

Template 2

Council Improvement Proposal

(Existing structure)



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: **Lismore City Council**

Date of Council resolution endorsing this submission: **23 June 2015**

1.1 Executive Summary

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

Lismore City Council is the local authority for the City of Lismore, which is widely acknowledged as the regional capital of the Northern Rivers.

Lismore is part of the Bundjalung Nation and has a rich cultural history spanning back well over 40,000 years. Post European settlement, our community has been shaped by the cedar cutters in the 1800s, the influx of Italian migrants at the turn of the century and the alternative movement in the 70s. In the modern day, Lismore is the heart of the Northern Rivers with major educational facilities (Southern Cross University), health facilities (the Lismore Base Hospital is undergoing a \$260 million upgrade) and many other facilities associated with regional city status such as world-class sporting and cultural infrastructure. Lismore provides almost \$2 billion in GRP (0.4% of the state), over 20,000 jobs (0.6% of the state) and some 4000 businesses (0.6% of the state). Lismore City Council, with a budget of over \$130 million, employs more than 452 staff and is itself a major economic force in the City of Lismore and surrounding area.

In term of the issues we face, while we benefit from being the major cultural, sporting and business hub of the Northern Rivers, it also poses some challenges. Lismore is a net importer of jobs with only 71% of all jobs in the LGA filled by residents. Our community therefore provides considerable support to the residents of neighbouring councils without compensation. This is no more apparent than when we consider our road assets. We have a 1200km road network which is a very large road network

relative to our population. A large proportion of our roads are old and not built to modern standards. They are built on geographically difficult terrain and active clay. This, accompanied with one of the highest rainfalls outside the Top End, makes our roads our biggest challenge.

Our current position (2014/15) in terms of the Fit for the Future benchmarks is moderate with Council meeting three of the seven criteria.

Operating Performance Ratio

(Greater than or equal to break-even average over 3 years)



Own Source Revenue

Ratio (Greater than 60% average over 3 years)



Building and Infrastructure Asset Renewal

Ratio (Greater than 100% average over 3 years)



Infrastructure Backlog Ratio

(Less than 2%)



Asset Maintenance Ratio

(Greater than 100% average over 3 years)



Debt Service Ratio

(Greater than 0% and less than or equal to 20% average over 3 years)



Real Operating Expenditure per capita

A decrease in Real Operating Expenditure per capita over time



The Independent Local Government Review Panel in its Final Report, *Revitalising Local Government*, identified Council as being within Group G. This is the panel's endorsement that we have the required scale and capacity. At the same time, the Panel recommended that Lismore Council could potentially merge with Kyogle Council. We investigated this "potential" as part of our

determination of scale and capacity.

The investigation resulted in Council deciding not to pursue a merger option on the basis that it had sufficient scale and capacity and that the addition of Kyogle would not bring benefits to either Council or the communities they serve. The main reasons in summary were:















- Using the Fit for the Future Self-Assessment Tool an analysis was carried out comparing Lismore City Council and a merged Lismore and Kyogle Council. The results were very clear. The new organisation would be less sustainable than Lismore City Council.
- A community of interest does not exist between Kyogle and Lismore residents. For example, many residents west of the range would more readily relate to Casino.
- The community would be disadvantaged by a reduction in access to elected representatives in any merged council due to geographical barriers.
- There is a large differential in the level of rates paid by residents in both Council areas, which would be difficult to reconcile.

The question of financial sustainability is not new to Lismore City Council. In fact, we have been actively working to resolve our financial problems for the last six years. Our *Imagine Lismore* Community Strategic Plan provides a roadmap to reach financial sustainability through a combination of considered service level reductions, a rate increase and an in-depth review of every service we deliver to find every possible efficiency and productivity gain.

Probably most importantly over the last two years we have completely reviewed our strategy and changed the way it determines priorities for allocation of funding towards the largest asset group – sealed roads. We have moved from a “fix the worst roads first” approach to a more scientifically based “value for money” approach which will address the backlog and show steady improvement in the overall condition of the network.

This report shows that Council is either already meeting or showing the required improvements over time to meet Fit for the Future benchmarks. In short, our improvement strategy will improve our Fit for the Future criteria performance from three out of seven to seven out of seven.

The table below shows the improvements we have made.

	2014/15	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)			Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)			Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)			Improving The underlying ratio excluding one-off capital grants is improving.
Infrastructure Backlog Ratio (Less than 2%)			Improving
Asset Maintenance Ratio (Greater than 100% average over 3 years)			Improving
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)			Yes
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time			Yes

1.2 Scale and Capacity

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

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

Yes

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

The report from the Independent Review Panel placed us in Group G in the non-metropolitan Councils. Group G is defined as:

“Group G is the remaining 28 larger councils, all of which appear likely to be sustainable in their current form for several decades. In some cases, however, they could be considered as merger partners for councils in Group F, and may need to be reviewed in that context some years from now.”

From this we can conclude that the panel considers that we have the necessary scale and capacity.

To further outline that we have the scale and capacity broadly consistent with the recommendation of the Independent Local Government Review Panel we have outlined how Council meets the key elements of strategic capacity that are listed in Box 8: Elements of Strategic Capacity, on page 32 of the panel’s report.

1. More robust revenue base and increased discretionary funding

Council's Own Source Revenue Ratio is already over 78%. Here are some of the many ways that we are further improving this ratio:

- We have built a Regional Waste Recycling facility which expanded recycling revenue and reduced our landfill costs.
- We are increasing infill and greenfield development to increase our rate base with well over 2000 residential lots becoming available in the near future.
- Using fees and charges to increase revenue streams.
- We are expanding our quarry operations.

2. Scope to undertake new functions and major projects

Examples of past and future projects and functions demonstrate Council's financial and intellectual robustness to respond to change:

Past

- We constructed the \$15M Southern Trunk Sewage Main and associated fibre optic cable,
- We successfully built a regional Sports and Aquatic centre,
- We run the Richmond Tweed Regional Library on behalf of our neighbouring Councils.
- We have introduced a mature Asset Management function.
- We have recently completed a major refurbishment of our City Hall theatre.

Future

- We are about to build a new \$22 million sewage treatment plant.
- We are well on our way to source all our energy needs from renewable sources.

3. Ability to employ a wider range of skilled staff

Recent examples of new diverse skilled staff include an, expansion of Assets Section (Assets Systems Engineer, Senior Designer), City Centre Manager, Business Facilitator, Creative Communications Officer, and Special Projects Engineer. We always get a very good response to all our job applications and have no problem filling all our vacancies with high quality staff.

4. Knowledge, creativity and innovation

Council is at the forefront of many innovative projects including, MyRoadInfo, Farming the Sun Project – community solar

company, Buy Local Project Northern Rivers and multiple recycling initiatives.

Council's efforts have won a number of state awards for these projects. MyRoadInfo is a very good example of this with Council developing an emergency road closure information system initially as a shared system for NOROC councils but which has expanded to the Mid North Coast and the North West Slopes regions. The system can be seen at:

<http://www.myroadinfo.com.au/landing.asp>. In 2013 MyRoadInfo won the coveted RH Dougherty Award.

