



Office of  
Local Government



# Lismore Council Needs Analysis

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## Executive summary

Morrison Low has been commissioned by the Office of Local Government (OLG) to undertake a needs analysis of Lismore City Council ('Council'). The review has been conducted under urgency and delivery of this report would not have been possible without the support of the mayor, deputy mayor, general manager and staff of Lismore City Council. The current Lismore City Council general manager has been in the role for four months and as part of his initial assessment of Council's capability and capacity identified a number of issues and challenges for Council in operating as a sustainable organisation under normal circumstances. These challenges have been further compounded by the significance of recent flood event.

This review is high level, focussed on the capacity and capability of Lismore City Council to undertake the process of recovery from the recent floods, and identifies the support needed to transform and rebuild the Council. Council was experiencing financial sustainability, capability and capacity issues before the floods and these events only compounded the existing difficulties.

This project includes preparation of a roadmap for Council, the Office of Local Government and other agencies to work together to implement over a three-year period which coincides with financial support being provided by the NSW Government.

In order to assess the needs of Lismore City Council, the review has considered:

- What was Council planning to do?
- What is Council now required to do?
- What has become harder to do?
- What may be at risk of not being delivered?
- What is the impact of these changes on existing strategy and priorities?
- Where are the capability and capacity gaps?
- What should be done about these?

Capability and capacity are considered from three perspectives:

- capability and capacity to deliver business as usual
- capability and capacity for the immediate recovery and restoration
- capability and capacity to transform into a more sustainable and resilient local government over the next three to five years.

The review's assessment focused on four key components of business operations and the report analysis is structured based on these components:

- strategic planning
- finance
- asset management
- leadership and management.

Given the urgency and short timeframe, the methodology involved a briefing from OLG on the NSW Government's needs and expectations; a desktop analysis of public information and information sourced from Council; on-site meetings; interviews with Council staff and councillors; drafting of the roadmap; feedback on and finalisation of this report.

The key findings are:

## Strategic planning

Lismore has fallen behind with preparing or updating some of its critical strategies and plans. Under normal circumstances we believe the organisation has the capacity to manage this work program, but it is not resourced to catch up or participate easily in the strategic planning of the restoration. There is an urgent need for temporary resources to address these gaps and a need to consider capability within current resources. There can be no effective recovery for Council or community without good strategic planning.

## Finance

The longer-term financial planning and integration of resourcing documents is currently very limited. Council is undertaking an annual budgeting process with limited knowledge of the longer-term financial needs, implications, and options/strategies to achieve financial sustainability. Council's financial capability would be enhanced with a chief financial officer position and financial skill development across the organisation. The cash position of Council is deteriorating and the 2021/22 and 2022/23 operating results for General Fund estimate significant deficits. There is currently no plan in place to address this and until there is, the financial situation will not change.

## Asset management

There are three key factors which are significantly impacting Council's asset management ability. Firstly, whilst the current organisational structure adequately separates asset strategy and delivery, the asset strategy section is too involved in delivery and day-to-day operations, inhibiting any asset planning activities. Secondly, there is no overarching Strategic Asset Management Framework, and asset roles and responsibilities are not clearly defined. Finally, a leadership and management capability and capacity gap exists. This gap can be closed by the senior leadership team actively supporting an 'whole of Council' approach to asset management, including communicating the importance of asset management, cross-functional collaboration, continual improvement and risk management.

## Leadership and management

A leadership and management capability and capacity gap exists. Closing this gap will require training and support for the newly elected Council to focus on its core roles and responsibilities regarding sustainable financial and asset-based decisions making. Capability and short-term capacity gaps exist within senior management. A review of the organisation is required to better organise and equip Council management to deliver core business, organisational transformation and recovery.

## Conclusions

Council plans and strategies do not provide a clear integrated picture of what Council was planning to do. Some of the plans were outdated or non-existent and therefore did not provide a robust basis for Council decision-making. Key plans that guide the approach to managing key assets and the cost of these responsibilities were deficient. Council does not have a good understanding of the resources it needs to deliver the plans it has.

Previous Council priorities were different. Council favoured different discretionary projects over ensuring core assets were maintained and that Council would be financially sustainable in the longer term. Changing leadership at Council and management levels has not helped provide a focus on planning with financial sustainability goals at the forefront.

Following the latest floods, Council faces a more complex organisational journey. Prior to the floods it was clear that Council needed to commence a transformation process that included sustainable decision making, a new organisational structure, capability, performance and accountability, addressed key strategy and planning gaps, and undertake a reform process aimed at achieving financial sustainability.

Now Council is faced with making some key strategic and long-lasting decisions on the future of Lismore’s low lying residential and central business district area and the restoration of community assets. Coupled with this, it needs to re-establish Lismore’s community and vibrancy, re-establish community confidence and support economic recovery. While the burden will not fall on Council alone, it has a key leadership, planning and delivery role in both the recovery and redevelopment solution. Currently Council is not well placed strategically or organisationally to fulfil this role without other key activities suffering. Council will need a short-term injection of resources (contract employees, contractors and consultants) to provide capacity. The organisation will need the capacity and capability to manage these resources.

There is a demonstrated need for the NSW Government support that has been committed to be focused on improving the capability and capacity of Council’s people, strategies and systems, and the roadmap proposed maps a journey over the next three years to re-establish the community of Lismore, catch up on the backlog of essential work and transition the organisation to a more financially sustainable local government.

The roadmap is outlined on the following pages. The actions are prioritised and colour coded, to reflect where they will have the most positive impact.

**Table 1 Sustainability roadmap legend**

C	Critical actions - first one to two months
H	High importance actions
M	Medium importance actions
	Recovery and restoration
	Council transformation
	Council operations



## Roadmap

Table 2 Sustainability roadmap

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
Six months	Strategic planning	➤ Recruit and appoint strategic lead for recovery and restoration reporting to the general manager (GM)	C	
		➤ Establish project office to co-ordinate and deliver Council's activities and capability to engage/influence restoration planning	C	
		➤ Develop project plan for essential strategy development	M	
		➤ Develop project plan for restoration activities	C	
		➤ Develop communication plans on roadmap	H	
		➤ Prepare economic development strategy to reactivate community, business, growth and jobs	H	
		➤ Undertake marketing to support 'Lismore is Open for Business'	M	
		➤ Complete Integrated Planning and Reporting requirements	C	
	Leadership and management	➤ Councillors' agreement to roadmap priorities	C	
		➤ Recruit and appoint strategic lead for organisational transformation reporting to the general manager	C	
		➤ Establish project implementation governance structure - OLG (or agent), GM, mayor to expedite processes and decisions	H	
		➤ GM to have emergency procurement provisions under LGA	C	
		➤ Undertake organisational restructure and capability improvements	C	
		➤ Confirm consistent leadership role for Council to implement programs	M	
		➤ Workforce capability and capacity gap analysis	H	
		➤ Recruitment or engagement of temporary resources to assist with recovery and transformation	C	
		➤ Conduct councillor education program on roles and responsibilities and financial management	H	
		➤ Establish mayoral support program	C	
		➤ Adopt Workforce Management Plan with new capacity and capability requirements	C	
		➤ Develop recruitment and retention strategy (and remuneration strategy)	H	
		Financial	➤ Undertake integrated LTF modelling, LTFP and Resourcing Strategy	C
	➤ Rates and water charges hardship relief program		H	
	➤ Review depreciation and approach		H	
	➤ Review and align services to the budgets		M	
	➤ Implement new financial management system (.xls based currently) - COLUMO to address reporting and analysis		M	
	➤ Provide financial literacy training across SLT		H	
	Assets	➤ Undertake asset maturity and improvement assessment	C	
		➤ Identify critical assets	M	
		➤ Update AMS and asset financial modelling	C	
		➤ Understand asset data gaps	M	
		➤ Undertake procurement framework review	M	
		➤ Commence preparation of IWCOMP	H	

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
12 months	Strategic planning	➤ Ongoing recruitment process	H	
		➤ Initial concept planning of solution for Lismore	H	
		➤ Procurement strategy to link with Restoration Commission activities	M	
		➤ On-going communications	M	
		➤ Undertake growth management strategy (LU)	H	
		➤ Prepare long term infrastructure strategy	H	
		➤ Review flood mitigation strategy	H	
		➤ Digital strategy (external focused)	M	
		➤ Smart cities strategy – research and prep	M	
		➤ Update Urban Stormwater Strategy	H	
	Leadership and management	➤ Recruitment or engagement of temporary resources	H	
		➤ Undertake workforce capability training	H	
		➤ Revise position descriptions	H	
		➤ Set KPIs for all Staff	H	
		➤ Prepare ICT Strategy	H	
		➤ Establish Performance Development Management Framework (PDPs)	H	
		➤ Undertake succession planning and workforce risk management plans	M	
		➤ Implement new HR system	M	
		➤ Implement new software system planning - UPLA	H	
		➤ Establish Local Independent Planning Panel	M	
		➤ Establish Leadership Development Program	M	
		➤ Implement Cultural Change Program	M	
	Financial	➤ Create Corporate Financial Sustainability Plan – transformation program	H	
		➤ Review Annual Budgeting and LTFP processes	M	
		➤ Resolve waste disposal loss	H	
		➤ Fleet management and replacement provision	H	
		➤ Service reviews/process maps	M	
		➤ Implement cash management tool	M	
		➤ Ensure business cases include lifecycle costs	M	
	Assets	➤ Prepare AMPs for each asset class	H	
		➤ Resolve asset data gaps	H	
		➤ Review roles and responsibilities of asset managers and operations staff to promote strategic planning for assets	H	
		➤ Develop asset service levels	H	
		➤ Revise Procurement Policy and procedures	M	
		➤ Contract management framework capability	M	
		➤ Review Project Management Framework to enable project delivery (capability and capacity)	M	

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
24 months	SP	➤ Undertake master planning of agreed 'new Lismore' solution	H	
		➤ Service level engagement with community	M	
		➤ Undertake future service planning	M	
	L and M	➤ Ongoing recruitment	H	
		➤ Ongoing training	H	
		➤ Status/roadmap review	H	
		➤ Determine if additional support or intervention required	H	
	F	➤ Undertake financial transformation program (including service reviews)	H	
A	➤ Asset optimisation for critical assets for disasters	H		
36 months	SP	➤ Revise IP&R docs to set direction	H	
	F	➤ Financial transformation program	H	
	A	➤ Implement master plan	H	

## Introduction

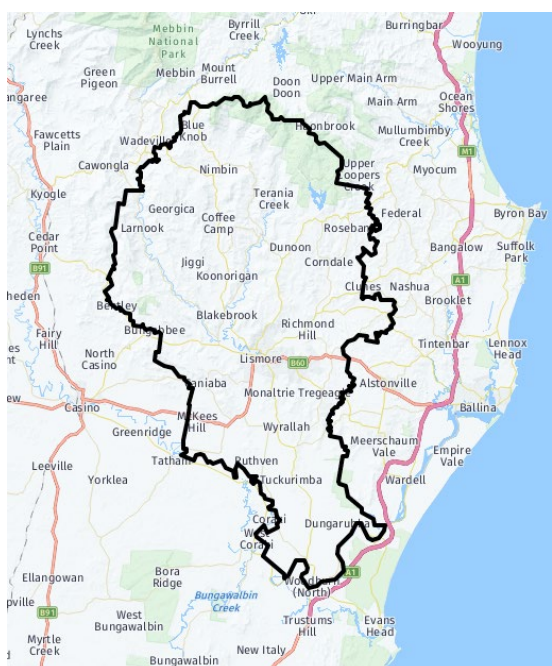
Morrison Low has been commissioned by the Office of Local Government (OLG) to undertake a needs analysis of Lismore City Council ('Council'). The review has been conducted under urgency and delivery of this report would not have been possible without the support of the mayor, deputy mayor, general manager and staff of Lismore City Council. The current Lismore City Council general manager has been in the role for less than four months and as part of his initial assessment of Council's capability and capacity identified a number of issues and challenges for Council in operating as a sustainable organisation under normal circumstances. These challenges have been further compounded by the significance of recent flood event.

The needs analysis is not an organisational review, nor detailed analysis of the position of the Council and the reasons for that. This review is high level, focussed on the capacity and capability of Lismore Council to undertake the process of recovery from the recent floods, identify the support needed to transform and rebuild a sustainable and fully functional Council. To do that the capacity and capability analysis guided the development of a roadmap for Council, the Office of Local Government and other agencies to work together to implement.

## Background

Lismore City Council is located in the Northern Rivers Region of New South Wales, about 730 kilometres north of the Sydney CBD. The Lismore City Council local government area (LGA) is 1,290 square km and is bounded by Tweed Shire in the north, Byron Shire and Ballina Shire in the east, the Richmond Valley Council area in the south and south-east, and the Kyogle Council area in the north-west. Lismore sits at the joining point between the Wilsons River and Leycester Creek, with 43,790 people living in the catchment area around Lismore. More than 60% of the population live in the urban areas, particularly the township of Lismore and the villages of Bexhill, Clunes, Dunoon, Nimbin and Wyrallah.

**Figure 1 Lismore City Council local government area map**



## Comparative data

Although a little out of date, the OLG time series data 2019/2020 provides a useful source of information to understand the scale and operations of Council in comparison to its peer group.

Lismore City Council sits within the OLG group four, a group of 26 regional town/cities. It has 367 full time equivalent (FTE) staff and is the:

- tenth largest by population
- seventh smallest by council area
- eight largest for total expenses for continuing operations
- ninth largest for total revenue for continuing operations
- seventh highest for average residential rate, at \$1,286
- sixth highest for ratio of population to FTE staff at 119
- around the median for operating expenses per FTE.

## Community perception

The Council regularly surveys its community using the company Micromex, who are a common provider to many local governments. The Micromex 2020 survey results are useful in understanding the community sentiment in relation to some of the issues this report addresses. Key findings included that:

- 71% of Lismore residents were at least somewhat satisfied with the performance of Council in the last 12 months (the Micromex regional LGA benchmark was 84%). The table below shows the satisfaction scores since 2016.

**Table 3 Lismore City Council's satisfaction scores from 2016-2020 Micromex survey results**

Survey year	Satisfaction score
2020	71%
2019	61%
2016	82%

- 55% were not satisfied or not at all satisfied that the councillors and mayor were ensuring Council funds are spent wisely.
- Highest priority issues were improving/maintaining roads, employment/business opportunities and council management. Lismore residents place a higher level of importance on infrastructure and general maintenance. For example, 'water and sewerage services', 'revitalising Lismore's CBD', 'bike tracks and walking paths' and 'waste collection and management' all demonstrated higher importance scores than regional benchmark norms.
- Residents also appeared to be more satisfied with community services/facilities, many of which demonstrated higher satisfaction scores when compared to the regional benchmark.

Performance gap analysis identifies the gap between how important a service is and how satisfied the community was - i.e. 96% of residents rated maintaining sealed roads as high importance, but only 35% of residents were satisfied with this activity. These gaps are shown on the following page.

**Table 4 Lismore City Council’s performance gaps from 2020 Micromex survey results**

Service/facility	Performance gap (importance – satisfaction)
Maintaining sealed roads	61%
Revitalising Lismore’s CBD	45%
Maintaining unsealed roads	42%
Encouraging new small business and investment	35%
Attracting investment and new jobs	34%
Consulting with the community	27%
Council leadership and advocacy	26%
Informing the community of Council decisions	25%
Public toilets	9%
Encouraging tourism	7%
Emergency management	6%
Disability access and inclusion	6%

### Governance and management

Lismore City Council has had a relatively high turnover of mayors and general managers, with five general managers and three mayors since 2018.

General Managers:

- August 2011 - June 2018 - Gary Murphy
- June - October 2018 - Scott Turner (acting)
- October 2018 - February 2021 - Shelley Oldham
- February 2021 - 2022 - Michael Donnelly
- February 2022 - John Walker (incumbent).

Mayors:

- September 2016 - December 2020 - Isaac Smith
- February - December 2021 - Vanessa Ekins
- December 2021 - Steve Krieg (incumbent).

### The Australasian Local Government Performance Excellence Program

Lismore City Council participates in the Australasian Local Government Performance Excellence Program (2020 ALPEP), a partnership between Local Government Professionals Australia and PWC. The report for the Financial Year ended 2020 compares data on Lismore City Council’s resourcing profile and performance to other New South Wales (NSW), Australian and New Zealand councils. It is important to note the data is collected and the data return completed by the councils themselves, and that NSW has substantially more employees per capita than other states or New Zealand. The survey does not attempt to explore the reasons for any variance.

Key finding of this report with respect to Council were that, by comparison to the average of other NSW councils surveyed, Council has:

- more FTE per 1000 residents
- lower remuneration as a percentage of operating expenses
- approximately twice as much overtime per employee
- a slightly larger span of control
- a similar overall staff turnover rate, staff employment profile, leave accrual and sickness rate, but:
  - twice the percentage of new staff turnover in the first year
  - more than three times the spend on agency staff as other councils
  - fewer new staff joining the organisation
- a larger proportion of new recruits having federal, state or local government experience
- finance staff that spent more time on transactional activities than business insight
- finance processes that were more reliant on manual process with a lower planned use of technology
- a lower reliance on rates and annual charges but a higher reliance on grants and user charges (note Council has a number of businesses)
- a lower capital expenditure per resident than other NSW regional councils
- fewer corporate services, finance and customer service staff per 100 employees but noting that it reports the same number of customer service staff per 10,000 residents as the average of other regional councils
- like other NSW councils reported adequate systems but with some functionality missing
- spent substantially less on IT per employee than comparable councils
- a median council meeting duration that is almost three times the NSW survey median while the number of resolutions passed is similar to the median

The Council also reports to have dedicated asset management systems for its road assets, an asset management maturity rating model and a strategic asset management plan linked to its long-term financial plan.

Service delivery cost comparisons identified the following:

**Table 5 Service delivery cost comparisons**

Service	Lismore City Council cost	NSW medium cost per resident
Solid waste	\$392 per resident	\$197 per resident
Roads and bridges	\$7,800 per km	\$15,000 per km
Parks, gardens and sporting grounds	\$227 per resident	\$130 per resident

## The floods

The 2022 flooding event took place from 27 February to 8 April across NSW, with the main flooding of the Lismore LGA occurring on Monday 28 February and then again on Wednesday 30 March. The flooding was unprecedented, surpassing all previous records including the region’s worst flooding events of 1954 (12.27m) and 1974 (12.15m). By the end of the first week of March, northern NSW had received more than a year’s worth of rainfall in one week.

**Figure 2 Drone shot of Lismore during the 2022 flood events**



On Monday 28 February, evacuation orders were given at 2am and by 2pm that same day State Emergency Services had made 545 rescues, with 1,500 calls for assistance as flood waters peaked at 14.4m. Residents were advised they could return to homes, many now uninhabitable, on Wednesday 9 March. On 29 March an evacuation warning was given but rescinded, this was then followed by a further warning at 2am on Wednesday 30 March and emergency evacuation orders at 3:30am for the majority of the LGA. During Wednesday 30 March the 10m Lismore levee overflowed again, with the Wilsons River peaking at 11.4m.

Sadly the Lismore area, combined with the western Sydney area, suffered ten deaths directly attributable to the flooding. It is estimated that more than 3,000 homes in the Lismore LGA have been assessed as ‘not habitable’, with thousands of further residents without power and with severe damage to property. At the start of May, thousands of residents were still displaced or sleeping in temporary accommodation, unable to return to their homes. Farmers reported innumerable deceased and displaced livestock, alongside property and land damage across the LGA.



Significant road damage was reported across the Lismore Council area. This included causeway washout at Black Road, culvert washout on Keerong Road and landslips at Tuntable Falls Road, Terania Creek Road, Wallace Road, Koonorigan Road, Nimbin Road, Mountain Top Road and Oakey Creek Road. An estimated 35,000 to 45,000 tonnes of waste was produced from the first flood, which, when compounded with the second flooding event, led to 110,000 tonnes of waste needing to be removed across the region. 80% of businesses in the Lismore LGA were affected by floods, with more than 700 businesses in Lismore CBD losing power and suffering substantial damage.

**Figure 3 Images of flooding and damage around Lismore during and after the 2022 flood events**



## This needs analysis

### Our approach

In order to assess the needs of Lismore Council, the review has considered:

- What was Council planning to do?
- What is Council now required to do?
- What has become harder to do?
- What may be at risk of not being delivered?
- What is the impact of these changes on existing strategy and priorities?
- Where are the capability and capacity gaps?
- What should be done about these?

In addressing the last of the bullet points above, the output of the review will be a roadmap that provides direction to Council, the Office of Local Government and other agencies to work together to implement.

Capability and capacity have been considered from three perspectives:

- capability and capacity to deliver business as usual
- capability and capacity for the immediate recovery and restoration
- capability and capacity to transform into a more sustainable and resilient local government over the next three to five years.

### Methodology

#### Analysis

- desktop analysis (list of information reviewed is included as Appendix A)
- briefing from OLG
- on-site meetings - interviews with Council staff and councillors (list of those interviewed is included as Appendix B)
- draft roadmap, socialise and receive feedback
- finalise report.

#### Assessment framework

In order to complete the needs assessment in the short the time available, we have looked at four key components of Council. These components reflect the core activities or functions of Council, the foundation areas on which service delivery relies, statutory planning and key strategic documents. Capacity and capability in all of these areas will be critical to the recovery of Lismore and the ability of Lismore Council to lead that. An experienced consultant, with expertise in each component, conducted a simultaneous assessment with interviews and workshops often covering multiple components. These assessments have then been brought together for our assessment of the overall needs of Lismore and development of the roadmap.

Each of the key components was assessed using:

- Strategic planning - a modified service review framework to consider clarity of strategic direction, currency, implementation and monitoring.
- Finance - a modified version of the financial management maturity developed by Morrison Low. We have not had the time to conduct a full assessment but have used the principles of these industry standard processes to provide structure and ensure focus on the key aspects of financial management.
- Asset management - a modified asset management maturity assessment combining the ISO 55000 assessment tool and the Morrison Low maturity assessment (attached as Appendix C) used in over 60 councils. We have not had the time to conduct a full assessment but have used the principles of these industry standard processes to provide structure and ensure focus on the key aspects of asset management.
- Leadership and management - a modified service review framework to consider clarity of strategic direction both from an elected and management perspective, currency, implementation and monitoring.

This approach provides a consistent methodology for the four areas of assessment on the following basis:

**Table 6 Approach components and framework**

Key components	Assessment framework and criteria				
<b>Strategic planning</b>	Framework and capability	Review and update procedures	Support systems	Implementation capacity	Monitoring and measuring
<b>Finance</b>	Financial governance and capability	Financial procedures and practices	Information support systems	Financial planning and capacity	Financial monitoring and forecasting
<b>Asset management</b>	Asset knowledge and data	Strategic asset planning processes	Information systems	Operations and maintenance work practices	Organisational context
<b>Leadership and management</b>	Knowledge, governance and capability	Culture Procedures and practices	Information support systems	Leadership and management capacity	Reporting and monitoring

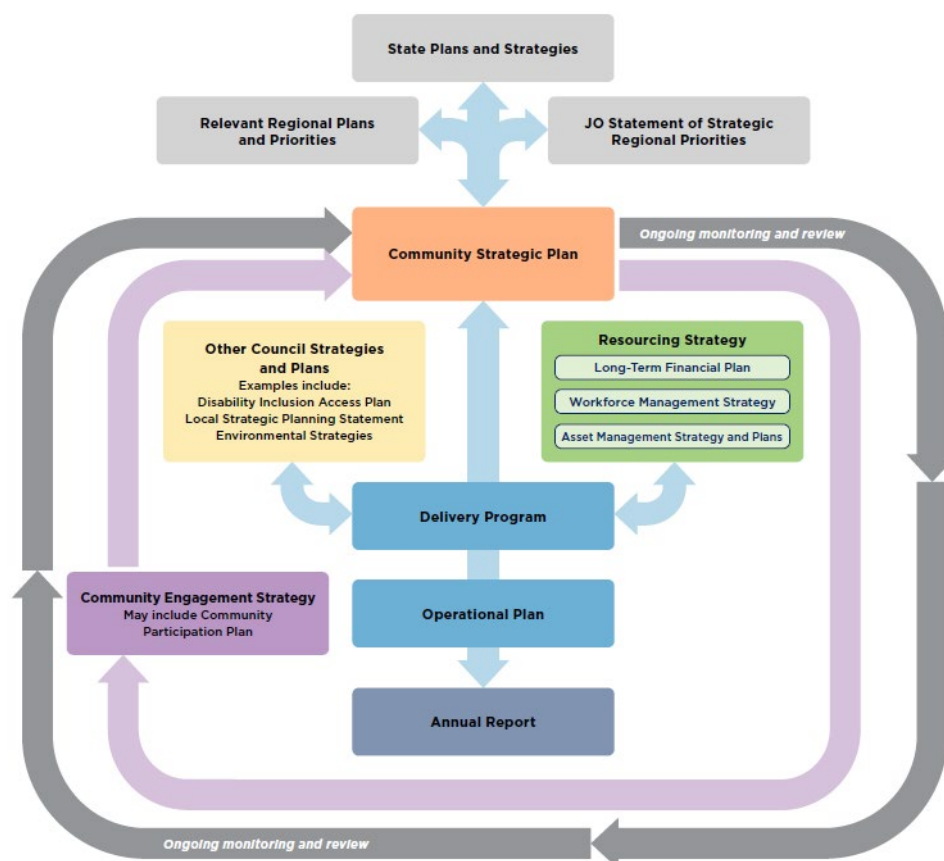
## Strategic planning

The ‘Principles of local government’ in the *Local Government Act 1993* (chapter 3) require councils:

*“... should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.”*

The Integrated Planning and Reporting (IP&R) Framework was updated in 2021 to respond to changes that have taken place in the local government planning and operating environment of the last 12 years. The framework, shown in the following diagram, is all encompassing from a strategic perspective, linking all state and local government strategic planning, reporting and engagement.

**Figure 4 Integrated Planning and Reporting Framework**



IP&R allows a council to bring plans and strategies together in a way that supports a clear vision for the future community priorities and aspirations. The council then sets out an integrated journey in close consultation with communities and elected representatives. It then identifies its responsibility to deliver and report against these objectives, undertake resource planning and ensure the community’s aspirations become operational realities. The community is at the heart of the IP&R Framework and therefore engagement, consultation and transparency in both planning and reporting is essential.

An organisation that is successful at strategic planning will:

- deliver on the principles of local government as set out in chapter 3 of the *Local Government Act 1993*
- have clear integrated strategies and plans
- comprehensively engage with its community
- set out its response to delivery of commitments for which it is responsible
- report progress transparently.

#### Overall assessment

Lismore has fallen behind with preparing or updating some of its critical strategies and plans. Under normal circumstances we believe the organisation has the capacity to manage this work program, but it is not resourced to catch up or participate easily in the strategic planning of the restoration. There is an urgent need for temporary resources to address these gaps and a need to consider capability within current resources. There can be no effective recovery for Council or community without good strategic planning.

## Analysis

### Framework and capability

The strategic planning framework is largely set by the IP&R Framework, although there is a large amount of freedom for councils to develop bespoke strategies and plans (other council strategies and plans in the framework) for their local government area.

Acknowledging that the current year is the final year of the current IP&R cycle, the Council's website contains the:

- Community Strategic Plan – 2017-2027
- revised Delivery Program – 2017-2021
- Operational Plan 2021-22
- Long Term Financial Plan 2019-2029
- Asset Management Strategy and seven Asset Management Plans
- Community Engagement Strategy 2019 (and Community Participation Plan)
- Local Environmental Plans (LEP) 2012 and 2000
- Development Control Plans for both LEPs
- Disability Inclusion Action Plan 2017-2020
- Innovate Lismore 2024: Economic Development Strategy 2019-2024
- Lismore Sport and Recreation Plan to 2024
- and a range of other planning strategies - see [www.lismore.nsw.gov](http://www.lismore.nsw.gov).

The website is organised into themes and the strategies and plans are spread across six themes. It is difficult to navigate and there is no single list or place where you can look across all the strategic planning documents of Council. Policies are listed under one single heading.

It appears that most of the integrated planning is undertaken in silos and the integrated planning process is not well understood within the organisation. This low level of understanding is typified in a presentation to Council on the Operational Plan in May this year that advises Council incorrectly that “IP&R is a reporting framework only”. Ultimately integrated planning appears to be more driven by what is affordable rather than the community’s strategic needs. At the time of this report preparation, the proposed Delivery Plan for 2022-24 and the full Resourcing Strategies for 2022-32 have not been fully developed.

The Council does not have a current Information and Communication Technology (ICT) Strategy, therefore how it strategically invests in technology to support its resourcing strategies or service delivery is unclear.

Council does not have an Integrated Water Cycle Management Plan (IWCMP). We note that the ‘Strategic Business Plan for Water Services (2016)’ identified that work had commenced but was now out of date. The IWCMP is required under the NSW Government’s ‘Best-Practice Management of Water Supply and Sewerage Guidelines’, and we understand this work is scheduled for 2023. Government co-funding is available to undertake this work. The ‘Lismore Urban Stormwater Management Plan (2016-2026)’ is also nearing the end of the planning horizon and will require review in light of the recent flood events. Strategic planning for water, wastewater and stormwater is critical for both relocation option investigations and growth planning. There is currently no capacity to undertake this work.

Strategic land use planning was identified as a challenge. Previous councils were resistant to growth which we understand was responsible for slower processes and, when combined with increased number of development applications, the same staff resources and multiple vacancies, led to longer processing times. Staff became focused on business as usual (BAU) at the expense of strategic land use planning. While 85% of development applications are approved by staff under delegated authority, there is an opportunity to establish an independent planning panel to ‘depoliticise’ the planning process. It has been acknowledged through our interviews, and it is supported by appeal statistics, that previous Councils have been resistant to growth and critical of Council staff advice on growth related planning proposals, most often rejecting this advice from officers. As a result, and because of personal criticism from previous Councils and individual elected members, staff have become reluctant to offer independent professional advice. A Local Planning Panel would address these challenges and produce more balanced planning outcomes.

In summary, it appears that over the past five or six years, Council has been focused on other areas and neglected the core strategic planning required to operate and manage its assets and finances sustainably.

### