences in saleyard operations and local economies. A specific economic impact study would need to be commissioned in order to gain more accurate estimates.

Assuming the facility remains operational, GHD would not expect its economic impact to change, in terms of increased GRP and employment, should Council adopt any of the alternative delivery models outlined in Section 8 (e.g. outsource, lease or sell).

7. SWOT analysis

The table below is a summary of the strengths, weaknesses, opportunities and threats (SWOT) of the SRLX based on the above findings.

Strengths	Weaknesses	Opportunity	Threats
<p>New roof</p> <p>Vendor preference due to perception of higher prices received</p> <p>Strength of buyers, particularly domestic wholesalers/butchers</p> <p>Proximity to Greater Sydney population centres</p> <p>Fees lower than surrounding saleyards</p> <p>Vendors prefer ring selling due to comfort and perception of higher prices received</p> <p>EPA Compliance</p> <p>Improved OH&S compliance</p> <p>Value to community</p> <p>Community support</p> <p>Reliable market</p> <p>Large catchment of numerous vendors</p> <p>Strength of agents</p> <p>Small vendor lots give defence against internet sales (and less price sensitive)</p> <p>Agents support the facility and work well together</p>	<p>Aging facility with a backlog of capital improvements required (~\$2.9M)</p> <p>Not NSQA accredited</p> <p>Multiple layers of governance without specific livestock/saleyard management experience</p> <p>Roles and responsibilities unclear</p> <p>Ring selling is slower and more labour intensive than pen selling</p> <p>Disagreement on longer term strategy and priorities</p> <p>OH&S risk</p> <p>Poor financial reporting and management in the past, including under-invoicing and lack of full cost pricing.</p> <p>Imbalance of risk and reward equation for Council</p> <p>Multiple levels of stakeholder engagement and input (Advisory Committee, Consultative Committee, agents, Council) making management difficult.</p> <p>Complicated fee structure source of complaints</p>	<p>Throughput gains in the medium term from potential future closure of smaller saleyards in Camden, Nowra and Braidwood (including horses, sheep and other species)</p> <p>Opportunity for efficiency gains</p> <p>Potential market of interested private operators or owners</p> <p>Potential State Government grants for capital improvements</p> <p>Education and training</p> <p>Tourism</p> <p>Machinery sales and other uses.</p>	<p>Competition from larger saleyards, in particular the South East Livestock Exchange (SELX) in Yass</p> <p>Competition from Auctions Plus</p> <p>Reduced throughput due to subdivision of rural land</p> <p>Inability to fund backlog of required capital improvements under current operating model</p>

Source: GHD analysis

8. Service delivery models

This section reviews potential alternative service delivery models for the facility and the likely impact on efficiency and service quality. It is based on the Service Delivery Review Guidelines' list of considerations for determining whether an alternative delivery model is required for a Council managed service. These considerations and the response are outlined in Table 25 below.

Table 25 Considerations for changing service delivery models

Consideration	GHD response
Does the service involve significant customer interaction or would changes to the service be unlikely to be noticed by customers?	<p>The service is utilised by a relatively small number of WSC ratepayers including beef farmers, buyers and agents.</p> <p>There are 570 agricultural, forestry and fishing businesses in the Shire. After accounting for non-beef producing businesses and beef producers who sell elsewhere, GHD estimate that 100-150 of these businesses would be regular saleyard users.</p> <p>Anecdotally there is a considerable number of producers from outside the Shire who use the facility.</p> <p>Local producers who use the facility value the service for its convenience, good prices and as a social hub. Changes to the service quality would be noticed by users.</p>
Is the need for the service predictable throughout the year or is it largely reactive to unpredictable events?	Predictable weekly service
Is there a degree of flexibility that can be applied in terms of service response times?	No
Is there a sound external market of suppliers of the service?	Yes, there is a reasonably well established market for independent saleyard operators.
Can performance be measured transparently?	Yes, performance can be measured via throughput, profitability, prices received, input cost, user satisfaction
Does an in-house service model provide knowledge that would otherwise be lost if the service were contracted out?	Limited value to Council in retaining knowledge in saleyard operation. Contract agreement could require reporting of relevant statistics
If teams are multi-skilled across more than one service, would contracting out the service result in reduced staff utilisation or reduced flexibility in programming?	Saleyard staff are managed within the broader Business Services branch of Council. Some staff will have skills which are relevant to other services (e.g. waste transfer station), however some skills are not likely to be transferable.

GHD considers that five alternative management structure options are available as follows (note that relevance and timing of implementation of options depends in part on the success of capital grants for infrastructure):

- **Option 1: Status Quo:** Council would continue to manage the SRLX, seeking to implement ongoing improvements in efficiency and capital improvements. Council will continue to seek to satisfy the needs of the saleyard users while managing the inherent risks.
- **Option 2: Outsourced operations:** Council would contract a specialist private saleyard operator to undertake all day to day management of the facility, while retaining responsibility for stakeholder engagement, financial management, capital improvements.
- **Option 3: Operational lease:** Council would enter into a long-term lease of the facility to a 3rd party operator, retaining responsibility for implementing capital improvements.
- **Option 4: Capital lease:** As for option 3 above however the lessee could be required to maintain the facilities at a reasonable standard (e.g. the standard at the time of entering into the lease), thereby absolving Council of all responsibility for future maintenance and capital works.
- **Option 5: Sale of facility:** Council would sell the facility to a private investor/operator or agent.

Each of these options involves Council releasing responsibility for different activities at the SLRX as depicted in Table 26.

Table 26 Responsibilities under different management options

Responsibilities	1. Status Quo	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Sale day operations	Council/Agents	Contractor	Lessee	Lessee	New owner
Cleaning	Council	Contractor	Lessee	Lessee	New owner
General maintenance	Council	Contractor	Lessee/ Council	Lessee	New owner
Truck wash	Council	Contractor	Lessee	Lessee	New owner
Canteen	Lessee	Contractor	Lessee	Lessee	New owner
Advertising and marketing	Council	Contractor	Lessee	Lessee	New owner
OH&S compliance	Council	Contractor	Lessee	Lessee	New owner
Environmental compliance	Council	Contractor	Lessee	Lessee	New owner
Animal welfare compliance	Council/Agents	Contractor	Lessee	Lessee	New owner
Tourism, education and training	Council	Contractor	Lessee	Lessee	New owner

Responsibilities	1. Status Quo	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Website	Council	Contractor	Lessee	Lessee	New owner
Stakeholder engagement	Council	Contractor /Council	Lessee	Lessee	New owner
Capital Improvements	Council	Council	Council	Lessee	New owner

In order to assess the options GHD evaluated potential changes to broad Council imperatives as well as the quality and efficiency of specific SRLX services and functions, as compared to the status quo (Option 1). The criteria used are described in Table 27 below.

Table 27 Assessment criteria

Criteria	Description
Council Imperatives	
Alignment with Council Strategy	The extent to which the option will contribute to the delivery of Council's <i>Community Strategic Plan (2017)</i>
Financial return to Council	<p>The extent to which the option will deliver a satisfactory financial dividend to Council, taking into consideration all costs including future capital works.</p> <p>Measured as the estimated Net Present Value (NPV) of future returns to Council over a 15 year period, based on the assumptions and modelling presented in Appendix C</p>
Community access and benefits	The extent and likelihood that the facility will remain open and accessible to saleyard users, delivering community benefits.
Operational efficiency and long term competitiveness	The extent to which the option will result in the SRLX being an efficient and competitive business into the future
Risk to Council	The extent to which the option will leave Council vulnerable and liable for financial and operational risks associated with debt, OH&S, animal welfare, environmental management etc.
SRLX Services and Functions	
14 SRLX sub-services listed in Section 2.2	Change in the quality and/or efficiency of sub-services from the Status Quo

GHD independently scored each option against the above criteria using the following ratings:

Table 28 Assessment ratings

Rating	Description
▲ ▲ ▲	Large improvements
▲ ▲	Medium improvements
▲	Small improvements
-	Unchanged
▼	Small decline
▼ ▼	Medium decline
▼ ▼ ▼	Large decline

8.1.2 Option 1: Status Quo

Under the Status Quo option Council would continue to manage the SRLX, seeking to implement ongoing improvements in efficiency and capital improvements. Council will continue to seek to satisfy the needs of the saleyard users while managing the inherent risks. The ongoing movement towards full cost recovery will likely require and increase to selling fees.

Council will continue to utilise funds from the Capital Improvement Levy to implement limited improvements, while seeking Government grants to address the backlog of required improvements.

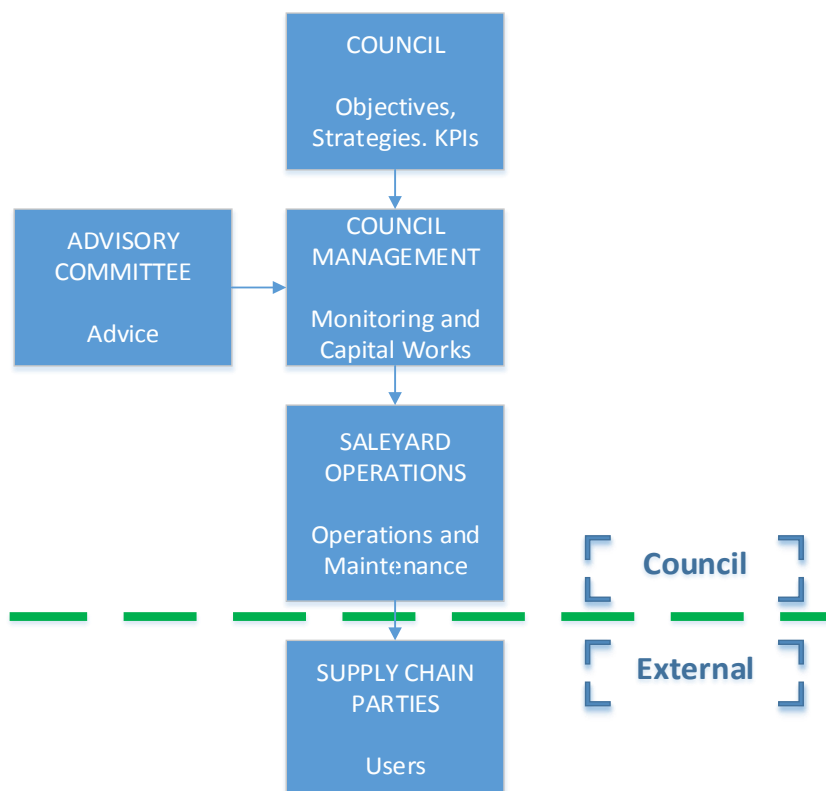


Figure 13 Option 1 management structure

GHD's independent criteria assessment of option 1 is provided below.

Table 29 Option 1 Assessment

Criteria	Current service level assessment
Council imperatives	
Alignment with Council Strategy	Management of the SRLX is aligned with the Council's <i>Community Strategic Plan (2017)</i> and incorporated into the 2017-2021 <i>Delivery Program</i>
Financial return to Council	Net Present Value (NPV) of future returns over 15 years estimated at \$10,090
Community access and benefits	Highly accessible to community
Operational efficiency and long term competitiveness	Currently has high operating costs (Section 5.4) and low return on capital, with capital improvements in part reliant on Government grants and subsidies.
Risk to Council	High liability to financial and operational risks, in particular OH&S
SRLX Services and Functions	
(Current service level assessment based on stakeholder survey analysis in Section 4)	
Sale day operations	-0.58
Cleaning	-0.41
General maintenance	-1.32
Truck wash	1.34
Canteen	1.08
Advertising and marketing	-0.52
OH&S compliance	-0.54
Environmental compliance	-0.34
Animal welfare compliance	-0.99
Tourism, education and training	0.73
Website	0.8
Stakeholder engagement	-0.75
Capital Improvements	-1.42

8.1.4 Option 2: Contracted operations

Under this model Council would contract a specialist private saleyard operator to undertake all day to day management of the facility.