The Buy Local Project is another example of high level innovation. We formed an alliance between us, Northern NSW Local Health District and the University Centre for Rural Health to create, what is in essence, a huge online noticeboard that enables government departments to easily source products and services locally. Businesses that have signed up are automatically notified of tenders via email, and local suppliers are often able to eclipse out-of-town suppliers due to factors such as freight costs. In one month alone \$50M worth of projects were released for tender.

5. Advanced skills in strategic planning and policy development

Council has produced many complex strategic documents in recent years which have culminated in the cutting edge Imagine Lismore process. We lead the way in community engagement and the processes that convert community engagement into strategic planning and policy.

6. Effective regional collaboration

Council is a member of NOROC and the manager of the Richmond Tweed Regional Library. MyRoadInfo is a good example of regional collaboration. We also provide our neighbours with a regional material and resource recovery facility. We also manage the regions Web hosting. Staff participate in many regional groups such as Northern Rivers Risk Management Group, North East Waste Group and North-East Weight of Loads Group.

7. Credibility for more effective advocacy

Council takes a proactive advocacy role by meeting regularly with local members of parliament, joining delegations to Sydney to meet with Ministers and is a member of the Lismore Chamber of Commerce, Nimbin Chamber of Commerce, and NSW Business Chamber.

8. Capable partner for State and Federal agencies

Council regularly undertakes joint projects with various "partners" including state and federal agencies e.g., NSW Trade and Investment joint projects, road and bridge construction activities and the development of a Health Precinct with NSW Health and St Vincent's Hospital.

9. Resources to cope with complex and unexpected change

Council has a large, skilled workforce capable of responding to emerging situations. Council has prepared Flood Management, Risk Management, and Climate Change Plans. Council has the capacity within its overall program to expand its level of borrowing.

10. High quality political and managerial leadership

Lismore as the regional Capital of the Northern Rivers is an attractive destination for staff and advertisement always attracts a large field of candidates. The Mayor is the current Chairperson of the Northern Regional Organisation of Councils and the General Manager is a Board Member of Local Government Professionals. Numerous staff occupy executive positions on regional working groups.

2. Your council's current position

2.1 About your local government area

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

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

Lismore is the geographic and economic heart of the Northern Rivers.

Our population of 44,905 encompasses university students, businesspeople, artists, sportspeople, refugees, farmers, people of diverse sexualities and many others. It is a community of myriad cultures, demographics and skills. It is our diversity that defines us.

While our growth is modest, it is expected to increase with future land releases planned over the next 20 years. By 2036, the population is expected to reach 47,900.

Lismore is the recognised centre for health, education, retailing, entertainment, commerce, culture and sport in the Northern Rivers. It continues to strengthen its place as a regional centre with hospital service upgrades, expansion of university courses and, in the hills surrounding the city, the growth of cottage industries that celebrate and export the best of the region's food and natural products to the world.

We host Lismore Base Hospital and the head offices of Northern NSW Local Health District. We are the centre for the ever-expanding Southern Cross University. We have the regional law courts and we are home of the Richmond Local Area Command.

The economic potential that exists within Lismore is expanding. As a growing regional services hub, and with the availability of affordable industrial land and housing, business and industry continues to see the benefits of investing in Lismore.

Our community predominantly lives in the urban area (63%) while 33% live in rural areas and 4% live in outlying villages.

Today, there are 1950 Aboriginal and/or Torres Strait Islander people in Lismore, accounting for 4.5% of the population compared to 2.5% for NSW.

More recently, Lismore became home to tree-changers who wanted to leave the city behind and embrace a more sustainable existence. Our rich natural environment and rural setting play an important part in shaping our way of life. Many move or settle in our local government area to enjoy the relaxed pace of country life with the convenience of high-level services that a regional city offers.

With our proximity to services, the coast and a major capital city, Brisbane, combined with our natural beauty and charismatic culture, Lismore offers an attractive lifestyle.

Council is at the cutting edge of community engagement. Through our *Imagine Lismore* process, the biggest community consultation in our 134-year history, we now fully understand the goals and priorities of our community. These are our *Imagine Lismore* community priorities:

- Aboriginal recognition
- An inclusive and aware community
- Safety and wellbeing
- Affordable health
- A vibrant CBD
- Affordable housing
- Wilsons River
- Partnerships with service providers
- Community participation in decision making
- Community Cultural Centre
- Transport
- A resilient economy
- Environmental leadership
- Lismore as a model of sustainability

- Sporting centre

Like any city in Australia, Lismore will face challenges in the future. We have an ageing population with a median age of 40 and 15% of us are over 65. We are seeing our large Italian, Greek and German populations ageing. At the same time, we are seeing more people come from China, the Philippines, Thailand, Africa and Germany.

Population ageing has major implications for Lismore in terms of health care, housing, employment, community services, economic effects and demand for services. It is interesting to note that 5.7% of residents have a severe disability requiring assistance with tasks, while 13.2% of the population care for a person with a disability. Our largest industry of employment is health care and social assistance.

With the services and skills base to face the demands of an ageing population, and a loving community that wishes to support those who need care in their lives, Lismore is well placed to meet our challenges head on and grow stronger for it.

Like our population, our infrastructure is ageing. With 1200km of roads, high rainfall and large traffic movements as people to travel to and from work, maintaining the area's vast road network is an ongoing challenge. Much of the road network was originally constructed in the early to mid-1900s to support the expanding timber industry at the time. Road alignments were chosen to navigate around the hilly terrain and access the various valleys in the region. This necessitated road widths and alignments that were practical rather than built to a particular standard, and certainly not to the accepted standards of today. The roads were also traditionally built with very thin pavements over poor sub-soils.

When bitumen became more prevalent as a construction material, the existing gravel roads were generally tidied up and sealed over rather than reconstructed to an increased pavement depth. These roads were not designed for today's modern vehicles, especially heavy vehicles.

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Council's engagement with community • Diverse community • Strategic plans and high potential for growth • Specialised plans e.g. Health Precinct • Strong environmental focus • Stable, sensible, diverse councillors • Skilled management and staff • Partnering Strategy • We meet currently three of the seven criteria on FFTF • Strong agricultural industry • Regular airline service to Sydney • Proximity to high growth centres of the coast • Long-term Financial Plan in place • Regional centre • Engaged and informed community • 2000+ housing lots identified and progressing towards release • Innovative attitude • Recognised leader in region and state • Diverse economic base in LGA-driven by services, especially health and education • Strong relationship with Chamber of Commerce, Health and University 	<ul style="list-style-type: none"> • Diverse community views • Infrastructure backlog • Lack of federal finances • Communities limited capacity to pay more rates • Limits of Local Government Act • Increased costs with a reducing income • Current low residential growth rates • Current low industrial growth • Limited housing choice • High community expectations • Vocal minority attracts undue attention • Ageing demographic
Opportunities	Threats

- Resource sharing with other NOROC councils
- Regional waste centre
- Electronic age (NBN)
- Coastal growth rates
- Capacity to influence State and Federal Governments
- Regional tourism potential
- Finding internal efficiencies/Service Review
- Within marginal State and Federal electorates
- Access and proximity to S/E QLD
- Diversify industry of the region
- Rural lifestyle choice (rural/remote)
- Bioregion
- Strong communities
- Willingness to try new ideas
- To be a sounding board and provide feedback to State Government
- Value adding agricultural production
- Regional centre
- Export of fibre and food

- Climate change
- Increasing community expectations
- Limits on agricultural production
- Communities declining ability to pay
- Limited public transport
- Cultural tension between urban and rural
- Ageing population
- State and federal cost shifting
- Service delivery expectations
- Council regulations
- Geography
- Increasingly vocal communities
- Imposed LG reform against community wishes
- proximity to S/E QLD \$ leakage
- Loss of air services
- Loss of Southern Cross University
- Loss of biodiversity
- Coal Seam Gas

2.3 Performance against the Fit for the Future benchmarks

Sustainability				
Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	2013/14 - (6.87%)	N/A	(0.54%) (2016/17 0.50%)	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	2013/14 - 75.98%	N/A	79.60%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	2013/14 - 96.90%	N/A	107.97%	Yes

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

Operating Performance Ratio

Council adopted its Financial Sustainability Policy in February 2014 to provide guidance to future decisions which had financial implications. One of the key objectives was to progressively achieve a balanced annual result before capital grants and contributions by 2023, as the Council had set a target of 10 years to achieve financial sustainability. When the Long Term Financial Plan 2013-2023 was adopted the planned 'road to financial sustainability' included the following steps:

1. Find Initial Savings

2. Zero Based Budgeting
3. Service Level Review
4. Efficiency & Productivity Improvements
5. Assets Rationalisation
6. Rate Increase

We have addressed 1 and 2 making total recurrent saving of over \$1.3 million or approximately 25% of the total \$5 million funding shortfall that we had in 2012. Three is in progress and planned for implementation from 1/7/17, 4 is ongoing and 5 is in progress. Six is deliberately planned as the final stage and a Special Rate Variation application for infrastructure management works is planned for introduction from 2018/19. As the Service Level Review and Rate Increase are not planned for introduction until 2017/18 and 2018/19 respectively, this ratio will be achieved from 2017/18.

Our Financial Sustainability Policy is attached.

Building and Infrastructure Renewal Ratio

While we achieve the benchmark, the following comment is provided to outline our ten year asset management journey. Developing new skills and knowledge in this relatively new discipline has not been easy. However we have now reached a level of maturity where our efforts are having a very positive impact on our asset management performance criteria.

The most significant area of Council's infrastructure assets is our sealed road network. The answer to question 2.1 above outlines challenges associated with managing our road network and for these reasons, reconstruction projects are very expensive to undertake.

For example, until recently, our approach to the allocation of capital funding for renewal of sealed roads was to fix the worst roads first i.e. roads where the underlying road pavement had failed. For every length of road that was in a very poor condition and was repaired, a greater length would deteriorate because not enough money was being spent on preventative works e.g. capital renewal of bitumen seals to protect the underlying pavements. This approach took a short term view of the problem and did not contribute to addressing the overall backlog. Council has recently adopted a different approach which sees the allocation of capital renewal funds focussed on preventative strategies such as addressing the backlog in our bitumen seals to protect the underlying pavement rather than reconstruction or rehabilitation of already failed pavements. This is further explained in sections 3.1 and 3.2 of the proposal.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ Benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	1.58% (Replacement Cost Method 1.10%)	Yes	14.83% (Replacement Cost Method 10.31%)	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	2013/14 - 71.56%	N/A	96.06%	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2013/14 - 13.62%	N/A	7.80%	Yes

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

Infrastructure Backlog Ratio
 Council has an \$86.9 million infrastructure backlog. Approximately \$75 million of this amount relates to the sealed road network. To address such a significant backlog in a short timeframe would require significant re-allocation of resources and mean Council would need to cease doing a range of other works and services in order to provide the necessary funding. This is considered unrealistic and unachievable in 3 years.

When compared to the 2013/14 figures the current backlog value has significantly increased. The 2013/14 backlog figures were

based on a condition assessment and methodology undertaken in 2010/11 and only included high risk condition “4” and “5” assets. In 2013/14, Council undertook a complete re-assessment of its sealed road network and adopted an improved methodology for determining the overall condition of the network and therefore calculation of the backlog amount. This is the reason for the significant difference in the backlog figures.

Asset Maintenance Ratio

The analysis undertaken to determine all of the ratios and information used for asset management purposes is not an exact science. As such, a 3 year average ratio of 96.06% in 2016/17 is considered adequate in this context and the changes that we have made to our sealed road renewals as outlined elsewhere in the proposal. It also represents a significant improvement from the 2013/14 figure.

2.3 Performance against the Fit for the Future benchmarks

Efficiency				
Measure/ Benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.48	N/A	1.35	Yes

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

2.4 Water utility performance









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








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

No

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

Council currently has achieved partial, and significant, compliance with the Best Practice Management Framework for Water Supply and Sewerage. It is summarised in the following table.

Best Practice Management Requirement	Council Compliance
Strategic Business Plan (including Financial Plan)	
Water Pricing:	
Full cost recovery	
Two part tariff (availability and usage charges)	
Minimum of 75% of revenue generated by usage charges	
Commercial developer charges	
Sewer Pricing	
Full cost recovery	
Residential charges – single annual charge	
*Non-residential charges – two part tariff	

*Complying trade waste charges & regulation	
Commercial developer charges	
Water Conservation	
Drought Management	
Performance Reporting	
*Integrated Water Cycle Management Strategy	
Drinking Water Management System	

In regard to the areas of non-compliance - trade waste and non-residential charges - Council does have policies and procedures in place, but these are subject to review. This will be a lengthy and challenging process as there will need to be changes to the current approach which will potentially involve significant change to the charges for some customers. This will require a detailed consultation and communication process with the local community. Council is planning to address these issues in the next 18 months.

In regard to the Integrated Water Cycle Management Strategy (IWCM,) it is proposed to prepare a compliant strategy in 2017-18 when our strategic business plan is next due for review.

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

Council's current backlog for water and sewerage infrastructure is nil. As outlined above, Council has a Strategic Business Plan for water and wastewater which includes a fully funded 30 year capital works program. All necessary renewals, capital upgrades and network expansion is planned and funded.

2.4 Water utility performance

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

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Upgrade of South Lismore Sewage Treatment Plant	2015 - 2018	\$26.1 m	Nil
Servicing of North Lismore Plateau development - sewer	2015 - 2017	\$3.1 m	Nil
Northern Front sewer strategy – Stage 1	2015 - 2017	\$1.1 m	Nil
Northern Front sewer strategy – Stage 2	2018 - 2020	\$5.5 m	Nil
Servicing of North Lismore Plateau development - water	2015 - 2017	\$2.9 m	Nil

Upgrade of Nimbin water supply	2015 - 2017	\$2.6 m	Nil
Wastewater mains renewal program	Ongoing	\$1.6 m pa	Nil
Water mains renewal program	Ongoing	\$2.5 m pa	Nil

2.4 Water utility performance

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

Yes

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

2.4 Water utility performance

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

Improvement strategies

Strategy	Timeframe	Anticipated outcome
1. Strategic planning: prepare IWCM strategy & ongoing review of Strategic Business Plan.	IWCM: 2017 – 2018. Strategic planning reviews: ongoing	Identification and addressing of issues. Sound strategic direction and affordable Typical Residential Bill.
2. Preparation of growth management strategy and related servicing strategies for identified urban release areas.	GMS: June 2015. Servicing strategies: ongoing.	Ensure infrastructure provided to service development when required.
3. Collaborate with Rous Water and Constituent Councils in development and implementation of Future Water Strategy, including regional demand management initiatives.	Ongoing	Ensure long-term secure yield of regional water supply. Encourage sustainable

		demand.
4. Water loss management program.	Ongoing	Quantify water losses and determine appropriate responses. Minimise water losses.
5. Continue implementation of Drinking Water Management System	Ongoing	Ensure drinking water quality complies with Australian Drinking Water Guidelines.
6. Inflow / infiltration investigations	Ongoing	Identify and quantify sources of inflow & infiltration. Determine remedial action. Reduce inflow and infiltration and reduce hydraulic loading on sewerage network.
7. Continue implementation of Optimal Decision Making system.	Ongoing	Ensure most effective utilisation of resources, particularly with respect to asset renewal programs.

Optimisation of biological treatment processes at sewage treatment plants.

Ongoing

Reduced chemical costs.
Improved effluent quality
and compliance with
licence conditions.

Continue implementation of backflow prevention program

Ongoing

Prevent contamination of
the water supply.

Automated in-field data collection

Ongoing

Improved efficiency of data
collection. Improved
capture of asset condition
data.

Undertake review of Trade Waste and Non-residential charging policies and tariff structures.

December 2016

Adopted policies and
charging regimes that meet
best practice guidelines.

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

3.1 Sustainability

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

Summary of Improvement Strategy

Lismore's response to becoming Fit for the Future is integrated and cannot be readily split up into sections based on the grouping of ratios in this template. Because our strategy is integrated, we have had trouble splitting its explanation into each of the three sections. We have therefore outlined the strategy in this first table. This explanation is followed by commentary about the three sustainability ratios.

Council is committed to becoming Fit for the Future. We have been actively working toward this goal since 2012 and have already made significant advances. This is documented in our [Imagine Lismore 10 Year Plan](#) and our Financial Sustainability Policy which is attached. It is Council's view that the current infrastructure backlog problem that faces almost every Council has been at least 50 years in the making and that an overly dramatic resolution to that problem would be unfair and unmanageable to our community. We have therefore committed to our community to be financially sustainable by 2023.

Our strategy for improvement outlines a four pronged attack on the problem. We will become Fit for the Future through a combination of improvements to how we manage our assets, particularly our sealed roads, considered service level reductions, a rate increase and an in-depth review of every service that we deliver to find every possible efficiency and productivity gain.

Our total annual shortfall is estimated at approximately \$4M. For the purposes of this submission we have assumed a 50/50 balance between saving from two Service Level Reviews and one increase in revenue from a rate increase. That's a total of \$2M from Service Level Reviews and \$2M from a special rate variation. In reality, the split between service level reduction and rate increase will be decided based on the extensive community engagement exercise that we will start in October 2016.

Asset Management Improvements

Council has undertaken significant review and improvement of its asset management functions and processes over the last 3 years. A review of the Infrastructure Services Department was undertaken by COMPLETE URBAN in 2011. This review focused on the efficiency and effectiveness of the department and made a significant number of recommendations, all of which have been implemented. In 2013, a review of the roles and responsibilities of staff involved in asset management and maintenance was undertaken by Morrison Low. This review focused on who was doing what within the organisation in relation to the roles of asset owner, asset custodian, service manager and asset maintainer.

This review also recommended that Council divert existing capital funds from rehabilitation and reconstruction projects to re-sealing of the existing road network to maintain the seals on our road pavements. This strategy, coupled with a philosophy of only replacing what exists i.e. limiting expansion or upgrades to meet statutory requirements only, would “hold” the network in its current condition and prevent further deterioration of underlying pavements. This strategy has since been adopted and is a key cornerstone of our strategy to address our infrastructure backlog.

As a result of these reviews, there have been additional staff appointed to the assets team with two full time positions created to assist in asset management tasks. The roles of asset owner and asset custodian have been assigned to the assets team and Council’s works section is now focused on construction and maintenance. The assets team now makes all strategic decisions regarding capital renewal and the allocation of funding to these activities. For Council’s largest asset group, sealed roads, these decisions are informed through the development of an Optimised Decision Making Tool – a software program that allows Council to model the outcomes for its network from different budget scenarios. It also allows staff to ensure that value for money is delivered in the allocation of capital renewal funds.

The tool was developed with the assistance of Jeff Roorda and Associates who have been assisting with a major review and enhancement of our transport asset management plan. This included a complete condition assessment of the sealed road network and revaluation as at 30 June 2014. The tool is currently being further developed for use with other asset groups e.g. water and wastewater. Council maintains a strong relationship with Jeff Roorda and Associates and will be engaging them to undertake some benchmarking of our asset management related processes and activities e.g. costs, methodologies, useful lives etc. in the coming months.

Section 3.2 also contains more detailed information about the strategies being adopted that will improve our various asset related ratios.

Council has also been identifying assets that are surplus to requirements and these are being disposed to reduce our future renewal, maintenance and operational liabilities. Examples of this include:

- Closure and part demolition of the former Lismore Club in Club Lane Lismore.
- Closure and planned demolition of Pavilion 2 at Blair Oval Lismore.
- Closure of the Lake Swimming Pool at South Lismore.
- Sale of a property in Bounty Street Lismore.
- Sale of a property in Club Lane Lismore.
- Sale of a Council owned childcare business and property in Goonellabah.
- Identification of a number of pocket parks for sale to adjoining land owners.
- Closure of Council's CBD Office and rental on a commercial basis with a view to future disposal.

The Service Level Review

It is important to make the distinction between the Service Level Review and the Service Delivery Review. The Service Level Review looks to change the level of service through community engagement to reduce costs. The Service Delivery Review also looks to reduce costs but through productivity and efficiency gains made by changing the way that services are delivered. The Level Review is an external process and Delivery Review is an internal process.

The Service Level Review will involve extensive engagement with the community and Councillors. By understanding the consequences of changes to funding levels, the community and Councillors will be able to make informed choices to find a balance between the level of service and the community's willingness to pay.

From this community involvement we will make a decision on the proportion of service level reductions and rate increase that we will use to provide a positive impact to the budget of at least \$3M in recurrent funding over 2017/18 and 2018/19, and at least an additional \$1M in recurrent funding in 2021/22.

It should be noted that a similar process was carried out internally by management and Councillors in 2012/13. This process resulted in total saving of \$1.2M without a negative impact on the community. This demonstrates Council's ability and determination to become Fit for the Future by repeating this process. These savings were made by reducing the level of service in park maintenance, Council property management, community development, library opening hours and external advertising.

The Service Delivery Review

In addition to the two Service Level Reviews, we will conduct a Service Delivery Review. The Service Delivery Review looks at how we deliver service with the intension of making our service provision as productive and efficient as possible. The first part of this is an in depth review of each of the services, making improvements through business process management, implementing the ideas of frontline staff, customer needs analysis and systems thinking.

The second part of the Service Delivery Review is the Cultural Development Strategy. This is an organisational wide strategy that will improve the whole organisation's capacity to meet the needs of the community. It consists of staff development, the improvement of internal communication and improving accountability through better performance management.

The Service Delivery Review is in its infancy with only two services reviewed out of a total of 37. This review yielded savings of over \$650,000/year on an ongoing basis. The savings that we make from the Service Delivery Review will be put to the overall annual shortfall. They will reduce the amount of money that we need to gain by raising rates or save by cutting services. The Service Delivery Review is further explained in section 3.3.

Special Rate Variation

We have left this strategy until last because it is our last resort. We are very confident that we can find \$1M in each of the service level reviews. We are uncertain how much we will be able to save as a result of the Service Delivery Review or further improvements in Asset Management so we are not banking on these savings. Current planning indicates a rate increase of \$2M for infrastructure management works will be required from 1/7/18. However, this will be dependent on the community consultation results from our other strategies. Each saving that we make through these other strategies will reduce the quantum of our rate increase.

Resource Sharing with Kyogle

Having ruled out unanimously any merger option with Kyogle, we have indicated a willingness to participate in talks to increase collaboration that will result in the sharing of expertise and resources for the benefit in both our communities and also support increased regional collaboration to further progress this shared commitment.

Although this is in its early days, Kyogle has already listed the following areas for investigation

Fee for service activities could be strategic HR advice, IT services, etc. Payroll could be outsourced on a term contractual basis similar to private enterprise models. Activities that we all do commonly could be done with greater expertise and less resource if

combined. Some examples:

- *Contractual activities – IT, payroll, asset management, DAs, building services.*
- *Fee for service - design and survey, contract administration, IT, Strategic HR advice, legal advice.*
- *Single service delivery entity – Fleet, Road Construction and maintenance.*
- *Plant and labour hire, contracted work on shared boundaries and contracting out some office-based functions like IT, creditors and debtors.*

Due to a lack of staff resources Kyogle Council's Planning and Environment Department is only able to deliver a basic level of service to the community of the Kyogle LGA. Examples of the inadequacy of the current level of service are:

- *lack of compliance action on illegal dwellings*
- *poor/no compliance checking of DAs once implemented*
- *inability to complete audit of quarries program*
- *backlog of strategic planning work (s94 plans review, LEP amendments, review of LGMS, bushfire prone land mapping update, rural land use strategy, DA conditions review)*
- *inability to complete a Waste Management Strategy for the LGA*
- *lack of process to administer collection, receipting etc of s94 heavy haulage contributions*
- *longer DA processing times than might otherwise be the case*
- *numerous activities/developments occurring that need consent but do not have consent*
- *no environmental/biodiversity expertise or planning*

Kyogle borrow/hire/share LCC staff resources to assist with certain projects and work streams. The obvious ones are - strategic planning tasks, plumbing and building certification and compliance (including swimming pools), management of waste services and facilities. Both Councils are committed to investigating these opportunities.

Sustainability Ratios

With regards to improving the Operating Performance Ratio, the key strategies for improvement are 1) Service Level Review targeting ongoing savings of \$1M from 17/18, 2) an ongoing special rate variation of \$2M for infrastructure management works from 18/19, and 3) Service Level Review targeting ongoing and further savings of \$1M from 21/22. This will bring this benchmark into line with the requirements of Fit for the Future.

The Own Source Revenue ratio is at the Fit for the Future Benchmark. Our projections confirm that we will continue to meet the

benchmark into the future.

The increase in funding for assets that will result from the savings from each of the four financial sustainability strategies will improve the Building and Infrastructure Asset Renewal. There is however something of an anomaly with this ratio. We have a practice at Lismore where we look for capital grant funding opportunities for renewing our existing assets. Success with this approach improves our Building and Infrastructure Asset Renewal ratio. The ratio for this year for example is 105.97%. Experience tells us that there is capital grant funding in every year and that it is significant. However, as all future grant programs are not known and success is uncertain, we have not included any future one-off capital grants in our financial projects. It is expected, although not guaranteed, that our future performance on this ratio will be much better than predicted, even without considering the savings we will make from the strategies outlined in this response.

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

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

Council has prepared a Long Term Financial Plan 2015-2025 (LTFP). The long term financial plan is reviewed and updated annually.

The key assumptions applied in the LTFP include:-

1. Base Year – 2015/16
2. CPI – 2.50%
3. Rate Pegging – 2.40%
4. Annual Charges 2.40%
5. Fees & Charges 2.50%
6. Operating Grants – FAGS General Purposes – (1.0%) 2016/19, 0% 2019/25
7. Employee Costs 2016/17 – 3.05%, 2017/25 – 3.25%
8. Borrowing Interest Rate – 4.00%
9. Material & Contracts – 2.50%
10. Depreciation - IPP&E – 2.50%
11. Other Expenses – 2.50%
12. Service Level Review Target – \$1M 2017/18 (Ongoing)
13. Service Level Review Target – \$1,000,000 2021/11 (Ongoing)
14. Special Rate Variation – \$2M 2018/19 (Infrastructure Management Works)
15. Roads to Recovery Funding – Additional Funding 2015/16 (\$750,000) and 2016/17 (\$2,012,500), and program funding at base level of \$882,600 ongoing from 2019/20.

A complete list of the key assumptions used to prepare the Long Term Financial Plan 2015-2025 and the Fit for the Future proposal is attached.

We have also made the assumption that the revised service levels as defined by the service review are accepted by the community.

We have also made the assumption that any unexpected positive impacts on the budget will match the negative. Should the negative outweigh the positive, the sum of the rate variation and amount saved from the service level review will rise accordingly.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Deliver better value for money in the allocation of capital renewal funds for sealed roads.	A. Implement the Optimised Decision Making Model to determine priorities for allocation of capital renewal funds in the sealed road network	July 2015	Overall improvement in condition of the road network	Will reduce the Infrastructure Backlog Ratio.
	B. Divert funding from reconstruction and rehabilitation of road pavements to reseals.	2015 – 2020	Overall improvement in condition of the road network	Will reduce the Infrastructure Backlog Ratio.
	C. Utilise innovative road pavement and surface treatments to renew sealed roads.	Ongoing	Reduced cost of treatment compared to more traditional methods used now.	Will reduce the Infrastructure Backlog Ratio.

2. Target ongoing savings in operations of \$1M

Undertake Service Level Review – 1

June 2017

Better alignment of services to community needs and funding. \$1M in savings.

Improves Operating Performance Ratio.

3. Seek approval to increase general rates by \$2M to fund increased infrastructure management works

Special Rate Variation

June 2018

Additional \$2M in funding for assets.

Improves Building & Infrastructure Asset Renewal, Infrastructure Backlog and Asset Maintenance ratios. May negatively impact Real Operating Expenditure ratio.

4. Target ongoing savings in operations of \$1M

Undertake Service Level Review – 2

June 2021

Better alignment of services to community need and funding. \$1M in savings.

Improves Operating Performance Ratio

3.2 Infrastructure and Service Management

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

The four elements of our financial sustainability strategy are improvement to asset management, service level review, service delivery review and a rate increase. These have been outlined in section 3.1 and are not repeated here.

All four strategic elements will have a positive impact on the first two infrastructure and service management ratios. The third ratio, the Debt Service Ratio is a benchmark that Council meets and will continue to meet for the life of our long term financial plan.

It is the improvement to asset management that will have the biggest impact on the Infrastructure Backlog Ratio. Our strategy is to "hold" the network in its current condition by addressing the backlog in bitumen seals to prevent further deterioration of underlying pavements. This strategy is a key cornerstone of our plan to address our infrastructure backlog and ensures that existing good road pavements do not deteriorate and therefore that the backlog does not increase.

This strategy has been developed and implemented over the last 2 years as Council embarked upon a significant re-assessment of its approach to the allocation of funding to the renewal and upgrade of its sealed road network. The review was achieved through the development of our Transport Asset Management Plan from a core plan to a more advanced plan. This new approach is focussed on delivering better value for money to our community and will reduce our infrastructure backlog as evidenced by the ratios in table 4.1. The key points in this new approach are:

- A complete re-evaluation of our assets register data including a condition assessment of the entire sealed road network.
- Focussing on preventing existing road surfaces and pavements that are in fair to good condition from deteriorating into poor condition. This means spending additional money on road resurfacing programs and less money on reconstruction or rehabilitation projects than in previous years. This strategy is diverting approximately \$14M from reconstruction and rehabilitation projects to resealing of our network over the next 4 years. It will reduce the backlog in resealing works from approximately \$24M to zero over that timeframe.

- Once the backlog of resealing works has been addressed, our capital renewal funding can be directed to addressing the backlog of pavement works.
- Ensuring that any road reconstruction or rehabilitation project includes minimal construction of new assets that would add to Council's overall renewal and maintenance responsibilities and costs.
- Investigation and implementation of innovative, more cost-effective treatments for renewal of road seals and pavements e.g. use of foamed bitumen stabilisation treatments as opposed to traditional reconstruction methods.

This strategy will have a direct impact on the Infrastructure Backlog Ratio which will improve from 17.09% in 2014/15 to 12.25% in 2016/17 and 5.62% in 2019/20. Using replacement value instead of written down value to calculate the ratio, the performance improves from 11.82% in 2014/15 to 8.54% in 2016/17 and 3.92% in 2019/20.

The improvement in asset management also benefits the Asset Maintenance Ratio. The redirection of funds into preventive maintenance sees the three year average asset maintenance ratio rise from 80.91% in 2015/16 to 94.06% in 2019/20.

Another element that needs to be considered is our strategy to reduce the assets that we own. The last few years has seen us reduce the number of "pocket" parks that we own. We will continue to do this into the future. We will also, as part of the service level review dispose of assets that no longer provide community value in excess of their costs.

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

Reducing the sealed roads backlog. Is based on an assumption that Council can prevent existing pavements in fair to good condition from deteriorating further to the point where they are rated as being in poor condition and therefore regarded as a backlog issue. This will be achieved through our strategy of maintaining the bitumen or asphalt seals protecting those pavements in good condition and therefore preventing the infiltration of water to the pavement which is the major cause of damage.

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1. Reduce Council's financial liability for ongoing renewal, operational and maintenance costs by disposing of infrastructure surplus to requirements	a) Continue with the sale of pocket parks	Ongoing	Sales achieved and Council financial liability reduced	Improves Asset Maintenance and Building & Asset Renewal Ratios
	b) Continue to identify Council owned infrastructure that is surplus to requirements and achieve sales	Ongoing	Sales achieved and Council financial liability reduced	Improves Asset Maintenance and Building & Asset Renewal Ratios
2. Deliver better value for money in the allocation of capital renewal funds for sealed roads.	A. Implement the Optimised Decision Making Model to determine priorities for allocation of capital renewal funds in the sealed road network	July 2015	Overall improvement in condition of the road network	Improves the Infrastructure Backlog Ratio

	<p>B. Divert funding from reconstruction and rehabilitation of road pavements to reseals.</p>	<p>2015 – 2020</p>	<p>Overall improvement in condition of the road network</p>	<p>Improves the Infrastructure Backlog Ratio</p>
	<p>C. Utilise innovative road pavement and surface treatments to renew sealed roads.</p>	<p>Ongoing</p>	<p>Reduced cost of treatment compared to more traditional methods used now.</p>	<p>Improves the Infrastructure Backlog Ratio</p>

3.3 Efficiency

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

Council meets the efficiency benchmark.

The overarching strategy for our improvement against the efficiency measure is the continuation of the Service Delivery Review. As has already been discussed the Service Delivery Review looks at how we deliver service with the intention of making our service provision as productive and efficient as possible. The first part of this is a rolling in-depth review of each of the services, making improvement through business process management, implementing the ideas of frontline staff, customer needs analysis and systems thinking.

The second part of the Service Delivery Review is the Cultural Development Strategy. This is an organisational wide strategy that will improve the whole organisation's capacity to meet the needs of the community. It consists of staff development, the improvement of internal communication and improving accountability through better performance management.

The outcomes of the project will be:

- To have first class leadership throughout the organisation.
- To fully understand our customers and to structure the Council and design our strategy and all our services around their needs.
- To change the organisation's view of its environments and understand it as a system where changes can be understood and predicted allowing Council to be proactive rather than reactive.
- To continuously improve everything we do to meet the needs of our customers and the changing operating environment. Continuous improvement will be embedded in our culture.
- To make the absolute most of our peoples' capability, skills, resourcefulness and creativity to change and improve the organisation.
- To evolve our culture to one that is aligned with the organisational values, bridging the gap between indoor/outdoor staff.
- To improve our management of information and knowledge so that we always make fully informed strategic and operational

decisions.

- To behave in an ethically, socially and environmentally responsible manner in all our activities.

Rolling Review of Services

We have identified 37 separate services that are delivered by Council. The rolling review of services will visit each of these services in priority order over the next 4 years. Each service will be systematically reviewed following the ACELG Service Review Manual. New service delivery models such as outsourcing, co-sourcing, shared service and community partnerships will be considered. Where services continue to be delivered by the Council, improvements will be made through the implementation of the principles of the Australian Business Excellence Framework such as systems thinking, business process management, and an improved understanding of service customer needs.

