



Rural Council Proposal Kyogle Council



Section 1: About your council's proposal

Council details

Council name: Kyogle Council

Date of council resolution endorsing this submission: 29 June 2015

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 how adopting the Rural Council and other options in your Proposal will improve your council's performance against the Fit for the Future measures

Kyogle Council covers a Local Government Area (LGA) of 3,591kms² with a population of 9,538 residents. The Australian Bureau of Statistics (ABS) data shows a declining population with a Socio-economic Index for Areas (SEIFA) ranking of 11th lowest in NSW. The LGA maintains a complex 1,216 kilometre road network, including 341 bridges, in the upper Richmond and Clarence catchment areas with highly variable soils and steep topography. Kyogle Council maintains approximately 10% of NSW's timber bridges with 192 ageing timber bridges located within the LGA. This equates to a timber bridge for every 27 rateable assessments. There is also a high proportion of non-rateable land at 1,052 km², or 30% of the total LGA, that is mainly State Forest or National Park.

Council is the custodian of over \$450 million worth of public assets. Funding to maintain and renew this infrastructure has been reduced over the years relative to the costs associated with the upkeep of the assets. That has resulted in a \$48 million backlog of infrastructure renewals that has led to deterioration of assets, increased costs of maintenance and reduced levels of service, with an annual shortfall of around \$4 million.

Following on from the TCorp Financial Sustainability Report and the work of the Independent Local Government Review Panel in 2013, Council took a proactive approach to address the issues raised. Council initiated a significant review of its Integrated Planning and Reporting (IP&R) documentation, and commenced consultation with our Community under the banner "Road to Financial Sustainability – Bridging the Gaps". As a result, Council formally adopted a new 20 year Long Term Financial Plan (LTFP) in February 2015. The key aspects of the LTFP are:

- Special Rate Variation (SRV) to increase rates over five years from 2015/16
- Additional General Fund borrowings
- Productivity improvements in the way Council conducts business
- Disposing of under-utilised assets
- Reduction of levels of service in some areas
- Improved levels of service in key areas identified by the community

Council has had its Special Rate Variation (SRV) application approved by IPART and is developing its Operational and Delivery Plans for 2015/16 based on the adopted LTFP. The Community Strategic Plan (CSP) is currently under review by utilising five focus groups in

key areas of the Plan. These focus groups are comprised of both community and council representatives. The CSP is expected to be finalised after the initial outcomes of the NSW Governments Fit for the Future (FFTF) process are completed in October 2015.

The new 20 year LTFP is Council's starting point in addressing the FFTF questions of scale and capacity and long term sustainability. The process around the development of the new LTFP has been a powerful exercise in determining Council's future directions and setting a course for financial sustainability. In developing its LTFP, Council has carefully considered the NSW Governments response to the recommendations of the ILGRP and incorporated the key actions identified into the adopted LTFP. Council is now looking forward to implementing the strategic approach to the future it has developed, alongside of the NSW Governments FFTF reforms, for the long term benefit of its local Communities.

1.1 Scale and capacity

Q. Did the Independent Local Government Review Panel identify the option that your council become a Rural Council?

(i.e. your council was identified in Group C or B of the Panel's final report)

A. No

Q. If the Panel identified an alternative preferred option for your council, have you explored this option?

(Group C Councils should answer 'NA')

A. Not applicable. Note that the Independent Local Government Review Panel (ILGRP) did not identify a **preferred** option for Kyogle Council.

The ILGRP recommendations from their final report "*Revitalising Local Government*" released in October 2013 are summarised as follows;

- *Map 1: Councils at Risk*, Kyogle Council identified as "*Smaller Rural Council at Risk (Based on a combination of factors)*"
- *Table 11: Options for Non-Metropolitan Councils* Kyogle Council;
 - Placed in *Group F: Current and/or projected 2031 population 5-10,000 (Review status by 2020)*
 - *TCorp Financial Sustainability Ranking – Weak*
 - *TCorp Outlook – Negative*
 - *DLG Infrastructure Audit – Moderate*
 - *Grant Dependency – High*
 - *Merger potential – Medium*
 - Options identified for Kyogle Council were;
 - *Council in Northern Rivers Joint Organisation of Councils; or*
 - *Merge with Lismore or Richmond Valley*

The ILGRP Final Report identifies Kyogle Council as Smaller Rural Council at Risk and not having the appropriate scale and capacity. This precludes the use of the Council Improvement Proposal Template under the FFTF Guidelines.

Kyogle Council initiated discussions with Lismore City and Richmond Valley Councils in relation to potential mergers. A series of workshops were held between the Councillors and General Managers of the three Councils, the end result of which was that there was no agreement to proceed with any potential merger option. Neither Richmond Valley nor Lismore City supported the preparation of a business case for a merger with Kyogle Council as part of the FFTF process. Both Councils also made it clear that they were not interested in a merger option that included the other, i.e. the Kyogle/Lismore City/Richmond Valley merger option. This precluded the use of the Council Merger Proposal Template under the FFTF Guidelines.

This left Kyogle with one remaining FFTF Template, being the Rural Council Template. Council assessed itself against the criteria listed for a Rural Council and is satisfied that it meets the majority of the criteria, particularly those relating to the LGA's small and declining population spread over a large area.

Please demonstrate how your council meets the following characteristics of a Rural Council (optional if a Group C council).

Rural Council Characteristic	Your council's response
1. Small and static or declining population spread over a large area	<ul style="list-style-type: none"> • ABS Data shows; <ul style="list-style-type: none"> ○ Population decline of 0.5% between 2003 (9,590) and 2013 (9,538). ○ LGA area of 3,584km² which is the 59th largest out of 152 LGA's. ○ Population density of 2.7 people/km² <ul style="list-style-type: none"> ▪ state average of 781 people/km² ▪ average for LGA's with a population less than 10,000 is 2.2 people/km². • ILGRP Final Report shows; <ul style="list-style-type: none"> ○ Projected 2031 population of 9,500. ○ This would be a further decline in population of 0.4%.
2. Local economies that are based on agricultural or resource industries.	<ul style="list-style-type: none"> • Data from the Kyogle Economic Brief, May 2013; <ul style="list-style-type: none"> ○ Agriculture, forestry and fishing industries represent the largest contribution to the Gross Regional Product for the LGA at \$53.8M or 16.3%, the next highest is Manufacturing at 10%. ○ Agriculture, forestry and fishing industries represent the largest number of businesses for the LGA at 538 or 50.6%, the next highest is Construction at 12.1%. ○ Agriculture, forestry and fishing industries represent the largest employer for the LGA at 535 or 21.0%, the next highest is Education and Training at 12.3%. ○ Agriculture, forestry and fishing industries are the second fastest growing in the LGA at 9.2% with the highest being Manufacturing at 9.6%.
3. High operating costs associated with a dispersed population and limited opportunities for return on investment.	<ul style="list-style-type: none"> • Refer to characteristic 1 for population and density figures. • Long road lengths (1,216 kms), including high number of bridges (341), due to the topography and size of the LGA. • Low rate base across a broad geographic area. • Insufficient customers to fund operating costs of facilities such as swimming pools and community buildings which run at significant loss, therefore, Council is the only service provider due to lack of a potential financial return. • NSW Councils Comparative data for 2012/13 shows; <ul style="list-style-type: none"> ○ Governance and Administration Expenditure per capita \$228, average of other NOROC Councils is \$124 per capita.
4. High importance of retaining local identity, social capital and capacity for service delivery.	<ul style="list-style-type: none"> • Council is a major employer in the LGA. • Support provided to local communities and local volunteers. • Some elected representatives with long history of service. • Elected representatives are well known in their communities. • High existing social capital tied closely to social identity.

Rural Council Characteristic	Your council's response
5. Low rate base and high grant reliance.	<ul style="list-style-type: none"> • ILGRP Assessment of Grant Dependency – High. • Own Source Revenue ranging from 45% in 2009 to 53% in 2014 (3-year average). • Rates Income is 21% of Council's Total Revenue 2011/12 to 2013/14 (General Fund 3-year average).
6. Difficulty in attracting and retaining skilled and experienced staff.	<ul style="list-style-type: none"> • History of difficulties in attracting skilled and experienced staff in disciplines such as engineering, planning and finance. • As a small Council, retention of staff is an issue due to the lack of opportunities for progression of staff relative to larger councils. Sometimes seen as a stepping stone to positions in a bigger council.
7. Challenges in financial sustainability and provision of adequate services and infrastructure.	<ul style="list-style-type: none"> • TCorp Financial Outlook – Negative • 192 timber bridges – approx. 10% of NSW's timber bridges • Road length per capita of 128m, average of other NOROC Councils 25m per capita • 30% (1,052 kms²) of the LGA non-rateable • NSW Local Government Comparative Report 2011-2012 <ul style="list-style-type: none"> ○ Low Socio-Economic Index Rank of 11; ○ Residential Pensioner Rebates of 37% ○ SALM Unemployment Rate of 7.4% ○ Average Taxable Income \$30,651. • Financial Statements for 2013/14 show; <ul style="list-style-type: none"> ○ Infrastructure backlog ratio of 0.19 <ul style="list-style-type: none"> ▪ \$48.2M Total value of infrastructure backlog ▪ \$19.6M of this is timber bridges ▪ \$22.6M of this is roads ○ Renewals Ratio of 74% ○ Capital Expenditure Ratio of 0.66
8. Long distance to a major or sub-regional centre.	<ul style="list-style-type: none"> • Outlying urban centres (villages) are up to two hours from Kyogle (100kms) and other major regional centres (Lismore and Casino up to 115kms). • Residents have to travel to access services such as specialist aged care and health services, motor registry, department stores, etc.
9. Limited options for mergers.	<ul style="list-style-type: none"> • Options identified in ILGRP Final Report investigated by Kyogle (with Lismore and Richmond Valley) using OLG facilitator, with no support for merger from either, or both, councils.

Section 2: Your council's current position

2.1 Key challenges and opportunities

*Explain the key challenges and opportunities facing your council through a SWOT analysis.
(You should reference your Community Strategic Plan and any relevant demographic data for this section)*

Strengths	Weaknesses
Natural Attractions/Proximity to World Heritage Areas	High Infrastructure Backlog, associated with large number of aging timber bridges
Clean Air & Water	Low Socio Economic Populations
Rural Lifestyle & Village Life	Road & Bridge Maintenance and Capital renewal costs
Safe, Friendly & Caring Communities	Large Areas of Non-Rateable Land
Variety & Affordability of Lifestyles	Small Rate Base/Large Land Area Ratio
Community Spirit	Limited Employment Opportunities
Proximity to Brisbane & Coastal Areas	Lack of Investment/New Industries
Good Sporting Facilities	Lack of Public Transport
Quality Urban Infrastructure in Kyogle, Bonalbo and Woodenbong	Poor Telecommunications Coverage
Community Resilience and Support	High Road Length per Person Ratio
Local Knowledge and Sense of Identity	Limited Urban Infrastructure in villages other than Kyogle, Woodenbong and Bonalbo
Availability of Vacant Land for Development.	Lack of Aged and Disability Care services and facilities
	Dispersed Population and many Small Villages necessitating duplication of services.

Opportunities	Threats
<p>Technology Improvements</p> <p>Development of Industrial Zoned Areas</p> <p>Reclassification of Non-Rateable Land</p> <p>Promotion of LGA for Industry & Recreation</p> <p>Tourism around Festivals and Events</p> <p>Value Adding to Existing Agricultural Businesses</p> <p>Aged and Disability Care services and transitional housing</p> <p>Regional Co-operation and Resource Sharing</p> <p>Financial Assistance Grants redistribution to those who need it most</p> <p>External Grant Funding increases</p> <p>Low Cost Loan through State Borrowing Facility</p> <p>Increase Rates Revenue</p> <p>Reviews of Regulatory & Reporting Requirements by NSW Government to reduce red tape and administrative burden on Local Government</p> <p>Proximity to Major Transport Routes such as the Sydney to Brisbane railway line, Summerland Way, Mount Lindesay Road, and Bruxner Highway</p> <p>Creation of Regional Joint Organisations of Councils</p> <p>Life-stylers and Tree-changers</p>	<p>Major Infrastructure Failure (bridges and roads)</p> <p>Dependence on Grant Funding</p> <p>Loss of Existing Major Employers</p> <p>Natural Disasters (Flooding)</p> <p>Population Decline</p> <p>Lack of External and Private Investment in the area</p> <p>Increased Cost Shifting from other tiers of Government</p> <p>Risk of Loss of Employment in Small Business and Not-for-Profit Sector related to loss of Social Capital and Local Identity</p>

2.2 Performance against the Fit for the Future benchmarks

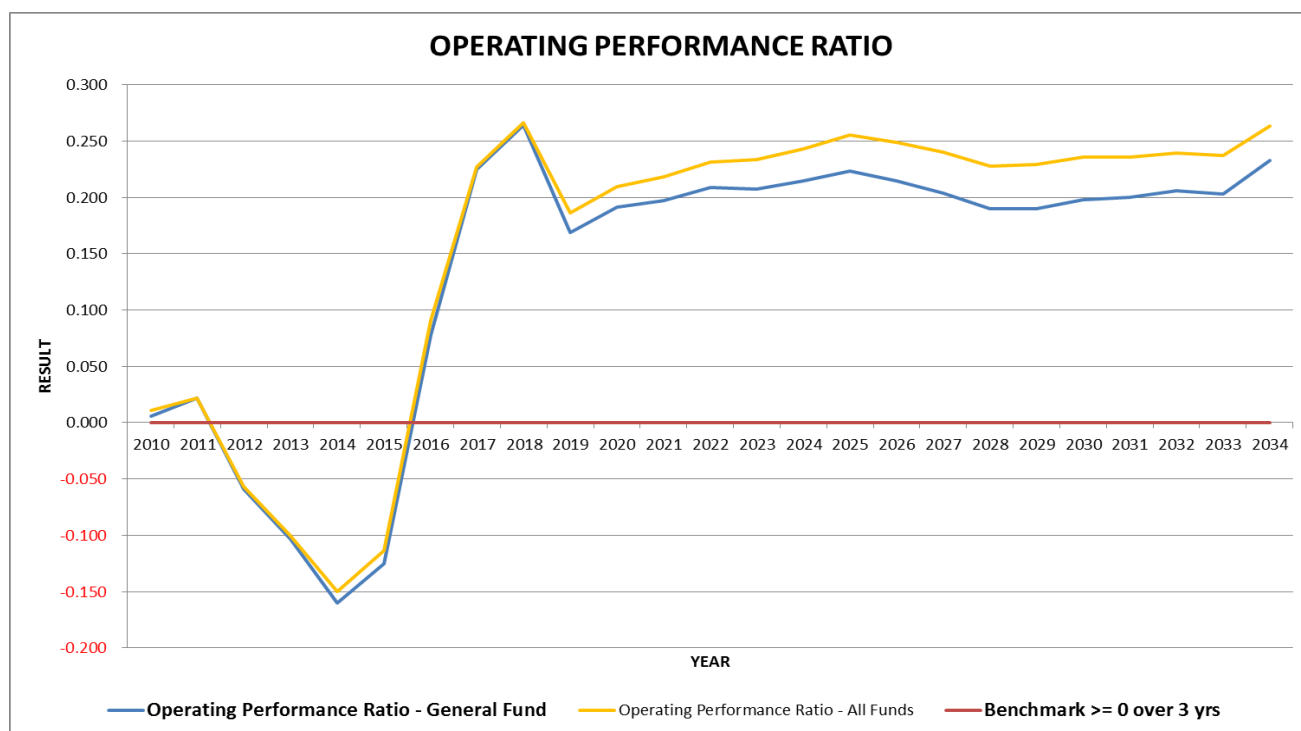
Sustainability				
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Operating Performance Ratio (Greater than or equal to break-even average over 3 years) General Fund	0.02	-0.06	-0.10	-0.16
All Funds	0.02	-0.06	-0.10	-0.15
Own Source Revenue Ratio (Greater than 60% average over 3 years) General Fund	51.4%	52.6%	53.2%	53.4%
General Fund with FAGs	67%	68.5%	68.5%	69.9%
All Funds	53.7%	55.6%	56.4%	57.1%
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years) General Fund	159.8%	94.8%	70.0%	75.8%
All Funds	154.8%	83.3%	74.7%	81.4%

Sustainability			
Measure/Benchmark	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years) General Fund	No	0.23	Yes
All Funds	No	0.23	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years) General Fund	No	53.6%	No
General Fund with FAGs	Yes	71.2%	Yes
All Funds	No	51.5%	No
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years) General Fund	No	98.5%	No
All Funds	No	115.8%	Yes

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

Operating Performance Ratio

Council's Operating Performance Ratio turns positive and exceeds the benchmark in the 2015/16 financial year and stays within a positive range of 0.15 to 0.20 within the scope of the 20 year Long Term Financial Plan (LTFP) as indicated on the attached graph.

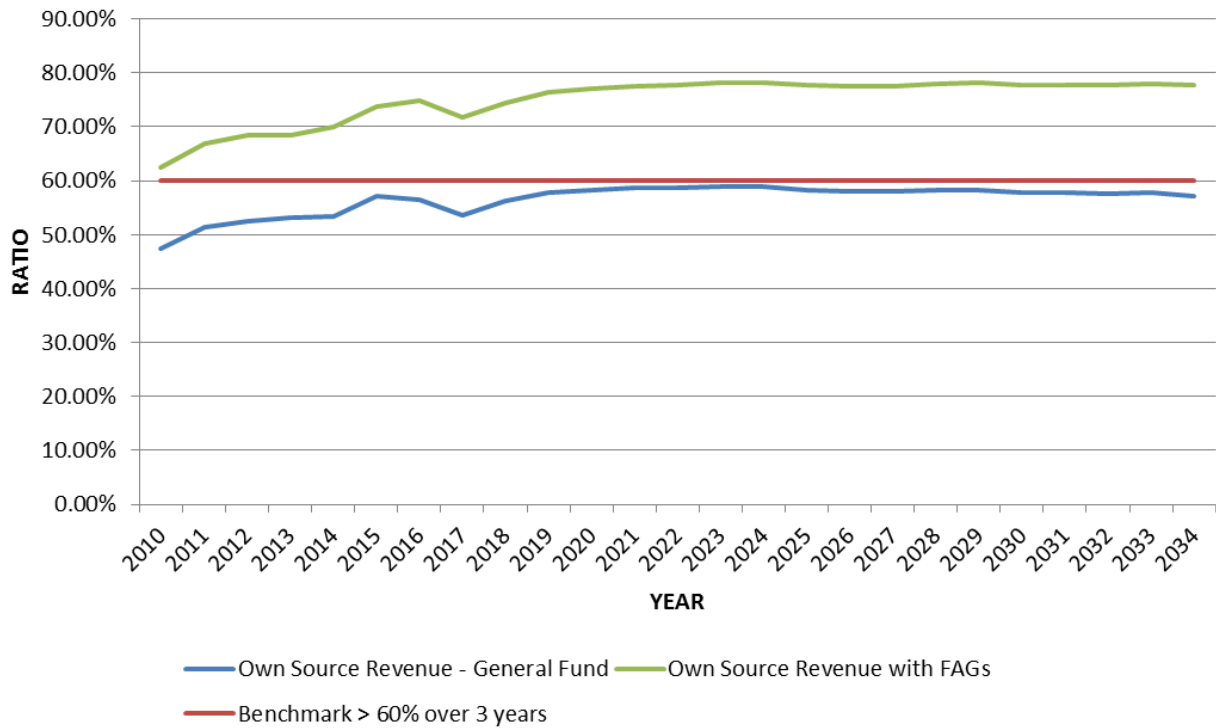


Own Source Revenue Ratio

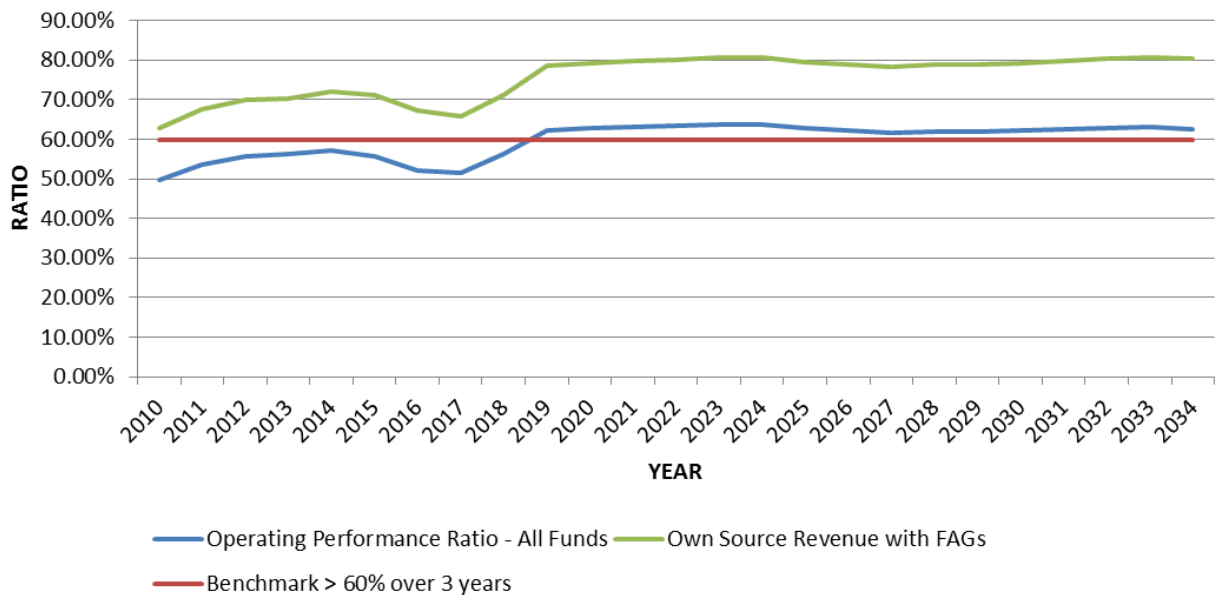
Kyogle's Own Source Revenue Ratio is impacted by the receipt of significant grant revenues. Council receives a higher Financial Assistance Grant (FAG) due to increased disability factors and also receives a significant amount of capital grants due to the amount and condition of our infrastructure assets. Council is also heavily impacted by 30% of the total LGA (1,052 kms²) being non-rateable land, that is mainly State forest or National Park. The lost revenue from this significant portion of the LGA's land area severely impacts on Council's revenue-raising abilities.

The following graphs show the Council General Fund's borderline position on this Ratio over time, using FFTF methodology and LTFP data and also shows the impact if the Financial Assistance Grant (FAG) is included. If all of Council's operations are taken into account, Council would satisfy the benchmark in 2018/2019 and stay above benchmark for the period of the LTFP. As the Financial Assistance Grant (FAG) is an integral part of Council's annual income, and once this is taken into account, Council easily meets the benchmark for this ratio. However, Council is satisfied that this is a sustainable position for our Community but will continue to seek further opportunities for extra revenue from other sources e.g. Fee-for-Service charges, property leases and rentals, grants for specific rural/village services, other commercial activities, etc.