Any contract with an external operator would need to clearly document the division of responsibility between Council, the operator and also agents. Otherwise introducing a third party would only lead to further complication and blame shifting.

An appropriate contract might allow the operator to receive a lump sum payment, as well as a share of profits from the facility. This would incentivise them to drive efficiency and profitability. The contract could pass a proportion of the operational risk to the operator; however Council would still be responsible for capital improvements and the associated risk. Depending on Council's preference, the contract could allow the operator to take responsibility for setting fees, advertising and marketing, sub-contracting and leasing of canteen and office space etc.

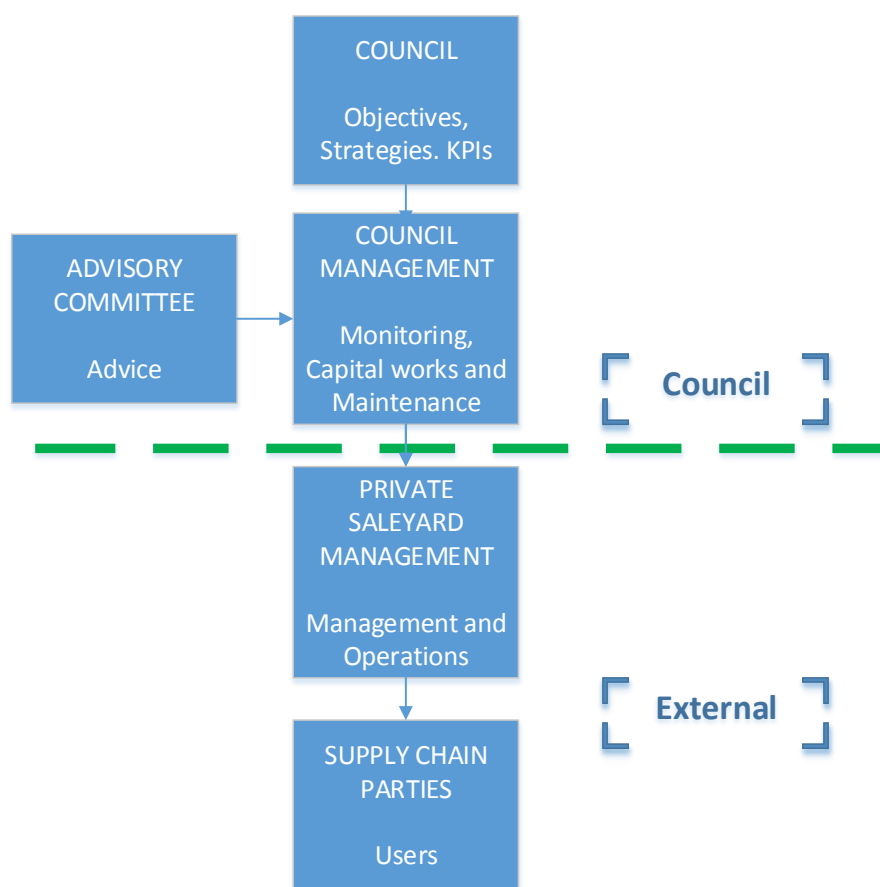


Figure 14 Option 2 management structure

GHD's independent criteria assessment of option 2 is provided below.

Table 30 Option 2 Criteria assessment

Criteria	Likely change from status quo	Comment
Council imperatives		
Alignment with Council Strategy	-	Unchanged from status quo
Financial return to Council	▲	NPV of future returns over 15 years estimated at \$193,397
Community access and benefits	-	Unchanged from status quo
Operational efficiency and long term competitiveness	▲	Some potential opportunity to improve efficiency and operating costs.
Risk to Council	▲	Some limited opportunity to pass financial and operational liability to contracted parties
SRLX Services and Functions		
Sale day operations	▲	Improved efficiency and responsiveness, increased saleyard operational experience
Cleaning	▲	Potential to reduce costs though unclear
General maintenance	▲	Improved
Truck wash	-	Unlikely to change
Canteen	-	Unlikely to change
Advertising and marketing	▲	Increased livestock industry experience
OH&S compliance	▲	Increased livestock industry experience
Environmental compliance	-	Legal requirement, unlikely to change
Animal welfare compliance	-	Legal requirement, unlikely to change
Tourism, education and training	-	Unchanged as remaining available to Council
Website	▲	Increased livestock industry experience
Stakeholder engagement	-	Unchanged as remaining Council responsibility
Capital Improvements	-	Unchanged as remaining Council responsibility

8.1.6 Option 3: Operating lease

Under this option Council would enter into a long-term lease of the facility, to a 3rd party operator. Council would retain responsibility for implementing capital improvements with funding obtained via the Capital Works Levy. Council would also collect an annual lease payment from the lessee which would be used to cover repairs and maintenance and other overheads. All other revenue and costs would be managed by the lessee.

The lease agreement would need to be well structured to ensure the following:

- Roles and responsibilities are clearly defined
- Council liability is absolved or reduced as much as possible
- Ownership of current equipment, fittings and capital improvements is clearly defined (e.g. yards, generators, software etc.).
- Access or use obligations are clearly defined (e.g. requirements to hold regular sales, or to provide reasonable access to selling agents).

GHD believe there would be a number of parties interested in leasing the facility, including independent saleyard operators/investors and other selling agents. Leasing to an independent operator/investor would be the most preferred option to ensure open access to all agents.

An indicative operating lease value for would be \$180K per annum (adjusted annually for CPI). This return would be sufficient to cover Council expenses including loan servicing, while also reducing the risk and operational burden from Council.

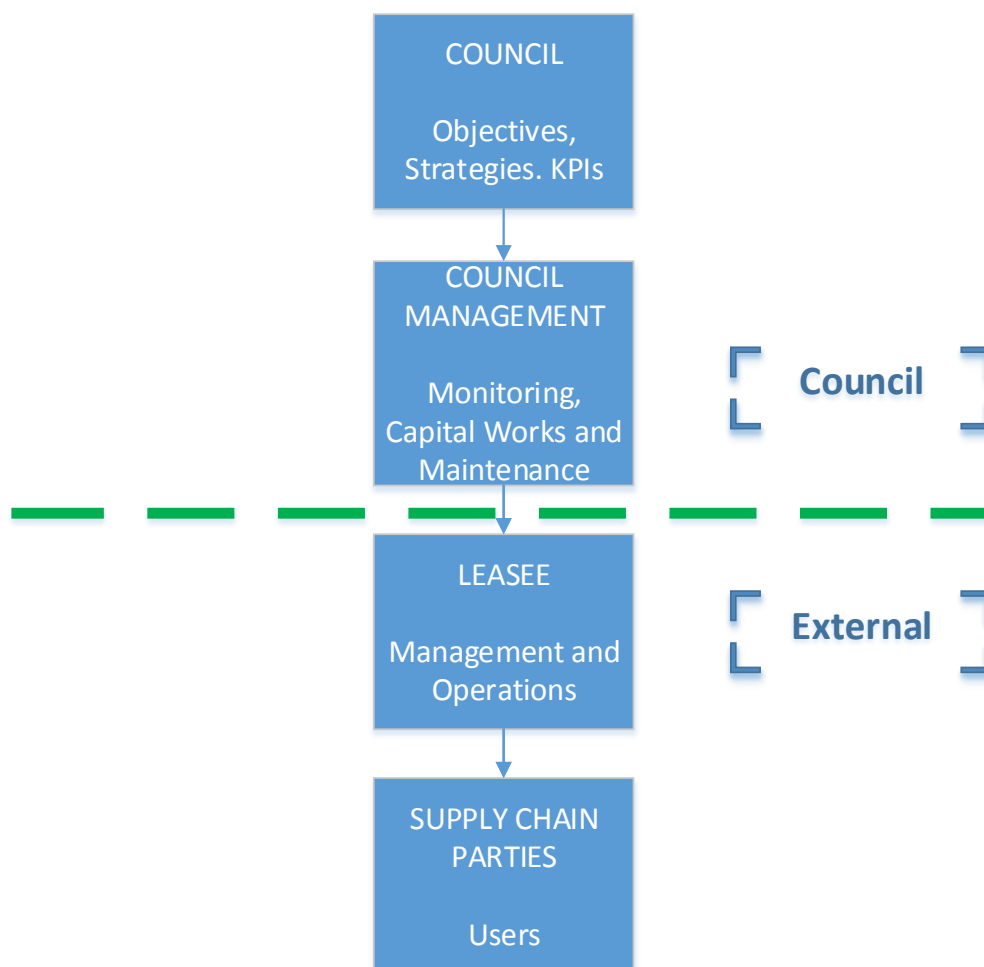


Figure 15 Option 3 management structure

GHD's independent criteria assessment of option 3 is provided below.

Table 31 Option 3 Criteria assessment

Criteria	Likely change from status quo	Comment
Council imperatives		
Alignment with Council strategy	-	Unchanged from status quo
Financial return to Council	▲	NPV of future returns over 15 years estimated at \$154,400. This assumes the facility is leased for \$180K per annum CPI adjusted annually. To return a breakeven NPV over this period the facility would need to be leased for at least \$165K + CPI.
Community access and benefits	▼	Some potential for services to be rationalised, increased fees and reduced access to competing agents (unless required by lease). Council continue to determine capital improvements based on community need.
Operational efficiency and long term competitiveness	▲ ▲	Moderate opportunity to improve efficiency and operating costs if leased to specialised saleyard managers. However ongoing funding gap for capital improvements.
Risk to Council	▲ ▲	Moderate opportunity to pass financial and operational risks to lessee.
SRLX Services and Functions		
Sale day operations	▲ ▲ ▲	Increased saleyard operational experience and clear financial incentive
Cleaning	▲	Potential to reduce costs though unclear
General maintenance	▲ ▲	Improved, clear financial incentive
Truck wash	-	Unlikely to change
Canteen	-	Unlikely to change
Advertising and marketing	▲ ▲	Increased livestock industry experience and clear financial incentive to promote sales
OH&S compliance	▲	Increased livestock industry experience and incentive to ensure compliance
Environmental compliance	-	Legal requirement, unlikely to change
Animal welfare compliance	-	Legal requirement, unlikely to change

Criteria	Likely change from status quo	Comment
Tourism, education and training	▼	Reduced incentive to provide facilities for these purposes (unless financial)
Website	▲ ▲	Increased livestock industry experience and incentive
Stakeholder engagement	▼	Potentially less incentive to engage stakeholders
Capital Improvements	-	Unchanged as remaining Council responsibility

8.1.7 Option 4: Capital Lease

Under this option Council would enter into a long-term capital lease. As part of this arrangement the lessee could be required to maintain the facilities at a reasonable standard (e.g. the standard at the time of entering into the lease), thereby absolving Council of all responsibility for future maintenance and capital works. Alternatively the responsibility for future capital works could be shared between Council and the lessee, based on an approved capital works program.

Under the above arrangements Council should be able to achieve a reasonable return from the asset, while significantly reducing its risk exposure, and also ensuring an ongoing service to local producers with potential improvements in operational and management efficiency.

An indicative capital lease value for would be \$120K per annum (adjusted annually for CPI). This return would be sufficient to cover Council expenses including loan servicing, while also reducing the risk and operational burden from Council.

Some capital leases include clauses which provide the lessee with the right of first refusal to purchase the facility, if during the course of the lease, or any extensions, the owner decides to sell. Including this right of first refusal clause in the lease agreement should draw a premium price for the lease, while also helping to ensure that if the facility is sold, it will most likely remain in the control of an experienced saleyard operator.

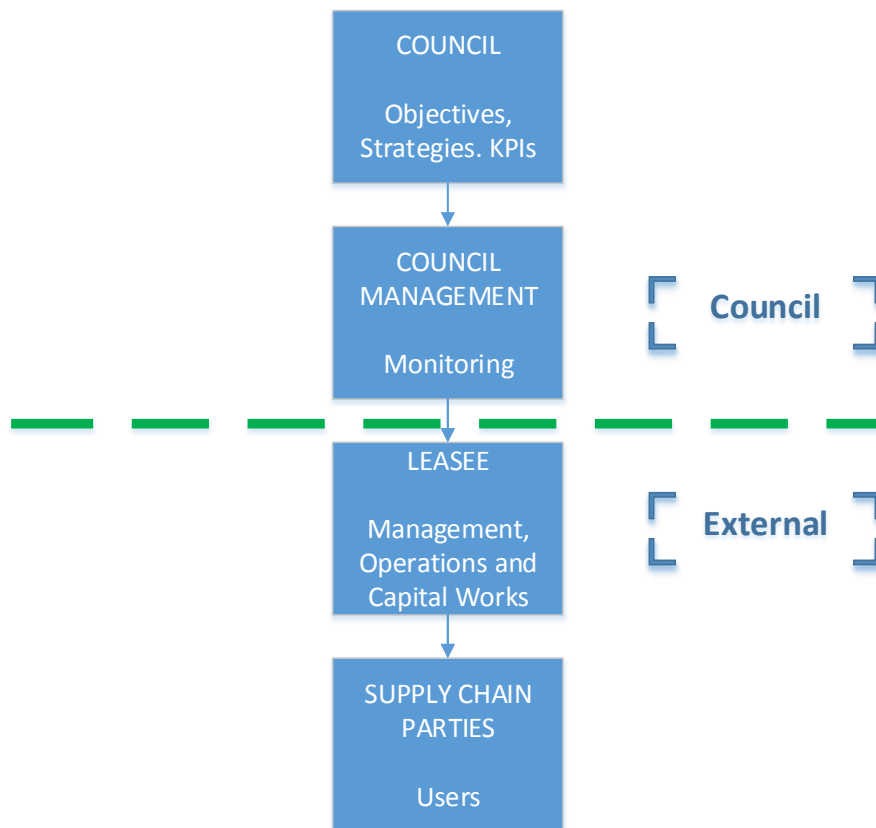


Figure 16 Option 4 management structure

GHD's independent criteria assessment of option 4 is provided below.

Table 32 Option 4 Criteria assessment

Criteria	Likely change from status quo	Comment
Council imperatives		
Alignment with Council Strategy	-	Unchanged from status quo
Financial return to Council	▲	NPV of future returns over 15 years estimated at \$156,324. This assumes the facility is leased for \$120K per annum CPI adjusted annually. To return a breakeven NPV over this period the facility would need to be leased for at least \$105K per annum + CPI.
Community access and benefits	▼	Potential for services to the rationalised, increased fees and reduced access to competing agents (unless required by lease). Lessee may choose to invest heavily or minimally in capital improvements.
Operational efficiency and long term competitiveness	▲ ▲ ▲	Opportunity to improve efficiency and operating costs if leased to specialised saleyard managers. Reduced opportunities for accessing Government

Criteria	Likely change from status quo	Comment
		grants, however increased opportunity to access private capital. Lessee to determine capital improvements based on commercial need.
Risk to Council	▲ ▲ ▲	High opportunity to pass OH&S, financial and operational risks to contracted parties, including capital works.
SRLX Services and Functions		
Sale day operations	▲ ▲ ▲	Increased saleyard operational experience and clear financial incentive
Cleaning	▲	Potential to reduce costs though unclear
General maintenance	▲ ▲	Improved, clear financial incentive
Truck wash	-	Unlikely to change
Canteen	-	Unlikely to change
Advertising and marketing	▲ ▲ ▲	Increased livestock industry experience and very clear financial incentive to promote sales
OH&S compliance	▲	Increased livestock industry experience and incentive to ensure compliance
Environmental compliance	-	Legal requirement, unlikely to change
Animal welfare compliance	-	Legal requirement, unlikely to change
Tourism, education and training	▼	Reduced incentive to provide facilities for these purposes (unless financial)
Website	▲ ▲ ▲	Increased livestock industry experience and incentive
Stakeholder engagement	▼ ▼	Less incentive to engage stakeholders
Capital Improvements	▲	Lessee responsibility to undertake capital improvements based on commercial need. Reduced opportunities for accessing Government grants, however increased opportunity to access private capital.

8.1.9 Option 4: Sell

Under this option, Council would sell the facility to a private investor/operator or agent. It is presumed that the only commercial value of the SRLX is as a saleyard, therefore the value received would reflect the likely financial returns from the saleyard business in addition to the land value.

Under private ownership the facility may continue to operate as normal providing open access to all agents. However if the facility was purchased by an agent they may choose to exclude their competitors which would reduce the benefits for local producers.

Private owners would most likely seek to increase profitability through operating efficiencies and perhaps increased fees. The facility would be managed with a more commercial focus, reduced layers of management and a greater risk appetite.

The level of maintenance and capital improvement at the facility may or may not increase under private ownership. Some investors may want to improve the facility for the long term, while others may adopt a low investment strategy aimed at maximising profits in the short term.

If sold, Council would have only minor engagement with the saleyards, mainly in dealing with unattended livestock and managing any traffic, water or environmental issues which fall within the Councils remit.

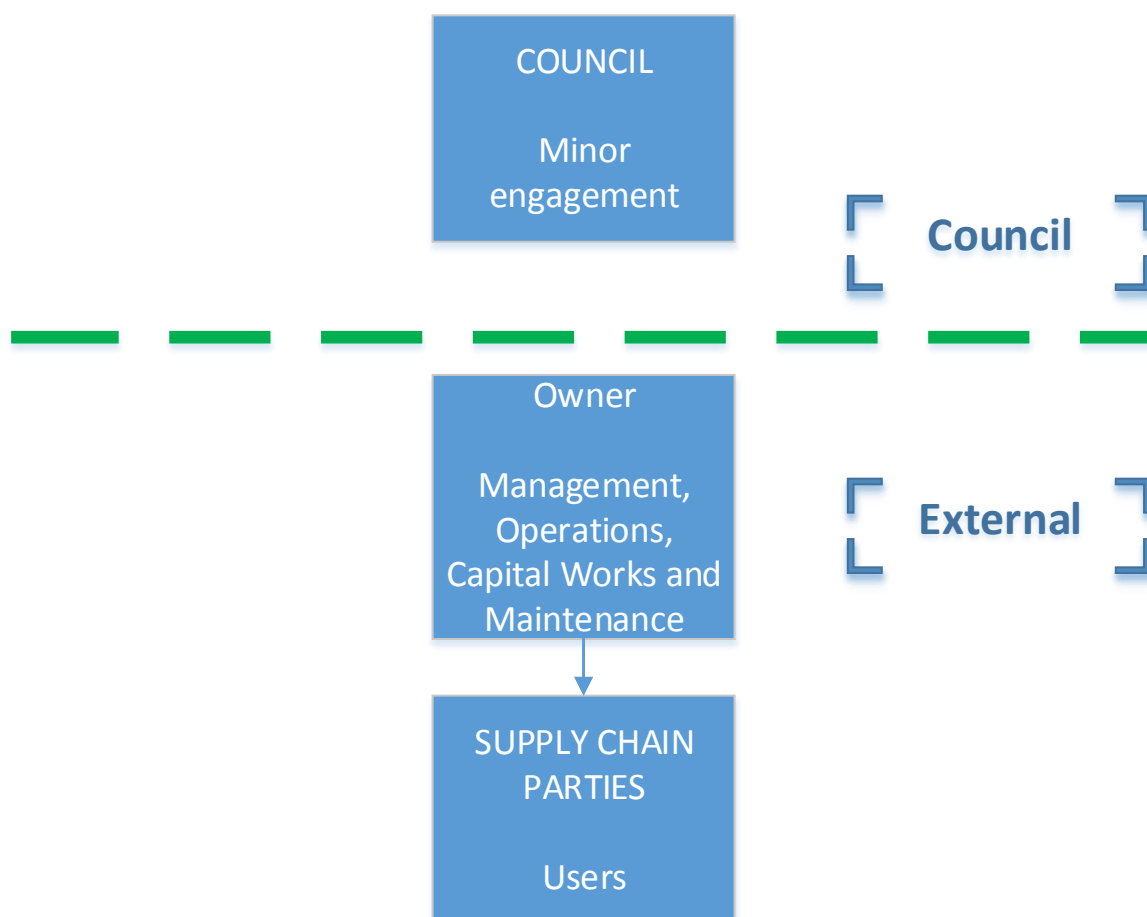


Figure 17 Option 5 management structure

GHD's independent criteria assessment of option 5 is provided below.

Table 33 Option 5 Criteria assessment

Criteria	Likely change from status quo	Comment
Council imperatives		
Alignment with Council Strategy	▼	Potentially weaker commitment to local beef industry. Council ownership of SRLX is aligned with the Council's <i>Community Strategic Plan</i> (2017) and incorporated into the 2017-2021 <i>Delivery Program</i> .
Financial return to Council	▲	Assuming the facility and land is sold for \$7 million, and outstanding loans are subsequently repaid, the NPV over 15 years is around \$6 million, however when the potential loss of future capital appreciation from the asset is considered (estimated at 7% per annum) the NPV is reduced to around \$50K, virtually cancelling out any financial gain.
Community access and benefits	▼ ▼	Potential for services to the rationalised, increased fees and reduced access to competing agents. A new owner may invest very little and harvest profits for a period of time before closing the facility and realising the land value.
Operational efficiency and long term competitiveness	▲ ▲ ▲	High opportunity to improve efficiency and reduce operating costs under private ownership. Reduced opportunities for accessing Government grants, however increased opportunity to access private capital.
Risk to Council	▲ ▲ ▲	Removal of all risk to Council
SRLX Services and Functions		
Sale day operations	▲ ▲ ▲	Increased saleyard operational experience and clear financial incentive
Cleaning	▲	Potential to reduce costs though unclear
General maintenance	▲ ▲ ▲	Improved, clear financial incentive
Truck wash	-	Unlikely to change
Canteen	-	Unlikely to change
Advertising and marketing	▲ ▲ ▲	Increased livestock industry experience and very clear financial incentive to promote sales
OH&S compliance	▲	Increased livestock industry experience and incentive to ensure compliance

Criteria	Likely change from status quo	Comment
Environmental compliance	-	Legal requirement, unlikely to change
Animal welfare compliance	-	Legal requirement, unlikely to change
Tourism, education and training	▼	Reduced incentive to provide facilities for these purposes (unless financial)
Website	▲ ▲ ▲	Increased livestock industry experience and incentive
Stakeholder engagement	▼ ▼ ▼	Less incentive to engage stakeholders
Capital Improvements	?	Reduced opportunities for accessing Government grants, however increased opportunity to access private capital.

8.2 Summary of multi-criteria analysis results

A summary of the results from the above analysis is provided in Table 34 and Table 35 below. GHD considers the above analysis supports option 4 (Capital Lease) as the most preferred, followed by option 3 (Operational lease).

It should be noted that this analysis is designed simply to consider the relative merits of the options and should not be taken as a definitive assessment. The scoring completed by GHD would likely vary if completed by different stakeholders. Furthermore the criteria are given equal weighting in the analysis, which may not reflect the actual relative importance of each consideration.

Table 34 Potential change to broader Council imperatives from status quo

	1. Status Quo	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Alignment with Council Strategy	Management of the SRLX is aligned with the Council's Community Strategic Plan (2017) and incorporated into the 2017-2021 Delivery Program	-	-	-	▼
Financial return to Council	Net Present Value (NPV) of future returns over 15 years estimated at \$10,090	▲	▲	▲	▲
Community access and benefits	Highly accessible to community	-	▼	▼	▼ ▼
Operational efficiency and long term competitiveness	Currently has high operating costs and low return on capital with capital improvements in part reliant on Government grants and subsidies.	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲
Risk to Council	High liability to financial and operational risks, in particular OH&S	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲

Table 35 Potential change in service quality or efficiency from status quo

Responsibilities	1. Status Quo (based on level of service analysis in Section 4)	2. Contracted operations	3. Operational lease	4. Capital Lease	5. Sale of facility
Sale day operations	-0.58	▲	▲ ▲ ▲	▲ ▲ ▲	▲ ▲ ▲
Cleaning	-0.41	▲	▲	▲	▲
General maintenance	-1.32	▲	▲ ▲	▲ ▲	▲ ▲ ▲
Truck wash	1.34	-	-	-	-
Canteen	1.08	-	-	-	-
Advertising and marketing	-0.52	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲
OH&S compliance	-0.54	▲	▲	▲	▲
Environmental compliance	-0.34	-	-	-	-
Animal welfare compliance	-0.99	-	-	-	-
Tourism, education and training	0.73	-	▼	▼	▼
Website	0.8	▲	▲ ▲	▲ ▲ ▲	▲ ▲ ▲
Stakeholder engagement	-0.75	-	▼	▼ ▼	▼ ▼ ▼
Capital Improvements	-1.42	-	-	▲	?

9. Summary of findings

9.1 Stakeholder feedback

This review has found a level of dissatisfaction and disagreement amongst Council and saleyard users about how the SRLX is being managed and operated. While most stakeholders believe that management of the facility has improved in recent years, there appears to be some fundamental differences in the priorities between Council and saleyard users, which are unlikely to be resolved under the current management structures.

Table 36 below provides a summary of stakeholder views synthesised from feedback obtained from interviews and survey responses.

Table 36 Summary of stakeholder views

	The general view of saleyard users	The general view of Council staff
General areas of disagreement	<ul style="list-style-type: none"> • Council is too risk averse • There are too many layers of management and reporting • Council lacks the required specialist skills to manage livestock saleyards • There is a lack of transparency in expenditure, particularly around the capital improvement levy. • The facility could be more profitable and successful if Council adopted a more commercial approach. • Council offers limited service to saleyard users who pay to use the facility. 	<ul style="list-style-type: none"> • Past issues at the facility, including a fatality and poor book-keeping and budgeting, have required Council to adopt higher risk management and reporting standards. • The line of responsibility between Council and saleyard users is often misunderstood. Council is not in the livestock business. • The total cost to Council from operating the facility is not fully reflected in the book-keeping. The facility requires considerable management, which is often a drain on Council resources. • Council must manage the facility on behalf of all ratepayers, which means it cannot always respond to the requests of individual saleyard agents or users.
General areas of agreement	<ul style="list-style-type: none"> • While the facility is aging, it can remain competitive against competing saleyards and alternative sale methods into the future. • Ongoing capital works will be required, and grant money will be a significant source. • Council and saleyard users have some fundamental differences in priorities and approach, which is resulting in some entrenched differences of opinion. • Perhaps the time has come to consider an alternative management structure, which allows the facility to be managed and operated in a more commercial way. 	

Issue: Too many layers of management

In the past, financial management at the facility has been lax, with some evidence of under billing, poor budgeting and lack of cost recovery.

In response, Council has introduced additional layers of financial and managerial oversight and improved rigour around budgeting, cost recording and billing, as well as introducing additional layers of authority for expense approval.

However GHD believe the current number of layers of management and authority at the facility is excessive given its relatively small turnover (~\$1 million turnover). This is resulting in inefficiencies, delays in funding approval and confusion about responsibilities.

Issue: Too many layers of stakeholder consultation

At present Council managers are receiving separate feedback and direction from the following groups:

- Council
- SRLX Advisory Committee (meet quarterly)
- SRLX Consultative Committee (meet monthly)
- Selling Agents (meet monthly)

Managers are responding to feedback from all directions with formal processes for stakeholder issues not being adhered to (i.e. agents or stakeholders should direct issues through the Advisory Committee, rather than going direct to Council).

Issue: Complicated fee structure

Consultation revealed that fees are an ongoing source of complaints from users. The current fee structure is complicated and based on several different principles, including:

- Animal size/class
- Value of sale
- Operating costs incurred
- Future capital works required

Furthermore some fee categories are not aligned to cost recovery.

Issue: Council and saleyard users have different priorities

Council has adopted a management approach which is more risk averse than saleyard users would like. Council's risk averse approach can be seen in the multiple layers of management, excessive stakeholder consultation and the risk based approach to identifying capital improvements.

Given the history of OH&S issues and poor financial management at the facility Council is justified in taking a risk averse approach, however this is resulting in inefficiencies, underperformance and frustrated users.

Issue: Future financial burden on Council resources vs return to residents

Financial modelling outlined in Section 2.10 suggest the facility is likely to return operating losses for the remaining 11 years of the current loan. With limited reserve funds these future losses will either need to be funded via Council revenue (subsidy) or through higher fees.

10. Recommendations

10.1 Preferred option: Capital lease

Council should pursue funding opportunities from State and Federal Government to address the \$2.9M backlog of capital works, where possible enabling the facility to obtain NSQA Accreditation.

Council should then advertise for expressions of interest (EOI) to lease the facility with a preference for a long-term capital lease. As part of this arrangement the lessee should be required to, at a minimum, maintain the facilities at current standards (e.g. NSQA Accreditation standard if obtained). This arrangement would absolve Council of all responsibility for future maintenance and capital works.

The capital lease should also provide the lessee with the right of first refusal to purchase the facility, if during the course of the lease, or any extensions, Council decides to sell. In this event the negotiated price should account for any capital improvements the lessee has made to the facility in addition to the minimum requirements. Including this right of first refusal clause in the lease agreement should draw a premium price for the lease, while also helping to ensure that if the facility is sold, it will most likely remain in the control of an experienced saleyard operator.

The lease agreement will need to be well structured to ensure the following:

- Roles and responsibilities are clearly defined
- Council liability is absolved or reduced as much as possible
- Ownership of current equipment, fittings and capital improvements is clearly defined (e.g. yards, generators, software etc.).
- Access or use obligations are clearly defined (e.g. requirements to hold regular sales, or to provide reasonable access to selling agents).

GHD would recommend Council develop and publish an indicative lease agreement with the EOI, allowing respondents to seek amendments to terms as required. Ideally, Council would not restrict the EOI to a particular type of lessee, instead evaluating each offer independently with consideration of price, terms, experience, potential throughput and access. If a satisfactory capital lease cannot be negotiated, the next preference would be for Council to an entering into operating lease, while maintaining the current Capital Improvement Levy to fund future capital works.

If the facility is leased, Council should dissolve the Advisory and Consultative Committees. Instead, Council will deal directly with the lessee, who will in-turn be responsible for dealing with users.

Under the above arrangements GHD modelling suggests Council should be able to achieve a reasonable return from the asset to service current debts while also significantly reducing its risk exposure, and also ensuring an ongoing service to local producers with potential improvements in operational and management efficiency.

Failure to obtain grant funding

If Council is unsuccessful in obtaining State or Federal grant funding, it should continue to pursue a capital lease arrangement. In this scenario the value of the lease will be reduced, however an acceptable financial return should still be achievable. Council may consider contributing co-funding where possible to assist the lessee undertake certain capital works. However significant subsidisation of the facility should be avoided.

10.2 Secondary option: Improved management and operations

The above leasing strategy is clearly GHDs preferred option, supported by the findings within this review. However If Council is not willing to lease the facility, GHD provides the following actions to improve the efficiency and performance of the facility while remaining under Council management.

Develop updated Strategic Plan

Council should develop a revised 5-year Strategic Plan, with specific detail around planned operational and capital improvements, and funding sources. It is recommended that the Strategic Plan is a 5-year rolling plan with annual review and update if required.

Operate the facility as a business

The facility should be operated more as a business activity than a council service. This can be achieved by implementing the following:

- Increased rigour around budgeting
- Full cost recovery pricing where practical
- If the facility is to be subsidised, the amount should be included as a single annual transaction (e.g. reduced dividend), rather than incorporated across various transactions. This will allow Council and the community to clearly assess the extent to which ratepayers are subsidising the facility (i.e. the net cost).

Simplify the fee structure

A simplified fee structure should be introduced which achieves full cost recovery including required funding for future capital works. GHD would recommend:

- A flat per head fee for the sale of cattle, with appropriate variations for bulls and calves. This fee should replace the separate selling fees for per head sales, turnover contribution, scanning fees and capital contribution.
- The auctioneers' permit fee be increased to cover appropriate overheads costs including marketing, NLRs reporting etc. The total cost should be spread evenly across all selling agents, including those separate businesses selling under the same agent brand.
- Transit fees and holding fees should be merged into a single holding fee.

Continue to seek efficiencies through outsourcing

Council should continue to seek opportunities to outsource or contract out aspects of the saleyard operations if genuine efficiencies, cost savings and/or service improvements can be achieved. For management ease it would be preferable to have a single contract covering multiple functions, rather than multiple separate contracts.

Remove layers of stakeholder consultation with a re-constituted single Advisory Committee

The Consultative Committee and Agents Committee should be disbanded, with its members and agents encouraged to direct all issues to the saleyard manager via a reconstituted Advisory Committee. GHD recommend the following make-up for the Advisory Committee, with all positions appointed by Council.

- Independent Chair
- Councillor
- Community representative
- Agent representative

- Buyer
- Producer

The Committee should be provided with clear terms of reference, based primarily around the provision of advice to Council regarding the long term management of the facility, and implementation of the Strategic Plan. Short term or operational decisions should be managed by Council staff without input from the Advisory Committee, unless sought.

GHD would recommend the Committee meet quarterly or as otherwise required.

Saleyard users including agents should be encouraged to direct all feedback to the saleyard managers, which will be shared with the Advisory Committee as required. This could be facilitated via a formal feedback facility.

Saleyard management, including the team leader, should provide an update at each Committee meeting and be available to answer questions.

The above recommendations could be actioned over the coming two years, via the implementation plan in Table 37 below.

Continue to investigate additional uses

Council should continue to investigate opportunities to utilise the facility for alternate uses, including:

- The sale of horses, sheep and other species: Throughput could be attracted from Camden Saleyards which currently holds monthly horse sales and weekly sales for pigs, sheep, calves and other smaller animals.
- Machinery sales
- Education and training

Table 37 Implementation Plan

Financial year	Preferred option: Capital Lease	Secondary Option: Improved management and operations
2017/18	<ul style="list-style-type: none"> • Apply for Federal and/or State funding to address \$2.9 million capital works backlog. Implement capital improvements 	<ul style="list-style-type: none"> • Develop updated Strategic Plan • Operate the facility as a business • Remove layers of stakeholder consultation with a re-constituted single Advisory Committee
2018/19	<ul style="list-style-type: none"> • If funding is obtained, implement capital improvements to bring the facility in-line with NSQA standards • Release an EOI to lease the facility, evaluate responses and contract 	<ul style="list-style-type: none"> • Continue to seek efficiencies through outsourcing • Implement a simplified fee structure • Continue to investigate additional uses

11. References

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Appendices

Appendix A Fees and charges 2017/18

Code	Description	Ex. GST	Inc. GST
Livestock Sales & Special Sales (Per Unit)			
33.1.1	Livestock Sales - Cattle prime Sale	\$8.91	\$9.80
33.1.2	Livestock Sales - Store Sales	\$7.59	\$8.35
33.1.3	Livestock Sales - Special Sale	\$8.91	\$9.80
33.1.4	Livestock Sales - Private	\$5.82	\$6.40
33.1.5	Livestock Sales - Bulls	\$15.36	\$16.90
33.1.6	Livestock Sales - Calves under 100kg	\$5.14	\$5.65
Livestock - Other Sale Charges			
33.2	Scanning Fee (NLIS) - per tag	\$2.09	\$2.30
33.3	Turnover Contribution	0.296%	0.296%
33.4	Capital Contribution - per unit	\$3.00	\$3.30
33.5	Auctioneer's Permit	\$4,545.50	\$5,000
Livestock - Special Sales			
33.6.1	Special Sale - Preparation	\$1,381.83	\$1,520
33.6.2	Special Sale - Weekends Staff (per person / per hour min 4 hrs)	\$54.55	\$60.00
Livestock - Holding & Transit			
33.7.1	Holding fee (Sale animals exempt - See regulations)	\$1.82	\$2.00
33.7.2	Transit fee	\$3.00	\$3.30
Livestock - Feeding & Call Out			
33.8.1	Feeding Fee - per unit	\$2.73	\$3.00
33.8.2	After Hours Call Out	\$272.73	\$300.00
Other Charges			
33.9	Use of Crush or Scales (Non Sale animals)	\$1.82	\$2.00
33.10.1	Euthanising Beast - As per Vet invoice	-	-
33.10.2	Animal Disposal Fee	\$327.28	\$360.00
33.11	Truck Wash Area Water Usage	\$0.66	\$0.73
33.12	Avdata Key	\$30.00	\$33.00
33.13	Sale of impound animal	\$18.18	\$20.00
33.14	Office Rent	\$103.64	\$114.00
33.15	Advertising Signs	\$310.91	\$342.00
33.16	Non Compliance	\$181.82	\$200.00
- A unit is either one beast or a cow with calf at foot.			

Appendix B Asset Renewal Capital Works Program

Description	Estimated Cost	Quoted Cost	Rating	What triggered this requirement and the benefits
Install automatic security gates with number plate recognition linked to AVDATA to track out of hours usage with Transit cattle and charge accordingly		\$80,000	High	No security to site, presently only a locked gate that anyone can access with an AVDATA key, very loose system that allows multiple transporters to share keys and no ability to track movements after hours with Transit Cattle and people accessing the facility. Number plate recognition would be linked to the gates and AVDATA to help track transit movements.
Air Gates to replace old gates on External Weighbridge		\$15,000	High	Safety recommendation show that the current design of our external weighbridge poses a risk to the safety of agents using the facility, they presently have two gates on the external weighbridge, one on the entry and the other on the exit, these are manually opened by a person which places them at risk of being injured or killed by rouge beasts exiting or entering the weighbridge, proposal is to replace both these gates with air gates which will eliminate the need for someone to manually open the gates and eliminate the risk of injury from that operation. Critical project that will remove the biggest risk presently on site.
ATV replacement		\$24,000	High	The use of an ATV on any site should not be permitted, these units have proven to be related to the most deaths in the Agricultural business, they are consistently injuring or killing more workers and farmers than any other farming machinery, a business case was presented to previous management in relation to the statistic on injury and an alternative four wheel farm vehicle with articulation to prevent roll over was sought and presented to council for consideration, we believe that this is the safest option and not hindering on operational needs.
Power upgrade - feed from Power pole back to SRLX 3 phase including switchboard (22mm cable)		\$45,000	High	Power supply from external sources has become unreliable and it is recommended to run 95mm wire from pole to pole at the SRLX to allow better power feed to SRLX and minimise interruptions. Private Contractor to install new power board to cope with increased supply as recommended to 200 amps
Drafting Yards to be installed at Sale Yard, this will be part of the upgrade required at SRLX which is part of a major upgrade		\$90,000	High	This is the first stage of the PROWAY concept and an agreed project with Council and Agents to remove WH&S risk in cattle handling when drafting cattle, the SRLX does not have a drafting area that meets Australian Standards, this development will allow agents to draft safely with elevated platforms and 5 way holding yards controlled by air gates removing the agent from the beast on sale day and removing inherent risk
Replace current compressor with continual air compressor		\$15,000	High	SRLX has experienced several failures on sale day with air supply to the air gates on the main ring in the arena, problem is wrong compressor for task, cycling too many times and becoming unreliable
Mobile Diesel Compressor to be used as standby in the event main Compressor fails on sale day.		\$20,000	High	To be used as back up air supply for main ring gates and possibly for drafting yard operations and bottom weighbridge air gates
Compliance signage - replace all current signage to comply with GHS signage	\$15,000		High	Replace all current signage from Audit conducted recently, identified all signage to be either non compliant or not clear, signage to include conditions or entry, hazards, prohibitions and WH&S requirements. Reviewed with Malcolm Lindsay
Scanner on Ramp 4 - After Hours Ramp	\$34,000		High	ALIES Scanner to be installed on Ramp 4 to capture cattle if tagged, this will assist in identifying cattle that are left on site a transit cattle that arrive at all hours and ensure charges can be applied to cattle using the facility outside of sale day, this has never been captured and charged for which has allowed transporters and buyers to use the SRLX and its facilities free of charge. This scanner will prevent cattle being missed ensuring all are counted and charged for when staff are not on site (After hours and weekend activity)
Cattle Receival Area - Truck/Receiving area including two new ramps.		\$120,000	High	The purpose of this development is to allow a safer and more controlled loading and unloading of cattle, it will also give the transporter better cattle movement and safety with elevated walkways and narrow yards allowing better stack up of cattle and safer methods of loading and unloading allowing better movement and control of cattle minimising stress to the beast.
Transit Paddock to be developed in Paddock 1 - including laneway back to main roof area	\$80,000		High	Reuse paddock 1 into a transit receival dispatch area, this would include the design and development of several pens inside paddock one with ramp being constructed to scan and record all movements of cattle being housed overnight at the SRLX, this will also keep the cattle separated from sale cattle and prevent cattle being mixed up and incorrectly transported. also allow the SRLX to charge accordingly for cattle using the facility to rest up which has not occurred previously.
PROWAY Yard refurbishment of all pens, laneways and walkways under the main for of the SRLX		\$1,450,000	High	Complete refurbishment of all pens under the main roof at the SRLX, this would include new ramps, pens, throughs, walkways for Buyers and Agents, this would also include upgrades to weighbridge and other yard areas within the SRLX, it would allow for safer interactions with buyers and cattle also with staff interactions and selling would be more visible to the buyers
CCTV cameras to be installed at SRLX to cover all areas, currently a lot of black spots that leave Council at risk with WH&S and insurance liabilities		\$147,000	High	Lack of security after hours and during a sale, too many black spots and no coverage if there are investigations required such as animal welfare claims, workers compensation claims or public liability claims. This leave Council at a financial risk.
SUBTOTAL	\$2,135,000		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 13 years to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 8 years to fund.

Description	Estimated Cost	Quoted Cost	Rating	What triggered this requirement and the benefits
Hi-Bay lighting under main roof to be replaced with LED		\$48,000	Medium	The lighting currently in use at the SRLX under the main roof is of the old Mercury type pumps which are expensive to run and expensive to replace, using LED lighting which we have replaced as lighting fails is proving to be a cost effective measure, reducing electrical charges dramatically, in most cases the LED lighting use one fifth of the consumption of the Mercury Vapour lamps, this will see significant savings with power bills and maintenance, the LED lights also have a 25 year replacement warranty which makes them a very attractive option.
Skid Steer replacement at SRLX	\$80,000		Medium	SRLX skid steer loader will need replacing by the end of 2018 as per Council Vehicle/Plant policy, the unit will be sourced mid 2018 and secured before 2019 budget starts. Plant Fund
Digital Load Cells on Top Weight bridge		\$15,000	Medium	Current load cells are Analogue and need replacing, this is due to age and type, Digital are used today to secure accuracy and more reliant, also will meet current standards and regulations
SUBTOTAL	\$143,000		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 6 months to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 8 years to fund.
Main Ring Seating replacement (129 Chairs replaced at \$150.00 per chair)	\$19,350		Low	Seating inside the main area has become old and tattered with a minor amount of chairs either removed leaving a gap in the seating or becoming unsafe to use. All seating needs to be replaced, based on 150 seats at \$90 per seat is what we have based the cost on
Install Lift at SRLX and civil works to allow installation including electrical.		\$80,000	Low	Disabled lift needs to be installed to allow access to selling ring top floor, this will be located outside the existing entrance to the toilets and will allow one person to be conveyed to the top floor via a commercial lift.
Disabled Parking Bay at SRLX	\$7,000		Low	Hard Surface, bollard and sign post a suitable car parking space in the designated disabled car parking area to allow disabled people to park safely and access the building without incident.
Repair pot holes in entrance and restabilise driveway from Entrance to Cattle Recreval area	\$35,000		Low	numerous potholes and damage caused on the due to rain and traffic, needs to be resurfaced and stabilised to make safe and not damage vehicles accessing the sale yard parking area.
Car park bitupave remaining dirt area left after previous coating near RRC fence. Bitupave required due to truck turning area	\$45,000		Low	Continue on sealing the dirt car park area beside SRLX which will eliminate dust and encourage people to park in that area, also allow trucks to turn without damaging roadway.
Truck wash upgrade with spray bar installation and expanding sump areas to accommodate better recycling of manure from trucks, also speed up clean times allowing faster turnaround	\$180,000		Low	Truck wash area does not currently recycle any water used on site, this is an unacceptable practice in todays standards, our truck wash facility does not meet current standards, concept will be to add recycling pits and filtration, the SEPCOM system will assist in the filtration process, also the area that the truck was is sitting would be expanded to include an additional bay with spray bars to wash the external of the truck, this will allow the driver to wash the external of the truck without climbing unsupported on the outside to ensure the vehicle is clean before leave the SRLX.
SEPCOM - Manure recycling Project to reuse the manure for soft footing for pens and also compost for sale at RRC, de-sludge both dams using bio earth technology.		\$300,000	Low	Closed loop recycling will be the efficiencies from this project we will have the ability to use the product removed from sale pens (manure) and recycle to be used as a soft footing (MLA Certified) the water would also be recycled and used in the truck wash facility as recycled water for wash vehicles. This would also remove the need to use saw dust which is currently being purchase at approximately \$5,000 per annum
SUBTOTAL	\$666,350		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 4 years to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 2.5 years to fund.
	\$2,944,350			

Appendix C Financial modelling of scenarios

Table 38 Assumptions used in financial modelling

	Option 1 Status Quo	Option 2 Contracted Operations	Option 3 Operating Lease	Option 4 Capital Lease	Option 5 Sell
Operating Income					
User Charges and Fees	Current +CPI	Current +CPI	NA	NA	NA
Overhead Selling / Turnover Contribution	Current +CPI	Current +CPI	NA	NA	NA
NLIS Income	Current +CPI	Current +CPI	NA	NA	NA
Yard Fees and Dues	Current +CPI	Current +CPI	NA	NA	NA
Other Income	Current +CPI	Current +CPI	NA	NA	NA
Capital Improvement Levy	Current +CPI	Current +CPI	Current +CPI	NA	NA
Lease	NA	NA	\$180,000	\$120,000	NA
Sale revenue	NA	NA	NA	NA	\$7M
Operating Expenses					
Employee Costs	Current +CPI	-5%	NA	NA	NA
Maintenance and Repairs	Current +CPI	Current +CPI	Current +CPI	NA	NA
Information Technology	Current +CPI	Current +CPI	Current +CPI	NA	NA
Materials and Contracts	Current +CPI	Current +CPI	NA	NA	NA
Utilities	Current +CPI	Current +CPI	NA	NA	NA
Corporate Support	Current +CPI	Current +CPI	Current +CPI	Current +CPI	NA
Other Expenses	Current +CPI	Current +CPI	NA	NA	NA
Borrowing Costs (Interest)	As per loan	As per loan	As per loan	As per loan	NA
Loan Principal Repayments	As per loan	As per loan	As per loan	As per loan	Balance paid following sale
Capital Expenditure	As per Capital Improvement Levy	As per Capital Improvement Levy	As per Capital Improvement Levy	NA	NA
NPV 10 years	-\$104,571	\$29,654	\$6,572	\$8,054	\$6,034,487
NPV 15 years	\$10,090	\$193,397	\$154,400	\$156,324	\$6,034,487

The results, summarised in Figure 18 below show the projected profits/losses from the facility after loan servicing (excluding the payment of the \$100K Council dividend).

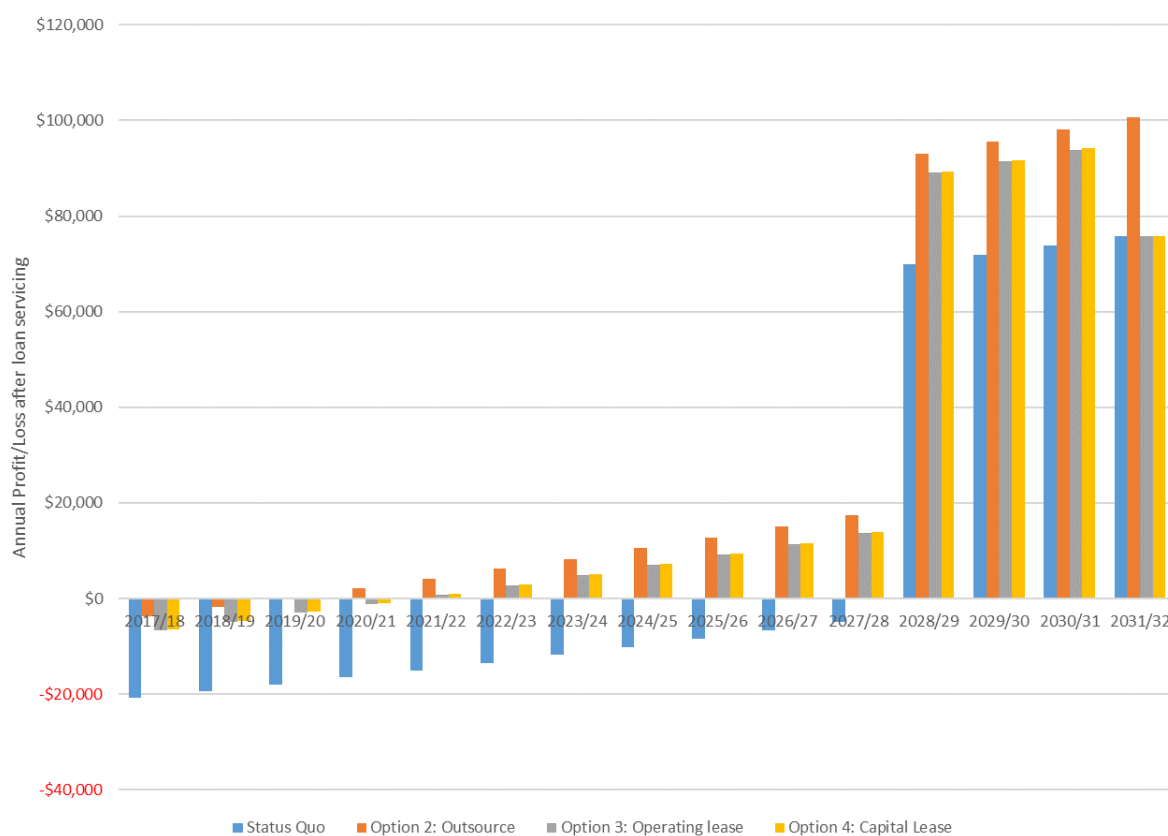
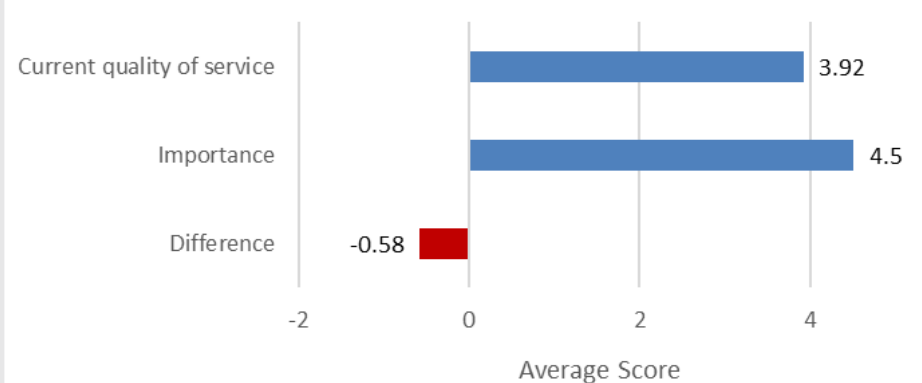


Figure 18 Projected annual profit/loss after loan servicing (excluding Council dividend)

Appendix D Sub-service analysis and feedback

Appendix D provides a summary of the level of satisfaction for each sub-service provided by the SRLX. Feedback was provided by stakeholders via the completed survey, which included ratings of service quality and importance. Each sub-service is displayed in the following tables with the analysis presented as the difference between the quality of service and the importance of the service

Table 39 Cattle sale (fat/prime) service assessment

Services	<p>Cattle sales held weekly</p> <p>Fees⁵: Prime cattle = \$9.80 per head (varies for different types of cattle), capital contribution = \$3.30 per head, turnover contribution = 0.296%.</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.92</td> </tr> <tr> <td>Importance</td> <td>4.5</td> </tr> <tr> <td>Difference</td> <td>-0.58</td> </tr> </tbody> </table>	Metric	Score	Current quality of service	3.92	Importance	4.5	Difference	-0.58
Metric	Score								
Current quality of service	3.92								
Importance	4.5								
Difference	-0.58								
Comments	<ul style="list-style-type: none"> • Updated yards are needed to prevent breakdowns and attract more producers and buyers • Good prices received for producers • Attracts good number of buyers • Need to speed up sales by pre-weighing cattle • Whole thing is too slow • All cattle should be sold through the ring • Generally working well, though efficiency of selling stock both from the external pens and in the ring could be reviewed. • Updated yards needed to prevent breakdowns and attract more producers and buyers • Small changes can improve selling speed (e.g. pre-weighing, 2c/kg bid increments) 								

⁵ \$ per head including GST (unless otherwise stated)

Table 40 Special sales (including horses and other animals) service assessment

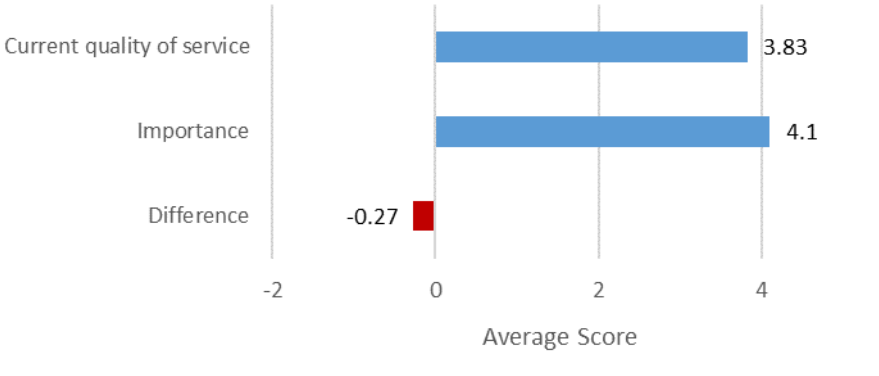
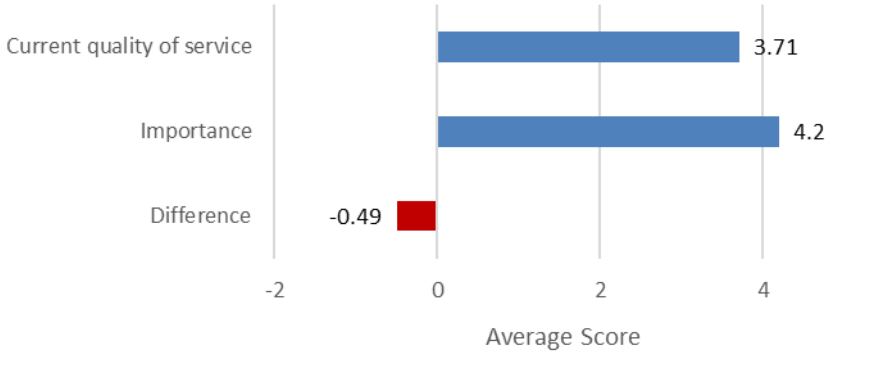
Services	<p>Special sales for store or stud cattle held as required.</p> <p>Fees: Special sale preparation = \$1,520, Special sale weekend staff = \$60 per person per hour (min 4 hours).</p>								
Community's view of service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.83</td> </tr> <tr> <td>Importance</td> <td>4.1</td> </tr> <tr> <td>Difference</td> <td>-0.27</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.83	Importance	4.1	Difference	-0.27
Metric	Average Score								
Current quality of service	3.83								
Importance	4.1								
Difference	-0.27								
Comments	<ul style="list-style-type: none"> • <i>There is scope for increasing the number and type of these sales; subject to improving the design and operational flexibility of the yards and facility generally.</i> • <i>Outside (pen) stud sales are unsatisfactory, should be in the ring</i> • <i>Like to reintroduce spring special sales</i> • <i>Am I the only one who is in favour of special sales? Their absence is a big loss to our area</i> 								

Table 41 Access to saleyards (gates, ramps, scales) service assessment

Services	<p>Saleyards can be accessed via the AvData key during operating hours.</p> <p>Fees holding fee (\$2), transit fee (\$3.30), feeding (\$3), use of crush or scales (\$2), after hours call-out (\$300 per event).</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.71</td> </tr> <tr> <td>Importance</td> <td>4.2</td> </tr> <tr> <td>Difference</td> <td>-0.49</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.71	Importance	4.2	Difference	-0.49
Metric	Average Score								
Current quality of service	3.71								
Importance	4.2								
Difference	-0.49								
Comments	<ul style="list-style-type: none"> • <i>Yards need to be available at all hours (especially for welfare issues)</i> • <i>Being charged twice to unload from one truck and load onto another seems a bit rough, it is inconvenient and unhelpful. I'm not saying people should abuse the system, but it needs more thought.</i> • <i>Seems satisfactory</i> • <i>The saleyards need another double deck loading ramp, leave security gates as they are</i> 								

	<ul style="list-style-type: none"> <i>The proposed upgrade to the security gates have not been thought out. They won't address the actual safety issues at the facility, which have historically been in the yards.</i> <i>Potential improvements to the design and operational efficiency of these activities (e.g. scope and type of technology in use) could be warranted.</i> <i>Council need to make sure the scales in the ring are checked (tared) regularly during sales.</i>
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Table 42 NLIS scanning service assessment

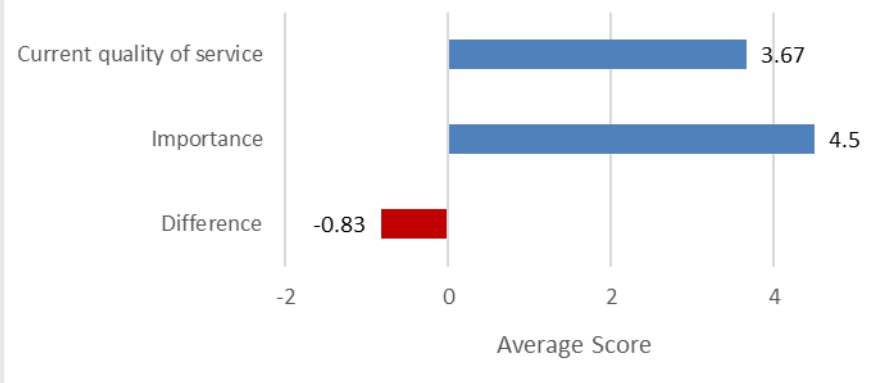
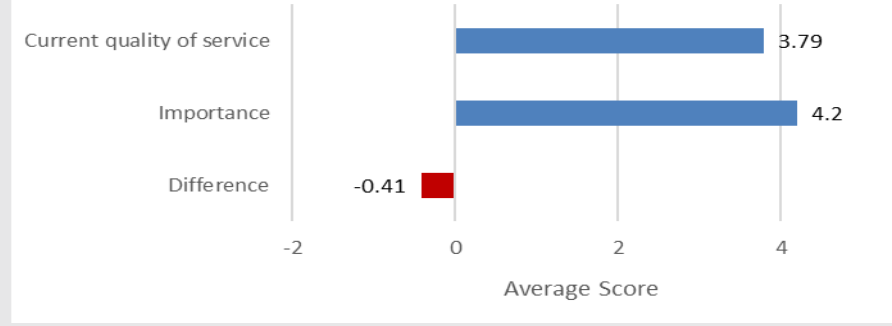
Services	<p>Cattle NLIS tags are scanned before sale and can also be undertaken outside sale times. Procedures are in place for re-tagging cattle.</p> <p>Fees: \$2.30/head scanning fee</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.67</td> </tr> <tr> <td>Importance</td> <td>4.5</td> </tr> <tr> <td>Difference</td> <td>-0.83</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.67	Importance	4.5	Difference	-0.83
Metric	Average Score								
Current quality of service	3.67								
Importance	4.5								
Difference	-0.83								
Comments	<ul style="list-style-type: none"> <i>Needs to be improved (faster and more efficient) and improved accuracy</i> <i>The scope and reliability of the NLIS scanning equipment and systems could be improved.</i> <i>Needs update</i> <i>Satisfactory</i> <i>Good</i> 								

Table 43 Cleanliness and presentation service assessment

Services	<p>Facilities are cleaned after each sale, inside and out.</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.79</td> </tr> <tr> <td>Importance</td> <td>4.2</td> </tr> <tr> <td>Difference</td> <td>-0.41</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.79	Importance	4.2	Difference	-0.41
Metric	Average Score								
Current quality of service	3.79								
Importance	4.2								
Difference	-0.41								
Comments	<ul style="list-style-type: none"> <i>While the facility is generally kept fairly clean & tidy, the design, age and condition of the facility makes it difficult/ costly to maintain in an optimal condition.</i> 								

	<ul style="list-style-type: none"> • Premises need to be kept clean during sales, toilets mopped etc, get rid of cow dung • Light has been missing in women's toilet for years - could be improved • Needs new seating. • Cheap, clean • Reasonable
--	--

Table 44 General maintenance service assessment

Outputs	Facilities undergo general maintenance as per the annual budgets.								
Community's view of the service	<table border="1"> <thead> <tr> <th>Category</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.08</td> </tr> <tr> <td>Importance</td> <td>4.4</td> </tr> <tr> <td>Difference</td> <td>-1.32</td> </tr> </tbody> </table>	Category	Average Score	Current quality of service	3.08	Importance	4.4	Difference	-1.32
Category	Average Score								
Current quality of service	3.08								
Importance	4.4								
Difference	-1.32								
Comments	<ul style="list-style-type: none"> • Essential maintenance is generally good. However, the age and condition of the facility has resulted in the unexpected failure of critical equipment on occasions, causing considerable inconvenience for users. • Continual maintenance is very important (e.g. GEN backup, hydraulics, etc) • Much improved after a fair period of breakdowns • Poor and lacking until March 2017 • Needs to be kept clean during sales • Could be improved • It's a very old facility that is only just surviving 								

Table 45 Truck wash service assessment

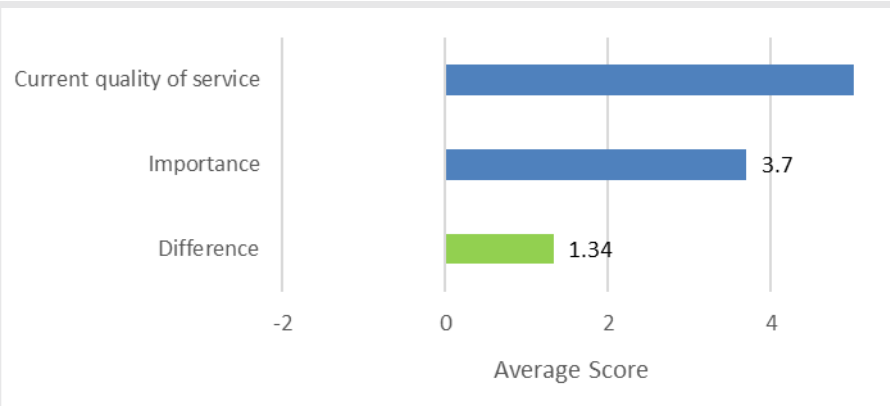
Services	<p>Truck wash facilities are available to enable effective cleaning of livestock transports. 24 hour access is provided via the AvData payment system.</p> <p>Grant funding has been recently provided to install improved water treatment facilities (SEPCOM unit), which will allow manure to be collected and potentially sold.</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>~4.8</td> </tr> <tr> <td>Importance</td> <td>3.7</td> </tr> <tr> <td>Difference</td> <td>1.34</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	~4.8	Importance	3.7	Difference	1.34
Metric	Average Score								
Current quality of service	~4.8								
Importance	3.7								
Difference	1.34								
Comments	<ul style="list-style-type: none"> • <i>Generally acceptable; though a review of the design, capacity, age & condition and effluent management system would be worthwhile.</i> • <i>More water tanks are needed</i> • <i>Adequate in most cases</i> • <i>Good</i> 								

Table 46 Canteen service assessment

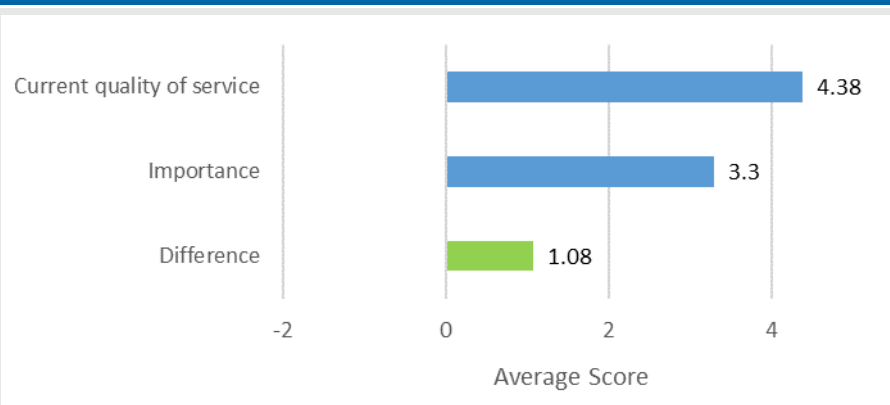
Services	Canteen operates during sale events								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>4.38</td> </tr> <tr> <td>Importance</td> <td>3.3</td> </tr> <tr> <td>Difference</td> <td>1.08</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	4.38	Importance	3.3	Difference	1.08
Metric	Average Score								
Current quality of service	4.38								
Importance	3.3								
Difference	1.08								
Comments	<ul style="list-style-type: none"> • <i>An excellent service is provided despite the operational constraints and age and condition of the canteen equipment - upgrading in consultation with canteen personnel considered warranted.</i> • <i>Very good</i> • <i>Excellent</i> • <i>Good</i> • <i>Good</i> 								

Table 47 OH&S compliance service assessment

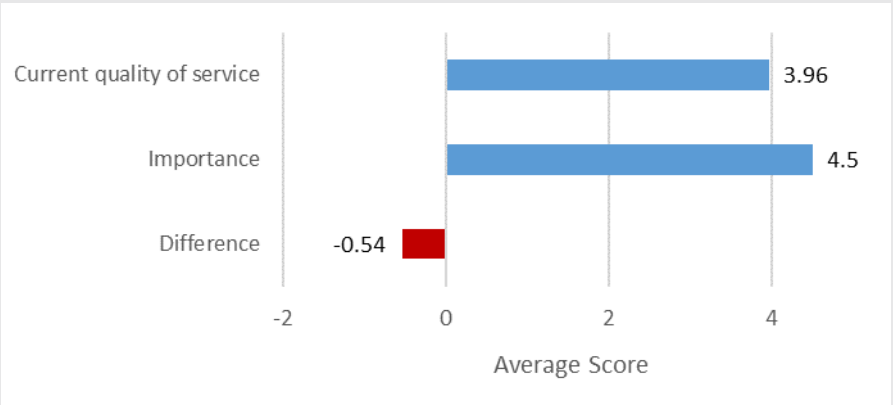
Services	<p>Yards are designed and constructed to meet, as far as possible, WHS requirements, using materials which comply with Australian Standards. Key areas include lighting, vehicle movements, livestock handling, walkways and pen design.</p> <p>Contracted agents must comply with relevant WHS laws and other stated conditions.</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Category</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.96</td> </tr> <tr> <td>Importance</td> <td>4.5</td> </tr> <tr> <td>Difference</td> <td>-0.54</td> </tr> </tbody> </table>	Category	Average Score	Current quality of service	3.96	Importance	4.5	Difference	-0.54
Category	Average Score								
Current quality of service	3.96								
Importance	4.5								
Difference	-0.54								
Comments	<ul style="list-style-type: none"> • <i>WHS compliance and outcomes would be improved through regular monitoring of operational practices & procedures and reviewing the design of this facility and progressively implementing asset renewal and capital improvement works.</i> • <i>The facility being so old adds a lot of OH&S issues as staff are in with cattle more than they should be, along with the fact it is no longer easy to move cattle around the yards</i> • <i>Upgrading of the yard to comply with OH&S is needed</i> • <i>Needs laneway gates to safely access sites</i> • <i>The Council operators need to be quickly onto people who do the wrong thing.</i> • <i>Regular ongoing training of all personnel working at this facility is considered essential.</i> • <i>High standard</i> • <i>Seems reasonable</i> • <i>Good</i> 								

Table 48 Environmental and amenity service assessment

Outputs	<p>The facility has received the necessary planning and environmental approvals from the relevant authorities.</p> <p>Effluent disposal from the saleyards and the truck wash is disposed of as per EPA requirements. Water is regularly applied for dust suppression</p>								
Community's view of the service	<table border="1"> <thead> <tr> <th>Metric</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.96</td> </tr> <tr> <td>Importance</td> <td>4.3</td> </tr> <tr> <td>Difference</td> <td>-0.34</td> </tr> </tbody> </table>	Metric	Score	Current quality of service	3.96	Importance	4.3	Difference	-0.34
Metric	Score								
Current quality of service	3.96								
Importance	4.3								
Difference	-0.34								
Comments	<ul style="list-style-type: none"> Understood to be generally good; though review and potential upgrading of effluent management practices and procedures could be worthwhile. Could be improved Good, but could be advanced a lot more 								

Table 49 Animal welfare, health and biosecurity service assessment

Services	Procedures and facilities in place to reduce the risk of animal welfare, health and biosecurity issues.								
Community's view of the service	<table border="1"> <thead> <tr> <th>Metric</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.91</td> </tr> <tr> <td>Importance</td> <td>4.9</td> </tr> <tr> <td>Difference</td> <td>-0.99</td> </tr> </tbody> </table>	Metric	Score	Current quality of service	3.91	Importance	4.9	Difference	-0.99
Metric	Score								
Current quality of service	3.91								
Importance	4.9								
Difference	-0.99								
Comments	<ul style="list-style-type: none"> Is improving Understood to be generally good. Good 								

Table 50 Advertising and marketing service assessment

Outputs	Council promotes sales via the website and targeted print advertising and through subscribing to the National Livestock Reporting Service.								
Community's view of the service	<table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.33</td> </tr> <tr> <td>Importance</td> <td>3.85</td> </tr> <tr> <td>Difference</td> <td>-0.52</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.33	Importance	3.85	Difference	-0.52
Metric	Average Score								
Current quality of service	3.33								
Importance	3.85								
Difference	-0.52								
Comments	<ul style="list-style-type: none"> • <i>Local community is not aware of importance of saleyard for the region, NSW and export trade.</i> • <i>More advertising to increase the community's awareness of this facility would be beneficial.</i> • <i>Minimal marketing of the facility - review and implementation of the SRLX Marketing Plan considered essential.</i> • <i>It should be called the Moss Vale Saleyards, which is what everyone knows it as, not the SRLX. Should not be trying to compete with other "LX" yards. Need to maintain the point of difference, in that Moss Vale is a boutique facility.</i> • <i>Does not appear. Not on radio. Relies on word of mouth</i> • <i>Does not exist</i> • <i>It would help</i> • <i>Nil done to my knowledge. Opportunity here</i> • <i>Promote the agents and help get premiums</i> • <i>Does not exist</i> • <i>Agents role</i> • <i>Should be done with agents</i> 								

Table 51 Tourism, education and training service assessment

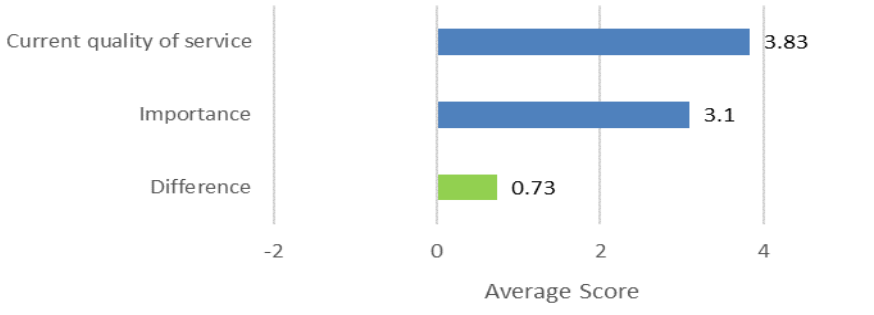
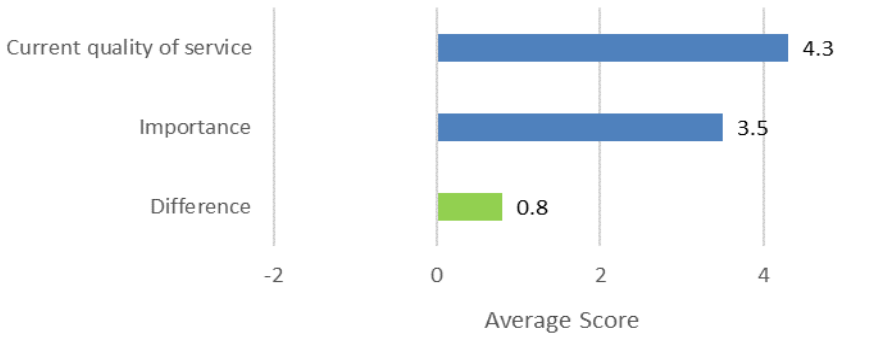
Services	The facility is sometimes used to host training, workshops and school visits. Tourists also sometimes visit the facility.								
Community's view of the service	 <p>A horizontal bar chart with three bars. The first bar, 'Current quality of service', is blue and extends to 3.83. The second bar, 'Importance', is also blue and extends to 3.1. The third bar, 'Difference', is green and extends to 0.73. The x-axis is labeled 'Average Score' and ranges from -2 to 4 with major ticks at -2, 0, 2, and 4.</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.83</td> </tr> <tr> <td>Importance</td> <td>3.1</td> </tr> <tr> <td>Difference</td> <td>0.73</td> </tr> </tbody> </table>	Category	Average Score	Current quality of service	3.83	Importance	3.1	Difference	0.73
Category	Average Score								
Current quality of service	3.83								
Importance	3.1								
Difference	0.73								
Comments	<ul style="list-style-type: none"> Increased tourism/ educational activities to improve the community's knowledge and understanding of the facility would be worthwhile. However, access arrangements (e.g. lift for older & disabled persons) and improved facilities and information displays within the facility would facilitate such activities. Tourist and school groups need to be better informed as to how the Saleyards operates. Could be far better utilised by schools, universities etc. Opportunities for centre to be part of tourism & education in highlands Good opportunity Does not exist I see many students come on excursions, it seems they sit there not knowing what's going on. 								

Table 52 Website service assessment

Services	An externally hosted website provides information on management, location, upcoming sales, market reports etc.								
Community's view of the service	 <p>A horizontal bar chart with three bars. The first bar, 'Current quality of service', is blue and extends to 4.3. The second bar, 'Importance', is also blue and extends to 3.5. The third bar, 'Difference', is green and extends to 0.8. The x-axis is labeled 'Average Score' and ranges from -2 to 4 with major ticks at -2, 0, 2, and 4.</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>4.3</td> </tr> <tr> <td>Importance</td> <td>3.5</td> </tr> <tr> <td>Difference</td> <td>0.8</td> </tr> </tbody> </table>	Category	Average Score	Current quality of service	4.3	Importance	3.5	Difference	0.8
Category	Average Score								
Current quality of service	4.3								
Importance	3.5								
Difference	0.8								
Comments	<ul style="list-style-type: none"> SRLX website is not up-to-date Up to agents to promote Website looks moderately good; though regular review and updating to ensure the information is current and relevant is considered essential. 								

	<ul style="list-style-type: none"> • <i>Ok</i> • <i>Not aware that it existed</i>
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Table 53 Stakeholder engagement service assessment

Services	<p>The SRLX Advisory Committee is made up of four Councillors, 5 Community Representatives and a non-voting position for one of the Livestock Selling Agent on a rotational basis (meets quarterly).</p> <p>A Consultative Committee meets regularly to provide input to the SRLX Advisory Committee</p> <p>Saleyard agents have been meeting monthly with Council staff.</p>								
Community's view of the service	<table border="1"> <thead> <tr> <th>Category</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.65</td> </tr> <tr> <td>Importance</td> <td>4.4</td> </tr> <tr> <td>Difference</td> <td>-0.75</td> </tr> </tbody> </table>	Category	Average Score	Current quality of service	3.65	Importance	4.4	Difference	-0.75
Category	Average Score								
Current quality of service	3.65								
Importance	4.4								
Difference	-0.75								
Comments	<ul style="list-style-type: none"> • <i>Limited and censored information from BUC is not helpful. All stakeholder's should be asked for input or be allowed to attend meetings.</i> • <i>Communication between the SRLX Advisory Committee and the key stakeholder groups would be beneficial.</i> • <i>More open, more reporting</i> • <i>Needs improvement</i> • <i>Has now been established</i> 								

Table 54 Capital improvements service assessment

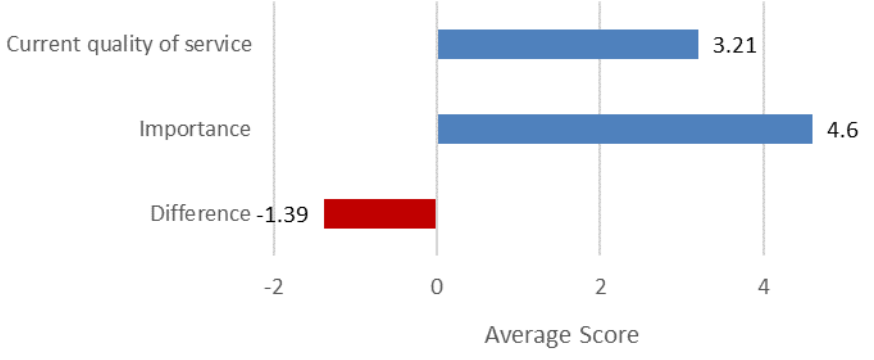
Services	<p>Council has developed a draft Capital Works and Asset Renewal Program, based on a risk management approach (Appendix B). This program is intended to inform future capital improvements. The total value of infrastructure backlog works at the facility is estimated at \$2.944M.</p> <p>It is yet to be determined how these improvements will be funded. The implemented Capital Improvement Levy (\$3.30 per head) is not sufficient to fund outstanding works in the short term.</p>
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Community's view of the service	<p>Current quality of service: 2.78</p> <p>Importance: 4.2</p> <p>Difference: -1.42</p> <p>Average Score</p>
Comments	<ul style="list-style-type: none"> • <i>None or very little for 2-3 years until March 2017 following multiple breakdowns</i> • <i>The preparation of detailed long term asset management and capital works plans linked to a financial plan is considered essential.</i> • <i>Facilities needs to accommodate export cattle</i> • <i>Need to identify biggest problems and work to improve them</i> • <i>There is no expenditure as all the money is used maintaining an old facility</i> • <i>Need to ramp up improvement overall and reduce breakdowns which are embarrassing.</i> • <i>Lacking</i>

Table 55 Financial management service assessment

Services	Financial reports are submitted to the SRLX Advisory Committee on a quarterly basis. These reports align with the quarterly budget review conducted by Council staff. The reports include and income statement, cash reserves statement and borrowings statement.
Community's view of the service	<p>Current quality of service: 3.75</p> <p>Importance: 4.7</p> <p>Difference: -0.95</p> <p>Average Score</p>
Comments	<ul style="list-style-type: none"> •

Table 56 Overall management service assessment

Services	<p>Council oversight of operations, maintenance and facility upgrades.</p> <p>Financial reports are submitted to the SRLX Advisory Committee on a quarterly basis. These reports align with the quarterly budget review conducted by Council staff. The reports include and income statement, cash reserves statement and borrowings statement.</p>								
Community's view of the service	 <table border="1"> <thead> <tr> <th>Metric</th> <th>Average Score</th> </tr> </thead> <tbody> <tr> <td>Current quality of service</td> <td>3.21</td> </tr> <tr> <td>Importance</td> <td>4.6</td> </tr> <tr> <td>Difference</td> <td>-1.39</td> </tr> </tbody> </table>	Metric	Average Score	Current quality of service	3.21	Importance	4.6	Difference	-1.39
Metric	Average Score								
Current quality of service	3.21								
Importance	4.6								
Difference	-1.39								
Comments	<ul style="list-style-type: none"> • Reasonable though scope for improvement in operational efficiency and effectiveness through reducing the number of levels of management between DGM and SRLX Team Leader to improve communication + better matching of personnel responsibility with authority (eg financial delegation) to make it easier to get things done. • Poor until the appointment of the current Manager Business services in March 2017. • Management has improved. Needs more time to improve further. • On ground staff are doing a great job with the facilities that they have to work with • I have been dealing with the Business Services Manager and Team Leader mainly, they are doing a great job and I give them my full support • Improving after much effort by concerned producers • Satisfactory, however opportunity for improvements in infrastructure • Very little information given to users • Over-administration by Council results in poor financial management • No transparency in management for stakeholders • Financial management and reporting for the SRLX facility has improved in recent times; though more timely provision of quarterly financial reports would be useful. • I have great confidence in the Manager • Staff are doing a good job, but they lack prior experience running saleyards. 								

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Document Status

Revision	Author	Reviewer		Approved for Issue		
		Name	Signature	Name	Signature	Date
Draft A	Seamus Hoban	Joe Lane	Joe Lane	Joe Lane	Joe Lane	18/12/2107
Draft B	Seamus Hoban	Joe Lane	Joe Lane	Joe Lane	Joe Lane	13/2/2018
Final	Seamus Hoban	Joe Lane	Joe Lane	Joe Lane	Joe Lane	10/3/2018

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