Corporate Communications Plan

It is recognised that corporate communication is key to the success of a business. It is for this reason that a corporate communication plan will be at the centre of our improvement plan. The corporate communication plan will make full use of modern technology and communication techniques to ensure there is effective communication from the top of the organisation to the bottom and from the bottom to the top.

Corporate Performance Plan

The organisational performance landscape has shifted enormously. We therefore need to review our current performance management frameworks. We will design, develop and implement frameworks that support individual and organisational effectiveness and growth.

The development of performance indicators for our services will occur through the service review. In addition to this lower level performance management, this organisation must select metrics that define the overall organisational health. Much of this will be done using the Australian Business Excellence Framework and the Price Waterhouse Coopers Council Comparative Report data.

We have already made significant progress on improving efficiency and productivity. The service delivery has reviewed two of the 37 services, Human Resources and our quarry. In Human Resources we made \$100,000 per year in salary savings and found an additional \$60,000 that could be redirected to important organisational development training and \$40,000 in reduced recruitment costs. This is on top of numerous efficiency and productivity gains which allow Human Resources to provide a better internal service.

At the quarry, business improvement has seen AS4801 for OH&S, ISO9001 for quality and ISO14001 for environmental management achieved. There has been considerable saving made by better usage of quarry fleet and improved working practices. The total saving from the quarry service review is \$450,000 annually. In the short term the majority of these savings will be used to fix problems within the quarry business but in the medium term we will start to see these savings impact on our bottom line. The HR and Quarry service reviews clearly demonstrate our ability to realise savings and the validity of this strategy to make Council Fit for the Future. The total annual saving for both HR and the Quarry is \$650,000.

Lismore is leading the way with energy efficiency and renewable energy. We have a rolling program of installing solar panels on our buildings. We have also replaced our entire mercury vapour street lighting with compact florescent lighting. The vast majority of our hot water is produced by solar. We have made an approximate annual saving of \$150,000. In the long term we have set ourselves a target of getting all our electricity from renewable energy. This will make further significant ongoing savings.

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

Because the service review methodology is well tested in other councils and because we have not predicted any particular amount of savings we have not relied on many assumptions. Those we have relied on are as follows:

- That efficiencies and productivity improvements can be monetarised.
- That the required staffing improvements can be made.
- That policy and decision making framework is adjusted to enable the saving to be realised.
- That the culture of the organisation can be changed to support service improvements.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency

Objective	Strategies	Key milestones	Outcome	Impact on other measures
1.Improve Service Delivery Efficiency and Productivity	a) Progressively review each service in priority order.	One service reviewed every month for the next 4 years.	All services delivered as efficiently and productively as possible.	Will make improvements to all Fit for the Future measures.
2.Develop and improve our human resources	a) Senior management leadership program. b) Frontline Leaders development program. c) General staff development program.	One module each year to be completed for the next three years.	First class leadership throughout the organisation. A constructive organisational culture.	Will make improvements to all Fit for the Future measures.
3.Improve Corporate Communication	a) Multimedia top down communication. b) Improve leader's communication skills. c) Create robust bottom up, top down	Complete by June 2016.	Excellent corporate communication.	Will make improvements to all Fit for the Future measures.

	communication channels and processes			
4.Improve Corporate Performance Management	<ul style="list-style-type: none"> a) Define corporate and service performance standards. b) Define related individual staff performance standards. c) Complete accountability processes to ensure performance standards are met. 	Completed by June 2017.	Improved corporate performance and accountability.	Will make improvements to all Fit for the Future measure.

3.4 Improvement Action Plan

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

Action plan

Actions	Milestones
Moving funding from rehabilitation and reconstruction for sealed roads to the resurfacing. As per strategy outlined.	July 2015
85km of road resurfaced.	June 2016
Review and adopt innovative road treatments and construction techniques. That will provide better value for money and more engineering integrity.	Complete June 2016 and then ongoing.
Quarry Service Delivery Review finalised	July 2015
Parks Service Delivery Review finalised	September 2015

Roads Service Delivery Review Finalised	January 2016
Fleet Management Service Delivery Review finalised	April 2016
Water and Wastewater Service Delivery Review finalised	June 2016
Complete Modules 1 for Senior Leaders, Frontline Leaders and Staff development	June 2016
Complete Corporate Communication Plan	June 2016
Service Level Review 1	2016/17
Special Rate Variation	2018/19
Service Level Review 2	2020/21

Attached is the Service Review Project Management Plan

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

Our Action Plan was developed through out 2013-2023 Community Strategic Plan – Imagine Lismore. The process was developed

through the most comprehensive community engagement that Lismore has ever completed. The pervading principle of Imagine Lismore was financial sustainability. Our response to Fit for the Future was to continue on with the plans that we developed with our community which we believe find a fair balance between our community's need for service and ability to pay and the organisation's need to ensure that we are sustainable into the future. Here is a link to our Imagine Lismore document suite http://www.lismore.nsw.gov.au/cp_themes/default/page.asp?p=DOC-ZXD-57-42-13

3.5 Other actions considered

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

Investigation of Potential Merger Opportunities

Introduction

The Independent Local Government Review Panel in its Final Report, *Revitalising Local Government* identified Council as being within Group G: Larger rural and regional Councils, describing the group as “larger Councils, all of which appear likely to be stable in their current form for several decades.”

At the same time the Panel recommended that Lismore Council could potentially merge with Kyogle Council. Council investigated this potential as part of its determination of its Scale and Capacity.

Investigation

The investigation was composed of three parts

- Report to Council canvassing the merger option
- Assessment of the sustainability of any new joint organisation using the FFF Sustainability Criteria
- Facilitated Meeting between Lismore and Kyogle Councillors

Results

Report to Council

Following the consideration of the report, Council resolved

That:

1. *Council determines that it has the correct Scale and Capacity to continue as a stand-alone entity.*
2. *Staff complete the Improvement Proposal (standalone option) for Council’s consideration at the May meeting.*
3. *Council accept the invitation from Kyogle to hold a workshop to explore merger options.*

Assessment of Sustainability of any new Joint Organisation















The assessment was carried out using the criteria outlined in FFF. It compared the joint result against that for Lismore City Council

based on the latest figures from both Councils

No consideration was given to any potential increase or decrease in operational costs associated with a merger.

The result was that Lismore City Council and therefore its residents would be placed in a worse sustainable position should it merge with Kyogle. These results are outlined below:

SELF ASSESSMENT TOOL

Sustainability	LCC	Meets FFTF	LCC and Kyogle	Meets FFTF
Operating Performance Ratio	-0.065		-0.85	
Own Source Revenue	73.3%		68.81%	
Building and Infrastructure Renewal Ratio	76.81%		71.89%	
Infrastructure and Services Management				
Infrastructure Backlog Ratio	1.51%		7.11%	
Asset Maintenance Ratio	74.02%		73.31%	
Debt Service Ratio	7.89%		6.22%	
Efficiency				
Real Operating Expenditure Per capita	Decreasing		Decreasing	

Facilitated Meeting between Lismore and Kyogle Councillors

The firm KJA Pty Ltd was engaged to provide the facilitation service for the meetings between Lismore and Kyogle Councillors and Kyogle and Richmond Valley.

An extract from their final report follows:

The workshop agenda considered challenges and opportunities and a regional vision. There were many opportunities identified and at the same time, many challenges. There was general acknowledgement that the challenges identified highlighted the differences between the two Councils. The group identified a number of key challenges that are considered to stand in the way of a merger. These include representation,

maintenance of local identity, differing communities of interest when considering each LGA in its entirety and Kyogle's significant infrastructure backlog. There was minimal support for the idea that these challenges could be overcome. These challenges had previously been identified in the first round of workshops.

The majority did not support progressing to a Merger Business Case. There is no intention in either Council to pursue a Merger Business Case with the other. There is however an improvement in relationships between the Councils, and a clear understanding that each Council is pleased to work with the other, particularly to support Kyogle in their position on Fit for the Future.

Whilst accurate in itself, our view is that this report tends to downplay the strength of opposition to any merger option from Councillors from each Council. We would like to make it very clear that neither ourselves, Kyogle or Richmond Valley Council saw any benefit in a merger and identified many valid reasons against it. We believe that any forced merger must be supported by a robust business case that adequately shows that our communities will not be disadvantaged by that merger.

As well as considering a merger with Kyogle, we also considered a much faster process for achieving Fit for the Future. This alternative would have seen the Service Level Review that we are conducting in 2016/17 do all the heavy lifting. This would see a combination of service cuts and a rate increase deliver the full \$4M positive budget impact.

Lismore is not a rich town and the services that Council provides are highly valued by the community. We considered that a very quick resolution for a problem that has developed over many years would not be fair or manageable for our community. It was for this reason that we decided to have two service reviews taking \$1M ongoing from each respectively and, in addition, a special rate variation of \$2M. We believe that this option is more affordable and fairer.

The other option that we considered was to change service levels and apply for a rate increase this year rather than in 2016/17. This would have meant a major change in strategy outside of the IP&R framework and would not have given us the opportunity to properly engage with the community. Lismore is strongly committed to both the IP&R framework and to high quality community engagement. It is for these reasons that we have aligned our Service Review with the next round of IP&R.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ Benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	N/A (2014/15 (2.97%))	(1.08%)	(0.54%)	0.97%	2.19%	3.33%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	N/A (2014/15 81.31%)	78.86%	79.60%	80.22%	82.41%	85.18%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	N/A (2014/15 105.97%)	94.44% (2015/16 83.16%)	107.97% (2016/17 134.24%)	98.48% (2017/18 78.32%)	102.13% (2018/19 94.84%)	88.40% (2019/20 91.86%)	Improving - underlying ratio excluding one- off capital grants.
Infrastructure Backlog Ratio (Less than 2%)	17.09% (RV – 11.82%)	15.14% (RV – 10.57%)	12.25% (RV – 8.54%)	10.32% (RV – 7.20%)	7.95% (RV – 5.55%)	5.62% (RV – 3.92%)	Improving

Asset Maintenance Ratio
(Greater than 100% average over 3 years)

N/A (2014/15 96.98%)	80.91%	96.06%	95.40%	94.98%	94.60%	Improving
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Debt Service Ratio
(Greater than 0% and less than or equal to 20% average over 3 years)

N/A (2014/15 8.00%)	8.05%	7.80%	7.49%	7.13%	6.69%	Yes
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Real Operating Expenditure per capita
A decrease in Real Operating Expenditure per capita over time

1.43	1.34	1.35	1.32	1.31	1.31	Yes
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4.1 Expected improvement in performance

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

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

Building and Infrastructure Asset Renewal

Significant progress has been achieved. However, further time is required to achieve the benchmark. Some rationalisation of associated assets is anticipated as part of the Service Level Review but these have not been quantified as part of this proposal.

When considering this ratio, the positive impact of one off capital grants in 2013/14 (Lismore City Hall), 2014/15 (Building Better Regional Cities - Roads) and 2016/17 (Regional Art Galley pending grant application approval) needs to be considered. Due to one off capital grant funding being discretionary, no allowance has been included in future years beyond 2016/17. Consequently, trend shows fluctuating movement in the ratio when comparing future years to previous years.

It is argued that, if the capital grants for these projects were excluded from the calculation, and the long term perspective applied to renewal works, the ratio will be improved over a ten year period albeit still less than the 100% Fit for the Future Benchmark.

Further work is required to assess the way forward including asset rationalisation and the services provided i.e. sealed roads vs. unsealed roads. This is planned as part of the Service Level Reviews to be implemented in 2017/18 and 2021/22.

Infrastructure Backlog

Significant progress has been achieved. The analysis undertaken to determine all the ratios and information used for asset management purposes is not an exact science. As such, a ratio of 5.62% in 2019/20 represents significant improvement and considered adequate in this context and the changes that we have made to our sealed road renewals as outlined elsewhere in this submission. It also represents a significant improvement from the 2014/15.

Asset Maintenance

Significant progress has been achieved. The analysis undertaken to determine all the ratios and information used for asset management purposes is not an exact science. As such, a 3 year average ratio of 94.60% in 2019/20 represents significant improvement and considered adequate in this context.

Debt Service Ratio

There is limited funding capacity in future budgets to repay increased borrowings to fund renewal or backlog works. If an SRV of \$2M was applied for and approved, at current interest rates and a 20 year repayment period, the rate income could service borrowings of approximately \$27M. Interest costs for the borrowings are estimated at \$13M. A cost/benefit ratio for such a proposal or part thereof has not been assessed at this time.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The ultimate responsibility for the implementation of the Fit for the Future Reforms lies with the elected Council. From an operational perspective, the General Manager is accountable. There are two distinct parts to the organisational response that are outlined in our submission. These are the Service Review and then the improvement to our asset management. The accountability for these projects lies with the Manager Corporate Services and the Manager Assets respectively.

Council follows the Project Management Book of Knowledge methodology for the delivery of project of all sizes. The actual project management procedure is attached. Both the Service Review and Asset Management projects have executive management level Steering Committees. In addition the Service Review project has an external accountability Steering Committee that is made up of all the Councillors. This ensures that there is involvement and support in the project at a political level and that the needs of the community are fully considered. There is also a high level of Councillor involvement in the Asset Management improvement project.

Both the Asset Management and the Service Review project are already in Lismore's Delivery and Operational Plans. As such, the progress is annually reported to the community through Council's Annual Report.

Part of the Service Review project is the creation of the Council's IP&R plans. The fact that these plans include the resourcing strategy will ensure that the initiatives outlined in this proposal will be the very fabric of Council strategy for the next ten years.

We will also have a Council resolution on the books which supports this proposal. We support the notion of oversight by the Auditor General's Office as it will keep Council accountable for the commitments that it has made in this proposal.