OWN SOURCE REVENUE - GENERAL FUND

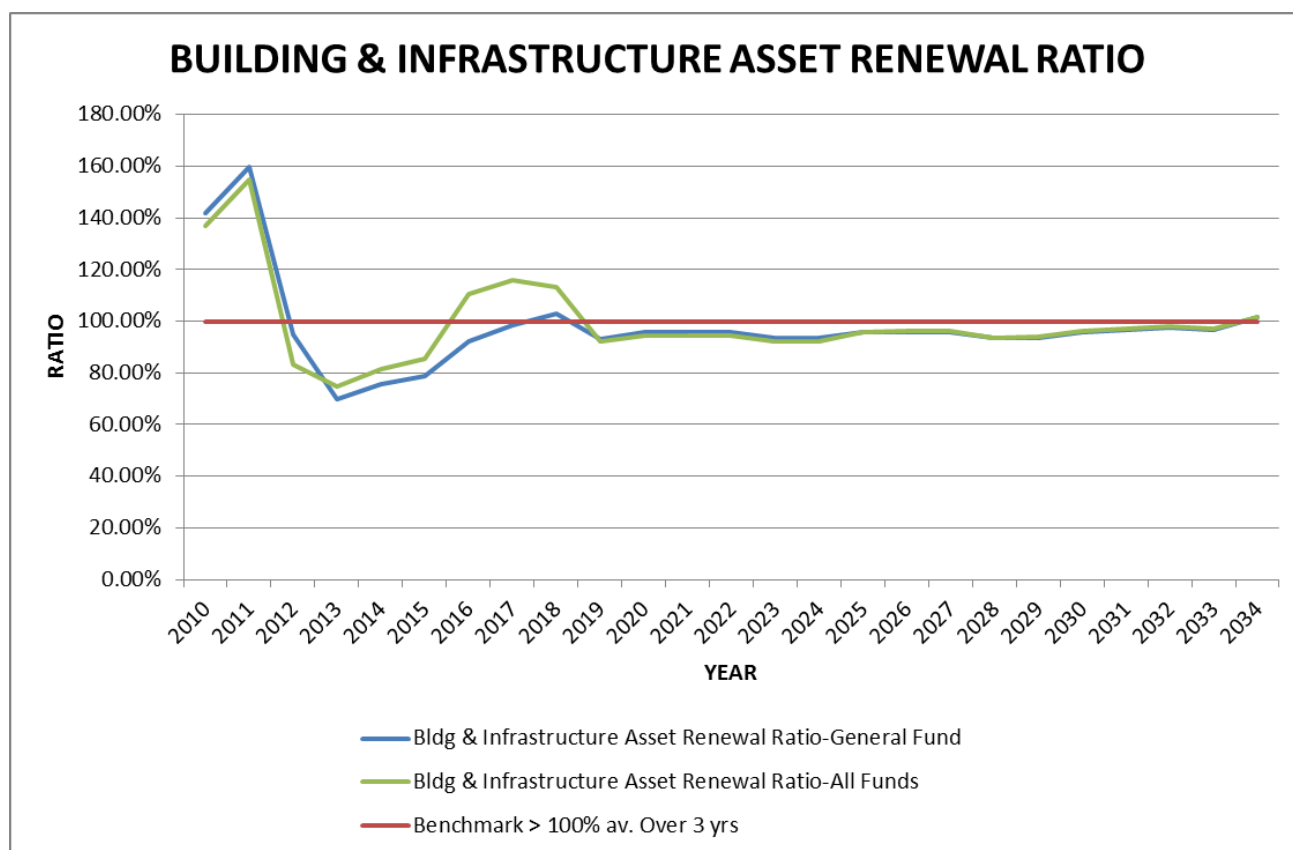


OWN SOURCE REVENUE - ALL FUNDS



Building and Infrastructure Renewal Ratio

Due to budgetary constraints and the high level of infrastructure backlog, Council has incorporated a strategy into the LTFP to improve the amount of renewals that will result in an improvement in this Ratio over time. In addition to adopting a policy of General Fund borrowing to improve the infrastructure backlog, a review of Council's Financial Management Policy has seen a more efficient use of Reserves to assist with funding the reduction of the backlog. The attached graph shows that the trend will improve over time. We feel this is a satisfactory result in the circumstances and believe that any of the recommended merger proposals would not have a significant positive impact on the backlog and this Ratio.



2.2 Performance against the Fit for the Future benchmarks

Infrastructure and service management				
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Infrastructure Backlog Ratio (Less than 2%)				
General Fund	17.6%	19.2%	14.2%	19.75%
All Funds	21.3%	20.2%	16.8%	18.71%
Asset Maintenance Ratio (Greater than 100% average over 3 years)				
General Fund	107.6%	87.6%	70.7%	70.8%
All Funds	105.2%	87.4%	70.8%	72.0%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)				
General Fund	0.00%	0.00%	0.00%	0.00%
All Funds	0.8%	0.8%	0.7%	0.6%

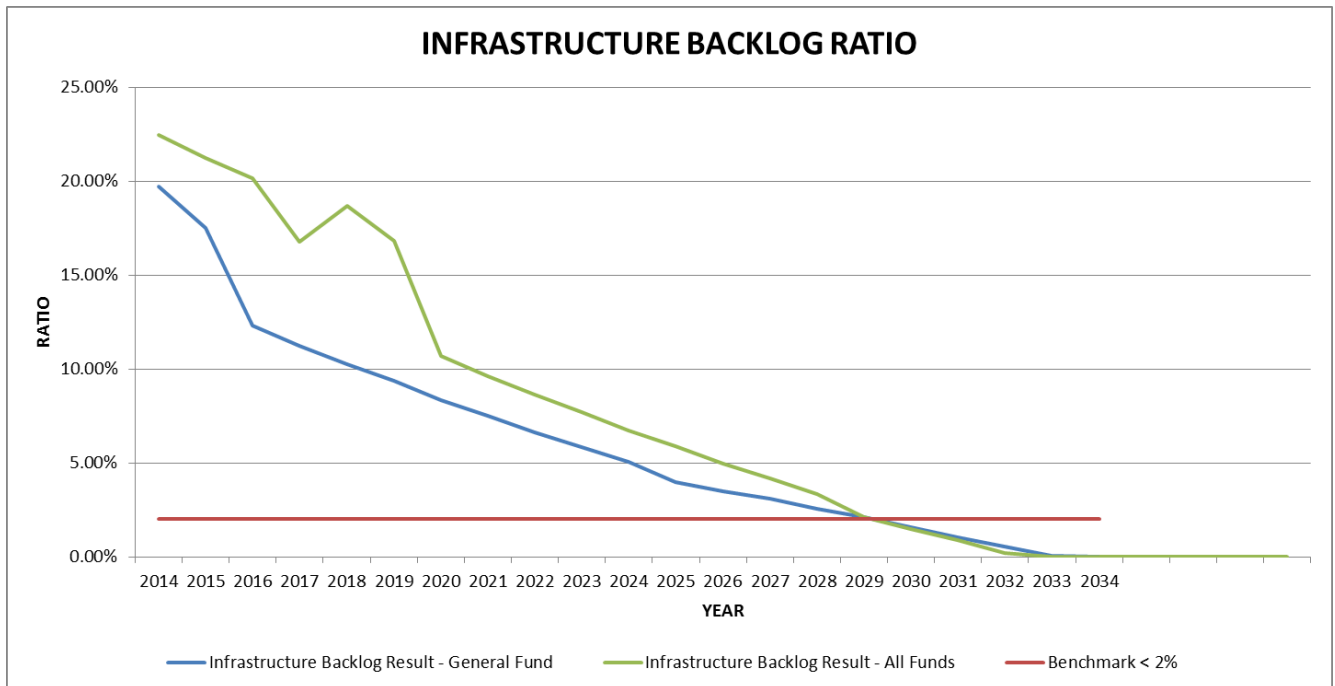
Infrastructure and service management			
Measure/Benchmark	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)			
General Fund	No	11.2%	No
All Funds	No	9.6%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)			
General Fund	No	100.1%	Yes
All Funds	No	100.1%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)			
General Fund	No	6.44%	Yes
All Funds	Yes	5.6%	Yes

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

Infrastructure Backlog Ratio

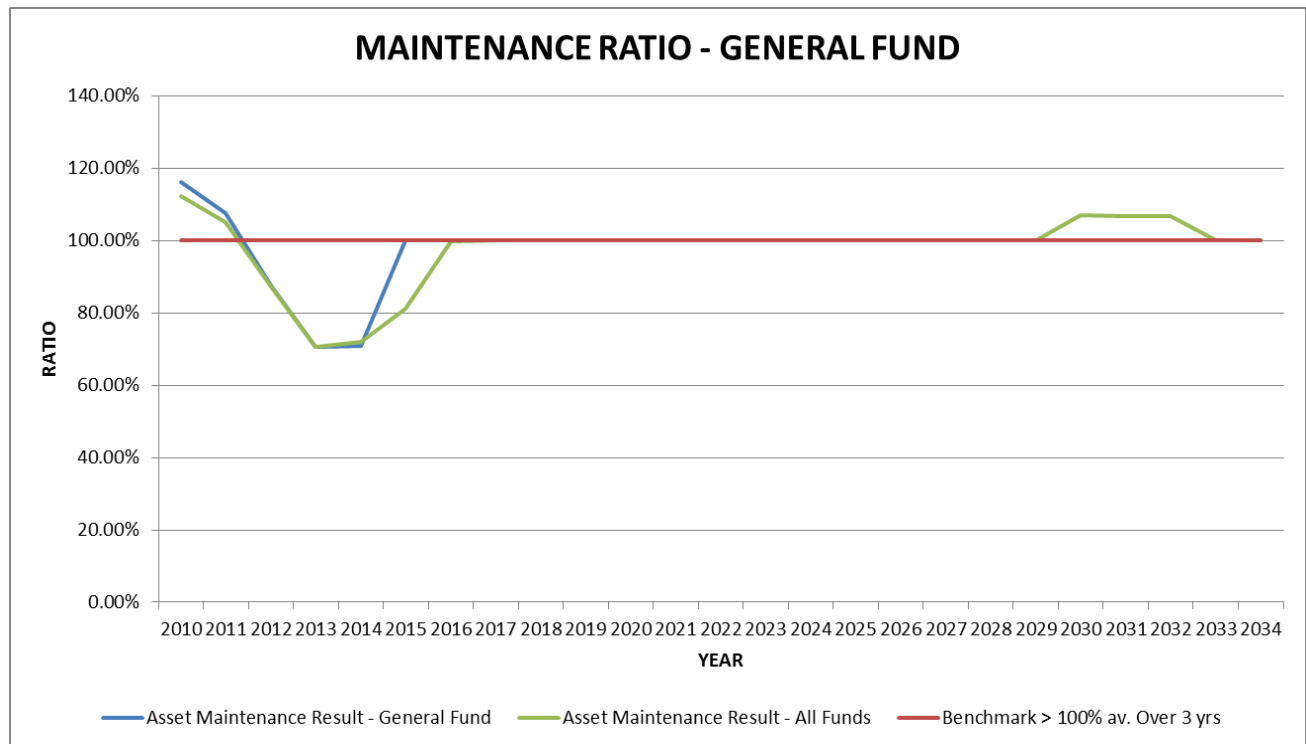
Council recognises that the high level of infrastructure backlog is due to ageing infrastructure and especially the significant number of timber bridges and a complex road network in steep topography and highly variable soils. Council's 1,216 kilometre road network is highly susceptible to the vagaries of the weather and in a high rainfall area, road deterioration is rapid and expensive to ameliorate. Council's asset management strategies have identified the issues but it is difficult to program reconstruction works without suitable funding. With 192 ageing timber bridges (10% of the State's total timber bridges) out of a total of 341 bridges, the challenge for Council has been attempting to maintain these bridges in a serviceable condition, prior to their replacement. These timber bridges have been replaced on a planned basis, where possible, at a current rate of approximately ten per year, always realising that we were battling an extremely difficult situation. Up to this point Council has been replacing the smaller and less technical infrastructure which leaves the more difficult and more expensive projects still to be programmed and financed.

In the formulation of the LTFP, Council has changed its previous attitude of no general fund borrowings and has lodged an application for a Special Rate Variation (SRV) that includes a commitment to borrow \$10 million to fund a reduction in this backlog. The loan funds, in addition to the more efficient use of the current reserves, will be spent quickly to reduce the backlog and will also produce savings in maintenance costs going forward. The attached graph show the improvement over time based on the LTFP, however, these timelines could be much improved if Council is successful in sourcing appropriate State and Federal grant funds.



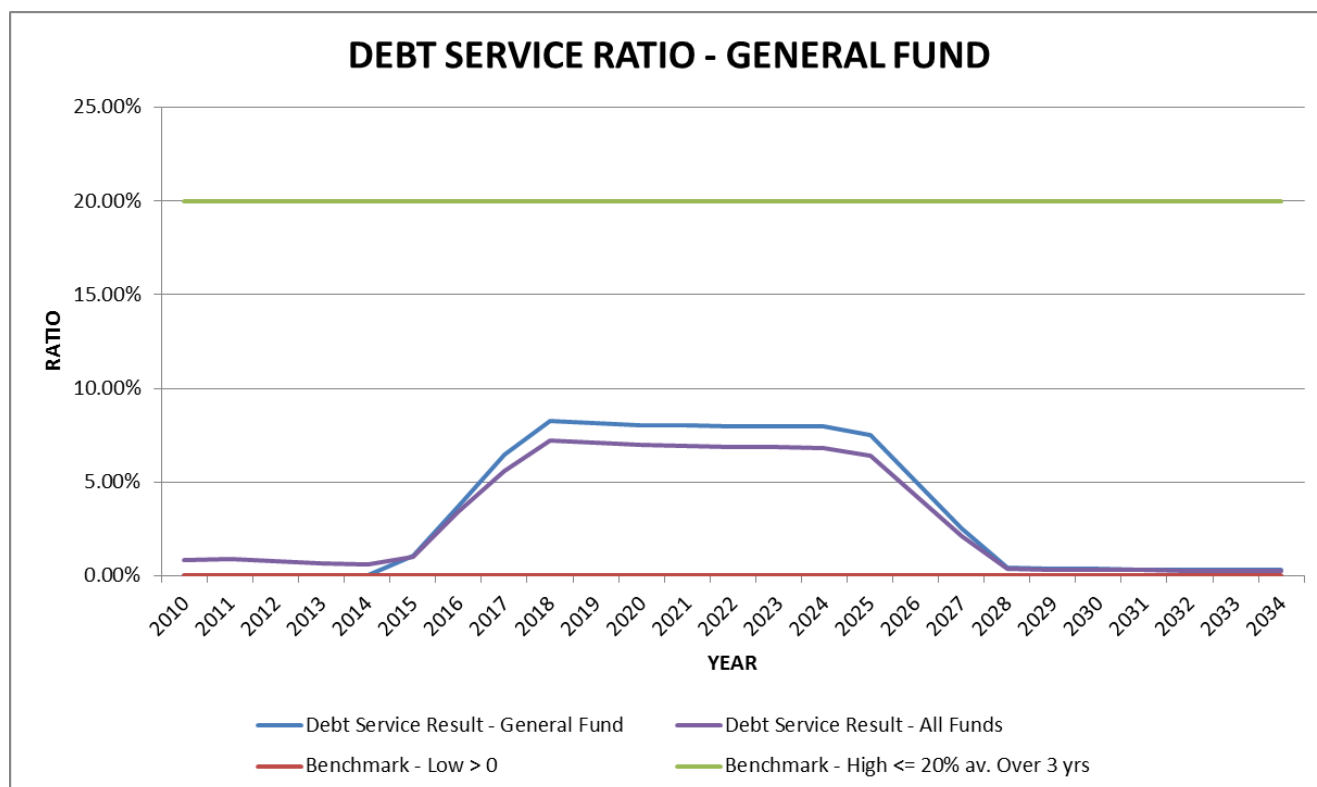
Asset Maintenance Ratio

As part of Council's Asset Management Strategy and LTFP, future spending on asset maintenance, as a minimum, must equal the required maintenance of infrastructure on an annual basis. The attached graph shows the change in strategy for both the General Fund and for Council's combined operations.



Debt Service Ratio

With the adoption of the LTFP, following the review of Council's Financial Management Policy, borrowings of \$10 million are planned for 2015/16 to reduce the infrastructure backlog. This is a change in attitude from previous councils who had avoided any general fund borrowings to fund any infrastructure backlogs. Within both the LTFP and Financial Management Policy there is also the scope and flexibility to increase and extend our borrowings if necessary, e.g. after the proposed \$10 million loan is retired in 2026.



2.2 Performance against the Fit for the Future Benchmarks

Efficiency				
Measure/Benchmark	2010/2011 performance	2011/2012 performance	2012/2013 performance	2013/2014 performance
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)				
General Fund	2.18	2.12	2.18	1.18
All Funds	2.40	2.34	2.39	1.33

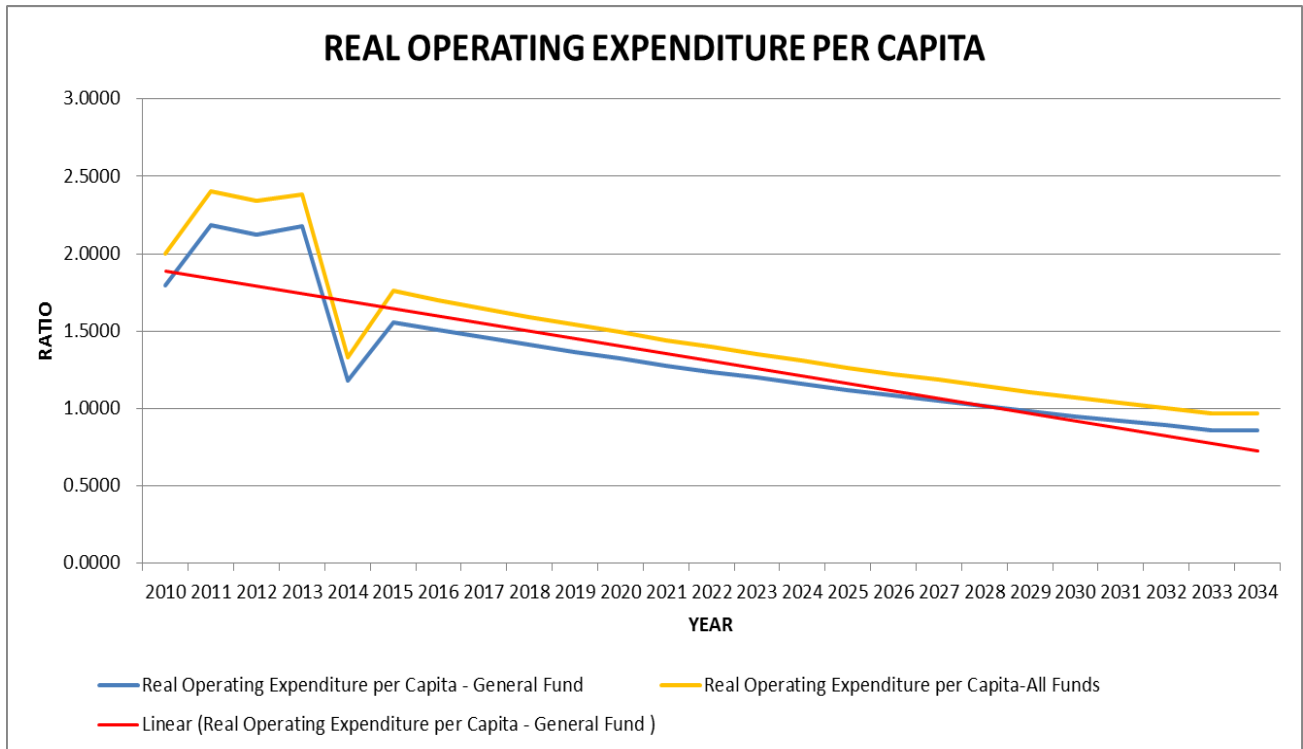
Efficiency				
Measure/Benchmark	2013/2014 performance	Achieves FFTF benchmark?	Forecast 2016/2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)				
General Fund	1.18	Yes	1.46	Yes
All Funds	1.33	Yes	1.65	Yes

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

Real Operating Expenditure per capita

With a static population over the last six years, Council has factored in a small 0.25% population increase into the LTFP. As can be seen from the attached graphs, there is a trend line that shows Council's efficiency ratio improving very slowly over the period of the LTFP despite the assumption of a very slow population growth rate. While Council continues to seek ways of achieving efficiency savings in administration, operations and work methods, there are also pressures to spend more on operational services and maintenance. These two competing factors of demand for increased operational spending versus static population growth is going to prove difficult for Council to maintain this benchmark.

It has to be said that this ratio does not measure efficiency in terms of increasing outcomes for residents. Council could increase its operating expenditure in response to a community demand and see its ratio worsen. It will also see an increasing ratio as it increases operating expenditure to address infrastructure backlogs, asset maintenance and building and infrastructure asset renewals. This is a no-win situation that this council cannot address using the elements of this measure.



2.3 Water utility performance

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

Yes. Refer to the 2013-14 Water and Sewerage Triple Bottom Line Performance Comparison summary results provided by the NSW Office of Water.

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

\$4,052,000

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
Kyogle Water Supply Augmentation	June 2015 to March 2017	\$7.462M	Water Security for Regions \$6.424M CTWSSP Grant for Pre-construction Activities \$507,000 Environmental Trust Restoration and Rehabilitation Grants \$100,000 Recreational Fishing Trust Habitat Action Grant Program \$40,000

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

No

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

The main issue has been in relation to the revenue side of the Water Fund. There have been only marginal increases in pricing over recent years, despite financial modelling included in the Strategic Business Plans and Integrated Water Cycle Management Strategy identifying higher charges being required. However, the pricing increases required to fund operations and capital renewals and upgrades have been reviewed as part of the LTFP in

2015, based on the current financial position. The financial modelling associated with the water supply and sewerage businesses will also be included in the review of the IWCMS to be completed in 2015/16.

There is also an issue with the operational costs and pricing structure not being aligned. That is to say the fixed costs and variable costs do not align with the fixed charges and variable charges in the revenue policy. This is particularly the case for water supplies. The push for compliance with NSW Governments Best Practice pricing (i.e. at least 50% of residential revenue coming from consumption charges for LWU's with less than 4,000 connections) has seen this issue become more prominent. The situation for a small LWU such as Kyogle Council is that the proportions of costs that are fixed each year are much larger than 50%. The only real variable charges are in relation to electricity, chemicals and raw water charges. Most other costs do not vary with the volume of water produced. When this revenue structure is combined with demand management initiatives that seek to reduce residential consumption, this can cause variations in annual income that place strain on the business operations, particularly in dry years where water restrictions may also be imposed, reducing consumption and revenue even further. It is Councils intention to undertake more detailed modelling of the fixed and variable costs as part of the financial modelling to be included in the IWCMS review.

Funding for renewals has been reduced due to the implementation of a number of backlog capital improvement projects, particularly for the Water Fund. This is less of an issue now for the Kyogle Water Supply Augmentation, with access to the Water Security for Regions funding through the Restart NSW Program. However, the reduced funding is affecting both the Water and Sewer funds as the program for renewals is still behind, which also affects the operational costs as frequency of failures and interruptions to services increases. This can drive up operational costs higher than budgeted for in areas around repairing and responding to ageing infrastructure, e.g. Kyogle Water Treatment Plant operations, original asbestos water mains, and vitreous clay sewer mains in areas with highly reactive soils.

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.

These may take account of the Rural Council Options in Section 3

Improvement strategies		
Strategy	Timeframe	Anticipated outcome
1. Complete the Kyogle Water Supply Augmentation	June 2015 to March 2017	<ul style="list-style-type: none"> • Reduced backlog • Improved drought security • Improved water quality • Reduced supply interruptions and water quality incidents • Reduced WTP operational costs
2. Continue accelerated sewer relining program	July 2015 onwards	<ul style="list-style-type: none"> • Reduced backlog • Reduction in service interruptions • Reduced maintenance costs for sewerage reticulation

Improvement strategies		
3. Targeted Mechanical and Electrical Renewals Program	July 2015 to June 2017	<ul style="list-style-type: none"> • Reduced backlog • Reduction in service interruptions • Reduced maintenance costs for water and sewerage pumping stations
4. Efficiency Improvements	July 2015 to June 2017	<ul style="list-style-type: none"> • Reduced energy consumption and peak usage • Chemical dosing improvements and reduced chemical consumption • Improved reporting and monitoring to identify areas for targeted renewals programs • Reduced operational costs across all areas
5. Integrated Water Cycle Management Strategy and Strategic Business Plan Review	January 2015 to June 2016	<ul style="list-style-type: none"> • Expand IWCMS to cover all Local Government Area, including un-serviced villages • Identify community issues and opportunities • Review pricing structure and NOW compliance requirements • Develop strategy for addressing trade waste dischargers affecting operational costs

The table above should be read in conjunction with the Water and Sewerage Action Plans prepared by the NSW Office of Water based on the 2013-14 Performance comparison reporting. Copies of these Action Plans are included in the attachments.

Section 3: Towards Fit for the Future

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

Outline your council's key strategies to improve performance against the benchmarks in the 2016-20 period, considering the six options available to Rural Councils and any additional options.

Option 1: Resource sharing				
Proposal	Implementation	Proposed milestones	Costs	Risks
Procurement	Procurement Roadmap process lead by NOROC	Adoption of the Procurement Roadmap by NOROC and continuation after establishment of Joint Organisation of Councils in Sept 2016	Initial development of plan funded through NOROC, ongoing costs from existing staff resources	Lack of commitment from other councils in the region
Regional Waste Services Co-ordination	Through North East Waste (NE Waste) group	Regional waste management strategy already prepared, review by December 2016 & subject to establishment Joint Organisation of Councils	Current annual contribution \$10,000, indexed	Currently a voluntary arrangement only
Northern Rivers Local Water Utilities Regional Alliance	Through formal Memorandum of Understanding	Regional Bulk Water Supply Study (completed 2013), ongoing action plan implemented through Northern Rivers Water Managers Group	No additional costs, just staff time for involvement in regional projects and actions	Lack of regional level strategic direction or support for involvement of staff and implementation of actions
Northern Rivers Local Government Development Design and Construction Manuals	Through Terms of Reference for management group	Review of Water and Sewer Specifications by December 2015	No additional costs, just staff time for involvement in regional projects and actions	Lack of regional level strategic direction or support for involvement of staff and review of specifications to ensure currency

Option 1: Resource sharing				
Proposal	Implementation	Proposed milestones	Costs	Risks
Continued Involvement in other Regional Groups	Various groups established for regional collaboration and co-ordination in areas such as; <ul style="list-style-type: none"> • Risk Management • WHS • Human Resources • Natural Resource Management • Planning • Tourism and Economic Development 	Establishment of formal Terms of Reference for all groups after establishment of Joint Organisation of Councils in Sept 2016	No additional costs, just staff time for involvement in regional projects and actions	Lack of regional level strategic direction or support for involvement of staff from individual councils
Sharing Professional Staff	Through agreement at NOROC/JO level or with individual adjoining Councils	Review regional arrangements as part of Joint Organisation of Councils establishment September 2016	No additional costs, potential administrative savings	Lack of commitment from other councils in the region Reduction of in-house expertise and reliance on external resources

Option 2: Shared administration				
Proposal	Implementation	Proposed milestones	Costs	Risks
Future of existing County Councils	Determination of the future of the existing County Councils delivering bulk water supply, weed management, and flood management services to various councils	Review of County Council functions as part of Joint Organisation of Councils establishment September 2016	Some additional costs in the short term when assessing options – unable to quantify at this time. Potential administrative savings in the long term	Lack of regional approach to establishment of core functions for Joint Organisations of Councils
Regional Library Services	Existing Richmond Upper Clarence Regional library between Kyogle Council and Richmond Valley Council, and separate Richmond Tweed Regional Library with Tweed, Lismore, Ballina and Byron Councils.	Review existing service level agreement in June 2015 Review of wider regional arrangements as part of Joint Organisation of Councils establishment September 2016	No additional costs, potential administrative savings	Lack of formal agreement post June 2015 Lack of regional approach to establishment of core functions for Joint Organisations of Councils
Joint Administration of Rural Fire Services	Service level agreement in place between Richmond Valley, Lismore City Kyogle Council and the Rural Fire Service	Review existing service level agreement in conjunction with review of wider regional arrangements as part of Joint Organisation of Councils establishment September 2016	No additional costs, potential administrative savings	Lack of regional approach to establishment of core functions for Joint Organisations of Councils
Emergency Management and Co-ordination	As part of the establishment of Joint Organisations of Councils	Review existing arrangements across the region as part of Joint Organisation of Councils establishment September 2016	No additional costs, potential administrative savings	Lack of regional approach to establishment of core functions for Joint Organisations of Councils

Option 3: Speciality services				
Proposal	Implementation	Proposed milestones	Costs	Risks
Timber Bridge Maintenance Services	Kyogle Council to provide timber bridge maintenance services to adjoining Councils through resource sharing arrangement	Consider as part of process leading up to Joint Organisation of Councils establishment September 2016	No additional costs	Other councils do not take up the resource sharing opportunity

Option 4: Streamlined governance				
Proposal	Implementation	Proposed milestones	Costs	Risks
Review Council Committee Structure	Internal review post adoption of revised Community Strategic Plan	Review for determination by Council in September 2015	No additional costs, potential for cost savings subject to final structure	NSW Governments Regulatory review not completed
Review Governance Structure	Consult with community on options for reduced Councillor numbers and popularly elected Mayor	Review for determination prior to Sept 2016 elections	No additional costs, potential for cost savings subject to final structure	NSW Governments Regulatory review not completed
Review Organisational Structure	Review Council organisational structure to provide efficiency improvements and appropriate staffing levels	Commence review post establishment of Joint Organisations of Councils in Sept 2016	Additional costs if external consultants engaged approx. \$40,000. Potential for cost savings subject to final structure	Establishment of Joint Organisations of Councils delayed NSW Governments Regulatory review not completed

Option 5: Streamlined planning, regulation and reporting				
Proposal	Implementation	Proposed milestones	Costs	Risks
Regional State of the Environment Reports	Data collection and report preparation co-ordinated by NOROC at present	Provide data under current arrangements, review as part of establishment of Joint Organisation of Councils Sept 2016	Cost savings of approx. \$10,000 per year already realised, no additional costs assumed.	Lack of regional approach to establishment of core functions for Joint Organisations of Councils NSW Governments review of reporting requirements not completed
Review of Integrated Planning and Reporting Documents	Review of Community Strategic Plan, Workforce Management Plan, Asset Management Plans	Review Community Strategic Plan by September 2015 Review remaining IP&R documents post establishment of the Joint Organisations of Councils in Sept 2016	Cost savings may be realised subject to the implementation of the NSW Governments Regulatory review	Establishment of Joint Organisations of Councils delayed NSW Governments Regulatory review not completed
Reduction in "Red Tape"	Adoption of updated Council Policies and procedures	Review key Policies and procedures based on the NSW Governments Regulatory review and establishment of Joint Organisations of Councils	Cost savings may be realised subject to the implementation of the NSW Governments Regulatory review	Establishment of Joint Organisations of Councils delayed NSW Governments Regulatory review not completed NSW Governments Regulatory review does not reduce red tape

Option 5: Streamlined planning, regulation and reporting

Proposal	Implementation	Proposed milestones	Costs	Risks
Reduction in Cost Shifting and Clear Regulatory Responsibilities	<p>Review of the responsibilities of Local and State Government Agencies under relevant legislation e.g.</p> <ul style="list-style-type: none"> Local Government Act Protection of the Environment and Operations Act Public Health Act Environmental Planning and Assessment Act Crown Lands Management Act Water Management Act Waste Management and Minimisation Act Roads Act 	<p>Review structure and service delivery models based on the NSW Governments Regulatory review and establishment of Joint Organisations of Councils</p>	<p>Cost savings may be realised subject to the implementation of the NSW Governments Regulatory review</p>	<p>Establishment of Joint Organisations of Councils delayed</p> <p>NSW Governments Regulatory review not completed</p> <p>NSW Governments Regulatory review does not reduce red tape or cost shifting</p>

Option 6: Service review

Proposal	Implementation	Proposed milestones	Costs	Risks
Review of Service Levels across all areas	To be implemented in accordance with the 20 year Long Term Financial Plan adopted by Council in February 2015	Operational and Delivery Plans updated to reflect the service levels and budget projections contained in the LTFP by 30 June 2015	The cost savings and additional expenditure areas are detailed in the adopted LTFP – see significant items below.	LTFP not implemented
Key Service Level Changes - included in adopted LTFP	Closure of Woodenbong Landfill	Landfill area closed and capped and transfer station established by June 2016	<p>\$320,000 of capital expenditure (external funding from EPA)</p> <p>Annual cost savings of around \$45,000</p>	Regulator (EPA) requirements not met

Option 6: Service review				
Proposal	Implementation	Proposed milestones	Costs	Risks
Key Service Level Changes - included in adopted LTFP	Consolidation of waste transfer stations servicing the Bonalbo, Tabulam and Mallanganee areas into one site	Transfer station site established and operational by June 2017	\$40,000 for site establishment and closures Annual cost savings of around \$60,000	Regulator (EPA) requirements not met Delays in determining final site
	Disposal of surplus community buildings	Demolition or removal of Cedar Point Hall and Horseshoe Creek Hall structures by June 2016 Sale of Grove House by June 2018	\$210,000 net income for sale and disposals Net annual cost savings of around \$15,000 Annual reduction in depreciation expenses of \$23,000	Sale of Grove House subject to market demand NSW Government concurrence may be required for disposal of halls on Crown Reserves
	Increased capital expenditure on bridges	Replacement of all timber bridges by 2045	\$1.4 million per year, indexed	Some funds subject to access to external grants
	Reduced maintenance expenditure on bridges	Stepped reduction in maintenance expenditure from \$620,000 in 2015/16 to reach \$204,000 per year by 2034	\$7million saving over 20 years	Subject to capital works program for timber bridge replacements being implemented in accordance with LTFP
	Increased capital renewal expenditure on Regional Roads	Reconstruction of Regional Roads every 40 years, and reseals every 15 years	\$1.34 million per year indexed from 2015/16	Some funds subject to access to external grants
	Decreased maintenance expenditure on Regional Roads	Maintenance costs fixed without indexation from 2016 to 2023	\$4 million in savings over 20 years	Subject to capital works program for renewals being implemented in accordance with LTFP
	Increased capital renewal expenditure on rural local roads	Reconstruction of sealed roads every 40 years, reseals every 17 years, re-sheeting gravel roads every 24 years	\$2.4 million per year indexed from 2015/16	Some funds subject to access to external grants

Option 6: Service review				
Proposal	Implementation	Proposed milestones	Costs	Risks
Key Service Level Changes - included in adopted LTFP	Initial sealing program for high priority gravel roads	Sealing of 13km of unsealed roads between 2016 and 2019, then ongoing annual program	\$3.3 million over the first three years, then \$400,000 per year indexed	Funding subject to 50% external grants
	Decreased maintenance expenditure on Rural Local Roads	Maintenance costs fixed without indexation from 2016 to 2023	\$6.4 million in savings over 20 years	Subject to capital works program for renewals and initial seals being implemented in accordance with LTFP
	Increased capital upgrades and renewals in the urban streets	Initial seals completed by 2019 PAMP Projects completed by 2034 Reconstruction of Urban streets every 50 years Resealing of urban streets every 20 years	\$65,000 per year indexed for footpaths \$70,000 per year indexed for kerb and guttering \$85,000 per year for four years for initial sealing of streets \$387,000 per year indexed for capital renewals	Subject to capital works program for renewals and initial seals being implemented in accordance with LTFP
	Increased capital upgrades and renewals for stormwater and flood management	Completion of Kyogle Flood Modifications in 2016/17 Flood studies for Tabulam and Bonalbo in 2017 and 2020 Voluntary House Purchases completed by 2040	\$220,000 per year indexed	Some funds subject to access to external grants

Option 6: Service review				
Proposal	Implementation	Proposed milestones	Costs	Risks
Partnerships with volunteers and community groups	Through Village Maintenance Agreements for Wiangaree, Woodenbong, Old Bonalbo, Bonalbo, Tabulam and Mallanganee	Village Maintenance Agreements reviewed on a four yearly cycle across the six villages.	Current budget for Village Maintenance Agreements is \$28,000 per year	Lack of volunteers to undertake maintenance tasks Breakdown of the partnership with key community groups
	Through management of volunteer staff at Visitor Information Centre and Art Gallery	Review volunteer levels annually	Current budgets for the relevant areas cover the costs associated with volunteer staff and supervision	Lack of volunteers Lack of suitable supervisory staff
	Through formal Lease Agreements for Pre-school buildings	Lease arrangements reviewed annually	Three pre-schools operated from Council owned buildings for a net cost of \$40,000 per year	Lack of community based operators

Option 7: Additional options identified by the council

Proposal	How will it be achieved/Implemented	Proposed milestones	Costs	Risks
Energy efficiency Program	Implementation of energy audit findings at high energy consuming sites	Installation of solar PV systems and energy efficient retrofits at Kyogle, Bonalbo and Woodenbong Pools, Council Administration Building and Kyogle Library by June 2016	\$170,000 of capital expenditure Annual cost savings of around \$34,000	Opportunities for external funding not maximised
Integrated Corporate Record Management System	<p>Review existing system and identify possible integrated solutions and assess options that include the key outcomes which include;</p> <ul style="list-style-type: none"> Improved Customer Request tracking Access to mobile forms for field staff Electronic water meter reading forms Record management system integration with e-mail system and approvals system Integration with system to provide for on-line lodging and tracking of Development Applications 	Assessment of options completed by August 2015	Costs projected in the order of \$100,000 over four years, depending on adopted solution.	<p>Limited options available that deliver integrated outcomes</p> <p>Preferred solution cannot be implemented within existing budget</p> <p>External funding opportunities not realised</p>

How will your proposal allow your council to become/remain Fit for the Future against the criteria?

Efficiency	Infrastructure and Service management	Sustainability
<ul style="list-style-type: none"> • Reduction in operating expenditure • Improved service delivery within existing budgets • Increased population through economic growth 	<ul style="list-style-type: none"> • Reduce identified maintenance costs over time • Reduction in infrastructure backlog • Increased Written Down Value of infrastructure assets • Increase in funds available for expenditure on asset maintenance • Effective use of debt and borrowings 	<ul style="list-style-type: none"> • Reduced operational expenditure • Savings in asset renewal costs • Increased operational revenue from external grants • Increased own source revenue • Increased expenditure on capital renewals • Reduction in annual depreciation

3.2 Rural Council Action Plan

Giving consideration to the Rural Council options, summarise the key actions that will be achieved in the first year of your plan.

Action plan	
Actions	Milestones
1. Special Rate Variation Implementation	IPART Determination May 19, 2015 Included in Operational Plan July 2015
2. Long Term Financial Plan Implementation	Review prior to preparation of Operational Plan for 2015-2016 in May 2015 Review against actual results once Financial Statements are completed in October 2015 Annual Review of Performance against LTFP and benchmarks as part of Annual Report November 2015
3. Community Strategic Plan Review	Updated CSP adopted October 2015
4. Workforce Plan Review	Review of performance against LTFP completed November 2015 Workforce Plan review completed by June 2016

**Please attach detailed action plan and supporting financial modelling.*

Outline the process that underpinned the development of your action plan.

For example, who was involved, any external assistance, consultation (incl. employees, Joint Organisations representatives and relevant industrial representatives) or collaboration, and how the council has reviewed and approved the plan.

The process Council has undertaken, that underpinned the development of this action plan, was the recent review of its Long Term Financial Plan (LTFP). This review commenced with the receipt of the TCorp report and the external review of its findings undertaken by consultants Review Today. This led to a review of Council's Financial Management Policy and a subsequent comprehensive review of all its operations that led to the adoption of the 20 year LTFP in February 2015. The process is outlined in more detail in the next section of this document. (Section 3.3)

The whole process is essentially underpinned by the Integrated Planning and Reporting (IP&R) framework, which is why the plan outlined above is focussed on the next stages of the ongoing review of the IP&R documentation.

3.3 Community involvement

Outline how you have consulted with your community on the challenges facing your council, performance against the benchmarks and the proposed solutions.

Council adopted its original Integrated Planning and Reporting Documentation during the course of 2012. The current Asset Management Plans identified significant issues around the shortfall of funding for Council's major infrastructure assets, in particular, Transport and Urban Stormwater. Council then presented this information to the Community through a series of fact sheets leading up to the 2013 Residents and Ratepayers Survey. A copy of the Fact Sheets and Report from the 2013 Residents and Ratepayers Survey is included in the attachments to this document.

As part of the work of the Independent Local Government Review process, TCorp released a report on the financial sustainability of Kyogle Council in March 2013. The elected Council undertook a visioning exercise in January 2014 as the first step in developing a process around addressing the issues identified through the IP&R process and the TCorp Report. Council commissioned an additional financial sustainability report through consultants Review Today, which was completed in April 2014. Based on these reports, Council agreed that the Long Term Financial Plan (LTFP) and Community Strategic Plan (CSP) needed to be reviewed to ensure the issues identified were addressed. The first stage of the process involved the review of the existing Financial Management Policy, with a draft revised document presented to the community for review in July 2014, before being adopted in August 2014.

In the lead up to the review of the LTFP and CSP, Council adopted a comprehensive Community Engagement Strategy in July 2014. As part of the adopted community engagement process, five Focus Groups with community representation were established in August 2014 around the key areas for the Community Strategic Plan review process. The areas that the Focus Groups were to review and update were:

- Ageing in Place, Disability and Respite Care
- Village Life
- Visitor Attraction
- Agriculture
- Governance and Community Services

The elected councillors and senior staff then undertook a series of workshops in August and September 2014 to work through the review of the existing LTFP model and its assumptions. This resulted in a comprehensive review of service levels to establish the political appetite for service level reductions in particular. Based on these workshops, a draft LTFP was prepared for formal consideration by the elected Council.

The draft LTFP was placed on public display on October 22, 2014 with advice that submissions would close on November 24, 2014. There were a number of methods used to engage the community during this time, using various delivery mechanisms, to ensure that as many people as possible were given the opportunity to provide input and feedback on the draft LTFP.

The main methods of engagement were:

- Newspaper advertisements

- Distribution of hard copy documents to every mailbox in the LGA
- Council's website
- Monthly Council Newsletter delivered to every mailbox in the LGA
- Staffed Listening Posts at community events
 - Woodenbong Yowie Markets Saturday October 25
 - Bonalbo Memorial Hall Tuesday October 28
 - Kyogle Farmers Markets Saturday November 1
- Preparation of community information brochures, fact sheets and rates comparisons
- Community Surveys

The initial feedback came from the series of Listening Posts held in the main villages across the LGA of Woodenbong, Bonalbo and Kyogle. This allowed Council staff to make contact with members of the community when they were in a relaxed environment, rather than through a formal public meeting. At the Woodenbong Listening Post, 24 people took the time to stop and discuss their views with Councillors and Council staff. At Bonalbo there were a further 21 people and another 64 at the Kyogle Listening Post. A total of 50 written submissions were also received. A summary of the main points raised through the community consultation process is as follows:

- Concern with rates being higher in the rural areas than in the villages
- issues created by the non-rateable properties not paying rates, e.g. State Forests, Crown Lands and support for Council to address this inequity
- need for initial sealing of highly trafficked unsealed roads and village streets
- support for the motor bike trail rides and events such as the Lions TT and Border Ranges Rally recognising the economic benefit, but some concern around Council providing support for event organisers, particularly where road damage can occur
- understanding that a rate rise above rate pegging is inevitable, with general support for the 22% proposal instead of the 46%
- Lack of support for amalgamation
- Concern about rate rise leading to increased rent for those who can least afford it
- support for extra income being allocated to roads and bridges as proposed in the draft LTFP
- very limited support for the inclusion of the non-replacement of existing bridges
- limited support for the inclusion of returning some sealed roads to gravel
- concerns about the impact of bridge load limits on emergency services and transport of produce
- perceived inefficiency of some road maintenance practices
- concern over proposed closure of one of the waste transfer stations
- condition of public amenities west of the range in particular
- need for increased tourism and associated promotion of the area
- issues around pensioners being able to afford the proposed rate increases
- concern about level of representation if Council was amalgamated
- some were prepared to pay more to ensure the local identity was maintained
- the financial incentives offered by the NSW Government were inadequate
- Council should decrease administration staff to reduce costs
- Council should be seeking additional funding from the State and Federal governments

Based on feedback received early in the process, Council then established a community survey through the on-line Survey Monkey system, with hard copies also distributed across

the entire LGA on November 17, 2014. The survey results are provided in the attachments to this application. Key results were;

- 71% of respondents had read the draft LTFP
- 87% of them said they understood it
- 50% believed the LTFP was achievable, and 50% did not
- 73% believed the information provided by Council adequately explained the proposed rate rises and how they would be applied
- 80% had read the community information brochure distributed by Council
- 88% agreed that Council needs to find additional funds to maintain its infrastructure
- 88% understood why Council wanted to apply to IPART for above rate-pegging increases
- 54% were in favour of the above rate-pegging application to IPART
- 52% agreed that the proposed rate rises would be affordable to them
- 60% agreed that Council should further explore the options around amalgamation

Whilst it was never expected that the community would show majority support for an above rate-pegging increase, it was clear that the majority of the community understood the issues to be addressed and the need for the additional revenue. Based on the feedback received during the consultation process, it was considered that the main areas of concern had been adequately addressed in the draft LTFP put to the community and it was recommended to Council that the document be adopted.

Council adopted the LTFP in December 2014 as per the draft document placed on public display. This included service level reductions in a number of areas, however, the service level reductions around the non-replacement of bridges and returning low traffic volume sealed roads to gravel were a cause for further concern amongst the effected members of the community. In response to concerns subsequently raised by the community, Council revised the LTFP at its meeting in February 2015 to remove the service level reductions in these areas and update the LTFP.

Following on from the community consultation, it was identified that there was also a need to obtain more information in relation to the potential for mergers identified in the Independent Local Government Review Panel report and subsequent Fit for the Future process initiated by the NSW Government. Whilst the community position appears to be that they do not support amalgamation, Council felt that it was prudent to ensure that the options has been properly assessed, particularly if there is the potential for better value for money for the community. Additional details in relation to the assessment of merger options is included in the following section of this document (Section 3.4)

Councils FFTF submission is to be workshopped with Councillors and senior staff at a workshop on May 20th, 2015, and then adopted for the purposes of public exhibition at an Extraordinary Meeting on May 25th, 2015. The document will then be advertised for submissions between May 27th and June 23rd, with public meetings to be held during the public display period in Bonalbo on June 3rd, Woodenbong on June 4th, and in Kyogle on June 9th. The submissions received will then be provided to Councillors and considered at a further workshop with Councillors and senior staff on June 25th and the FFTF submission amended where required, before presentation to Councils Extraordinary Meeting of June 29th, where it will need to be formally adopted by Council.

3.4 Other strategies considered

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

Eg. Council sought to pursue a merger but could not reach agreement.

Council considered a wide range of options as part of the development of the 20 year Long Term Financial Plan (LTFP) adopted in February 2015. These options were presented as a series of Scenarios being:

- Scenario 1 (Base Case)
- Scenario 2 (Adjusted Base Case)
- Scenario 3 (Ideal Expenditure Case)
- Scenario 4 (Compromised Ideal Case)
- Scenario 5 (Reduced Service Levels)
- Scenario 6 (Balanced Service Levels)
- The Adopted Scenario (Combined elements of the other Scenarios)

The Scenarios are described in more detail in the LTFP, with a Detailed Scenario Comparison Table included in the Attachments to the LTFP document. The development of Scenarios included service level reviews across all functions of Council, with the Adopted Scenario finding a balance between reduced service levels in lower priority areas, and increased service levels in higher priority areas such as roads, bridges and urban stormwater.

Service level reductions were adopted in the waste operations area including closure of a landfill site and reducing the number of transfer stations. Service levels in relation to community buildings are also to be reduced with the disposal of excess under-utilised buildings. Service level reductions in swimming pools were discussed but these services were considered too important to reduce. There were some service level reductions proposed in the roads and bridges areas as well, however, these were subsequently removed from the Adopted Scenario following consultation with the community. The proposed service level reductions were:

- Not replacing certain bridges (this was due to issues with property access difficulties, emergency services and natural disaster access and egress, and the community will)
- Ripping up some sealed roads and returning to them gravel (this was due to a lack of community support)

Options for mergers with adjoining Councils were also considered. After initial discussions with Lismore City and Richmond Valley councils, Kyogle applied to the Office of Local Government (OLG) for a facilitator to discuss the potential merger options identified in the Independent Local Government Review Panels (ILGRP) final report. KJA Engaging Solutions were employed and conducted a series of five workshops, three with each individual council, and two with Kyogle Council and each of the other two Councils. The results of these facilitated discussions were a consensus by all three councils not to pursue either merger option, nor proceed to a business case study for any potential merger options as part of the FFTF process.

Some of the key challenges identified as being a barrier to a mergers included:

- low levels of interest in merging
- still recovering from a previous amalgamation (Richmond Valley)
- lack of representation
- differing communities of interest
- maintenance of local identity
- differing financial positions and objectives
- large geographical areas
- Kyogle's infrastructure backlog and timber bridges

As both Lismore City and Richmond Valley councils were unwilling to change their previous decisions, they advised Kyogle they were confident in their decisions to lodge their FFTF templates to stand alone and generally considered that they were well progressed on delivering their vision for their LGA's. A copy of the KJA Engaging Solutions report is attached.

Despite this, Kyogle Council subsequently resolved to support the preparation of a merger business case and to seek support from both Lismore and Richmond Valley councils for the preparation of business cases for following merger options;

- Kyogle/Lismore City
- Kyogle/Richmond Valley
- Kyogle/Lismore City/Richmond Valley

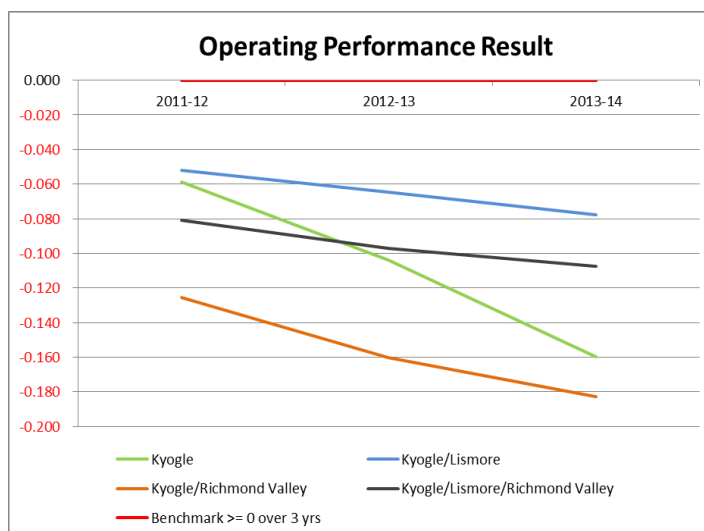
The responses received from both Richmond Valley and Lismore City Council were that they did not currently support the preparation of a business case for any of those options as part of the FFTF process and reinforced their intentions to lodge their FFTF submissions on the basis that they would each stand alone. Both Councils also made it clear that they were not interested in a merger option that included the other, i.e. the Kyogle/Lismore City/Richmond Valley merger option. This precluded the use of the Council Merger Proposal Template under the FFTF Guidelines.

This resulted in Kyogle Council needing to also lodge its FFTF submission based on remaining a stand-alone Council. Council assessed itself against the criteria listed for a Rural Council and was satisfied that it met the majority of the criteria, particularly those relating to the LGA's small and declining population spread over a large area (refer Section 1.2).

In the absence of agreement between the three councils to proceed to a merger business case, Council staff took Lismore City and Richmond Valley's publically available historical financial data to compare the three merger scenarios identified above, using the FFTF Self-Assessment Tool methodology. The results are presented below. There was no data for future projected financial results and no allowances were made for any cost savings that may be realised as part of a merged organisation.

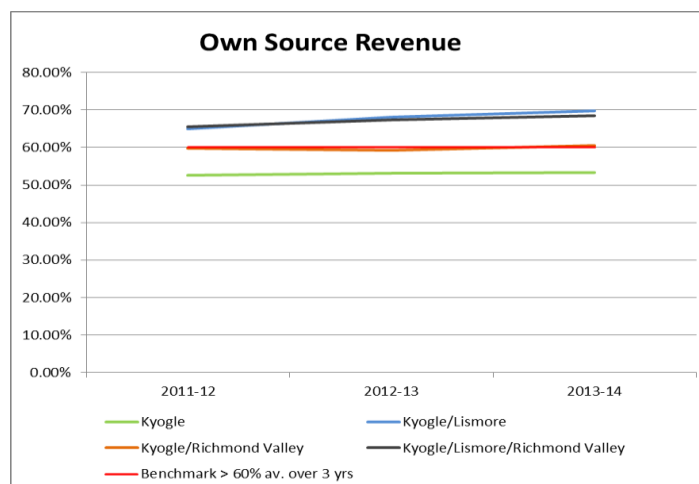
Operating Performance Result

All councils did not meet the benchmark for this ratio and these results indicate a trend in the opposite direction to the benchmark. Comparing the different models, Lismore's ratio deteriorates overall, Richmond Valley improves over the three averaged years and Kyogle shows a slight improvement. As with Kyogle, we would expect an improvement by all councils into the future but there are no indications that it would be any better under a merged council scenario.



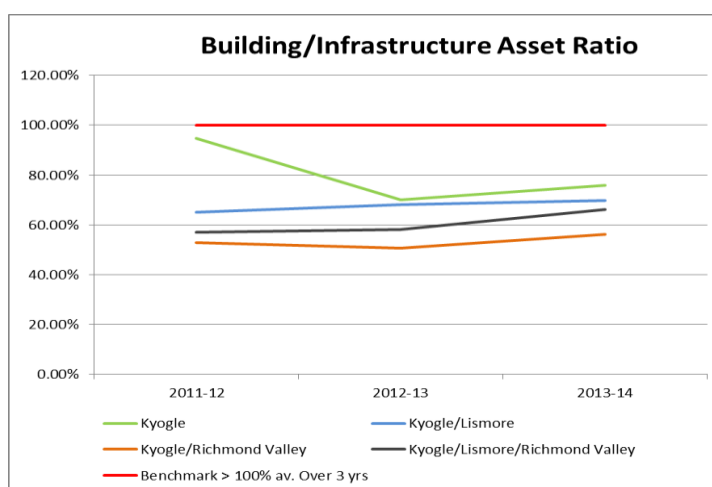
Own Source Revenue

With this ratio, Kyogle would show an improvement under a three council merged model with Lismore being worse off and Richmond Valley improving. The same result occurs for Lismore/Kyogle merge model with mixed results for the Kyogle/Richmond Valley model compared to their stand-alone statistics and the three council model.



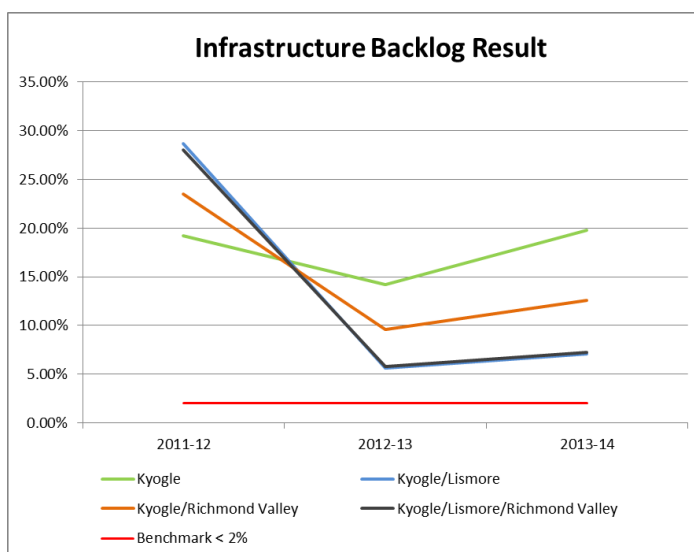
Building and Infrastructure Asset Ratio

While not achieving the benchmark, Kyogle performed the best of the three councils with this ratio and consequently is disadvantaged under all the merged scenarios.



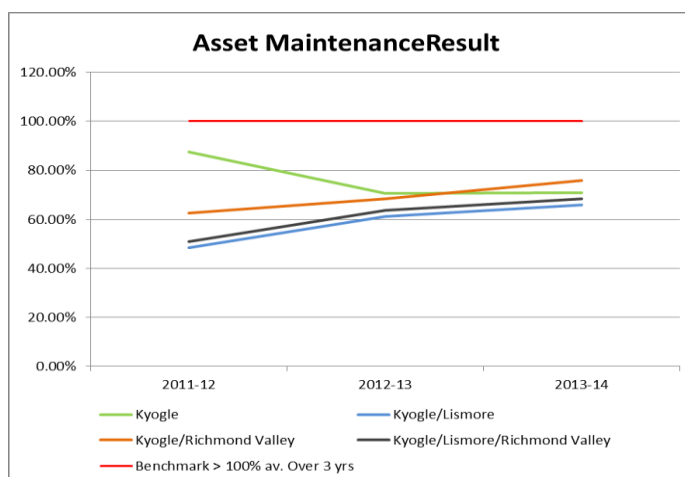
Infrastructure Backlog Result

This ratio shows the challenge that all three councils are battling against with ageing infrastructure and also shows the extent of the issue for Kyogle. While the three merged council models show an improvement for Kyogle, it is at the detriment of both Lismore and Richmond Valley councils and this was recognised by all councils at the merger discussions.



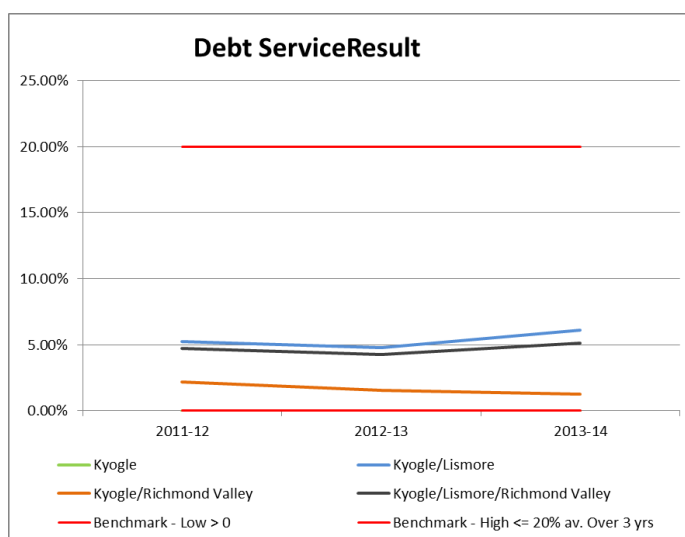
Asset Maintenance Result

Kyogle's future target for this measure is to at least match the required asset maintenance amount each year. We achieved a 98.3% result in 2013/14 which was flattened out when averaged over three years. While Lismore improves under both merged cases, it is to the detriment of both Kyogle and Richmond Valley.



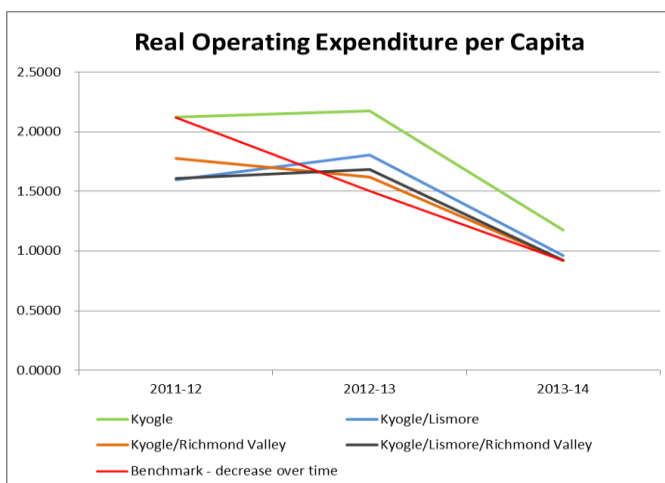
Debt Service Result

As Kyogle has no general fund borrowings, due to Council having decided in the past to be debt free, it is the only council to not meet this benchmark. This situation will change in 2015/16 when Council has budgeted to borrow \$10 million to decrease the infrastructure backlog. In terms of the merged council scenarios, the merged council/s proposal would be highly detrimental to Kyogle as we are currently in a debt-free position and Kyogle ratepayers would inherit debts that have not benefitted the Kyogle LGA.



Real Operating Expenditure per Capita

All councils are within the benchmark for this efficiency measure as per the attached graph.



Summary of the Fit for the Future Criteria Assessment Results

The following table summarises the results of the comparison using the FFTF Council Self-Assessment Tool. The summary shows that the historical data for Kyogle, Lismore and Richmond Valley councils does not indicate any great advantage in the merger options compared. More importantly, it does not factor in any of the future financial projections that councils would have undertaken as part of their analysis for the local government reform process, which will be demonstrated in the individual council templates. Overall, Kyogle Council's main issue is its Infrastructure Backlog, and this will not be solved by a merger with any of the surrounding councils.

<u>Fit for the Future Criteria Results</u>						
	Meets Benchmark					
	Kyogle	Lismore	RV	Kyogle/ Lismore	Kyogle/ RV	Kyogle/ Lismore/ RV
Operating Performance Result (<i>greater or equal to break-even average over 3 yrs</i>)	✗	✗	✗	✗	✗	✗
Own Source Revenue (<i>greater than 60% average over 3 yrs</i>)	✗	✓	✓	✓	✗	✓
Bldg & Infrastructure Asset Renewal Ratio (<i>greater than 100% average over 3 yrs</i>)	✗	✗	✗	✗	✗	✗
Infrastructure Backlog Result (<i>less than 2%</i>)	✗	✓	✗	✗	✗	✗
Asset Maintenance Result (<i>greater than 100% average over 3 yrs</i>)	✗	✗	✗	✗	✗	✗
Debt Service Result (<i>greater 0 and less than or equal to 20% average over 3 yrs</i>)	✗	✓	✓	✓	✓	✓
Real Operating Expenditure per Capita (<i>decreasing over time</i>)	✓	✓	✓	✓	✓	✓
OVERALL RESULT	✗	✗	✗	✗	✗	✗

Section 4: Expected outcomes

4.1 Expected improvement in performance							
Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total improvement over period? 2014 - 2020
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.12	0.08	0.23	0.26	0.17	0.19	0.31
Own Source Revenue Ratio (Greater than 60% average over 3 years)	57.1%	56.4%	53.6%	56.3%	57.9%	58.3%	1.2%
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	79%	92%	98%	103%	93%	96%	17%
Infrastructure Backlog Ratio (Greater than 2%)	18%	12%	11%	10%	9%	8%	10%
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100%	100%	100.1%	100.1%	100.1%	100.1%	0.1%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.1%	3.8%	6.4%	8.3%%	8.2%	8.0%	6.9%
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.56	1.51	1.46	1.41	1.37	1.32	0.24

4.1 Expected improvement in performance

Measure/ benchmark	2020/21	2021/22	2022/23	2023/24	2024/25	Total improvement over period 2014 - 2025
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	0.20	0.20	0.21	0.21	0.22	0.34
Own Source Revenue Ratio (Greater than 60% average over 3 years)	58.7%	58.7%	58.9%	58.9%	58.4%	1.3%

* See section 3.3 of IPARTs [Methodology for Assessment of Council Fit for the Future Proposals](#)



See Guidance material page 23 for help completing this section.

4.2 Factors influencing performance

Outline the factors that you consider are influencing your council's performance against the Fit for the Future benchmarks, including any constraints that may be preventing improvement.

One of the main factors influencing Councils performance against the FFTF benchmarks is the treatment of the Financial Assistance Grants (FAGs). If the income received from these recurrent grants was able to be considered as part of Councils own source income, then the benchmark for Own Source Revenue (60%) could be met now.

The LTFP adopted by Council will allow Council to meet the FFTF benchmarks over time, with the projected trends showing improvement in all FFTF benchmarks over the period of the LTFP. It should be noted that the LTFP is based on a series of projections and assumptions, some of which have the potential to influence Councils performance against the FFTF benchmarks. The key areas are:

- NSW Governments review of FAGs with a view to redistributing to the Councils who need it most
- Access to State Treasury low interest loans
- Continued RMS partnership
- Obtaining capital grants through NSW and Federal Governments, leveraging cash and borrowings to maximise external funding through;
 - Expansion of programs such as the Federal Black Spot program
 - New programs (such as the Federal Timber Bridge Replacement Program, NSW Black Spot funding)
 - Regionally targeted state programs (Restart NSW, Fixing Country Roads, Water Security for Regions)
- NSW Governments commitment to “Cutting Red Tape” with regulatory and governance reforms identified in FFTF package.

The level of regional collaboration will also influence Council's performance against the FFTF benchmarks with access to future opportunities for cost savings and efficiencies that would be realised by a genuine regional approach by the Councils in our region. The current NOROC consensus approach to decisions can limit potential outcomes with political alignments and individual Council goals and objectives often restricting the ability to reach a consensus. Kyogle Council expects that the process to establish the proposed Joint Organisation of Councils in the region will address these issues, and seek to build on the existing collaboration through regional groups and alliances, by providing them with an enhanced strategic focus.

Kyogle Council also sees great potential for the establishment of the Joint Organisation of Councils in the region to open up more opportunities for regional co-ordination and co-operation in service delivery and administration. However, if the

core functions of the Joint Organisation are limited to advocacy and strategic planning, potential savings and improvements will likely be limited.

The current legislative environment is probably the greatest impediment to Councils improving their efficiency and effectiveness. This would also apply to the various state government agencies that are required to direct resources to regulation of local government. The administrative burdens, cost shifting, and duplication of effort between the state and local government are very real barriers to improved outcomes for our communities. The regulation of local government by state government agencies under the same legislation that local government regulates its local communities, and the lack of a whole-of-government approach to service delivery and regulation that this leads to, is the single biggest barrier to the sustainability of both local and state government in NSW.

This is particularly the case for the delivery of water supply and sewerage services where there are multiple state government agencies regulating local government under a series of different acts and statutes. These agencies, and the legislation they work within, often have conflicting goals and objectives or a lack of understanding of service delivery and the costs associated with increased regulatory requirements. This is of particular concern where the local or broader communities are not consulted as to their desire for the increased requirements, their willingness to accept the risks associated with not delivering these requirements, or their willingness to pay.

Kyogle Council eagerly awaits the delivery of the streamlined Local Government Act and the review of the other legislation most relevant to these issues, namely:

- Local Government Act
- Protection of the Environment and Operations Act
- Public Health Act
- Environmental Planning and Assessment Act
- Roads Act
- Crown Lands Act
- Water Management Act
- Waste Avoidance and Resource Recovery Act
- State Emergency and Rescue Management Act

Section 5: Implementation

5.1 Putting your plan into action

How will your council implement your Rural Council proposal?

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

Council is focused on using the Integrated Planning and Reporting (IP&R) process for implementation of its key plans and strategies. The current status and priorities for the various IP&R components are as follows;

- 20 year Long Term Financial Plan (LTFP) adopted in February 2015 after comprehensive community consultation
- Operational and Delivery Plans based on current LTFP to be adopted in June 2015
- Community Strategic Plan review in progress, utilising targeted Focus Groups, expected to be completed October 2015
- Other Resourcing Strategy components to be reviewed in 2016/17, post establishment of the Joint Organisation of Councils for the region;
 - Workforce Management Plan
 - Asset Management Plans

Council will use the IP&R reporting process to monitor implementation of the Rural Council Action Plan and will also report Council's performance against the FFTF benchmarks on an annual basis. Kyogle Council is taking a whole-of-council approach for the responsibility of implementing the strategies in our Rural Council Action Plan and will keep the community informed of how we are performing as part of its commitment to the reform process.

Council is also looking forward to taking advantage of the NSW Government's Fit for the Future (FFTF) reform package as it is implemented over the lead-up to the 2016 Local Government elections. The most significant components of the FFTF reform package for Kyogle Council are the review of FAGs and the introduction of the low cost loans through a State borrowing facility. Council also looks forward to the *cutting of red tape* that has been promised as part of the FFTF reforms and acknowledges that the current legislative environment is probably the single greatest impediment to the sustainability of Local Government in NSW.

It is hoped that a genuine whole-of-government approach to these reforms will be taken by the NSW Government in partnership with Local Government. If the existing duplication of effort and the unnecessary regulation of Local Government by the various State Government agencies can be eliminated as part of these reforms, this will result in a wide range of improvements to the services we both provide to our local communities.

List of Supporting Documentation

1. Fit for the Future Facilitated Workshops for Kyogle Council with Richmond Valley Council and Lismore City Council, KJA Engaging Solutions May 2015
2. Kyogle Council Long Term Financial Plan 2015/2034, Kyogle Council February 2015
3. Kyogle Council Water Supply Action Plan 2015
4. Kyogle Council Sewerage Action Plan 2015
5. Kyogle Council Water Supply TBL Performance Comparison 2013-14
6. Kyogle Council Sewerage TBL Performance Comparison 2013-14
7. Fit for the Future– Have a say in Kyogle’s long term financial plan, Survey Questionnaire and results, Kyogle Council November 2014
8. Fit for the Future – Have a say in Kyogle’s long term financial plan, Information Brochure, Community Relations Australia October 2014
9. Kyogle Council Community Engagement Strategy – Long Term Financial Plan and Community Strategic Plan Review, Kyogle Council July 2014
10. Financial Sustainability Analysis – Kyogle Council, Review Today April 2014
11. Kyogle Council Resident and Ratepayers Survey 2013, Sustaining our Local Government Area, Kyogle Council January 2014
12. Kyogle Council – Sustaining our LGA, Fact Sheets September 2013
 - Fact Sheet 1 – Income
 - Fact Sheet 2 – Asset Management Strategy
 - Fact Sheet 3 – Roads and Streets
 - Fact Sheet 4 – Bridges
 - Fact Sheet 5 – Amalgamation
13. Kyogle Economic Brief, Lawrence Consulting May 2013
14. Kyogle Council Financial Assessment, Sustainability and Benchmarking Report, NSW Treasury Corporation March 2013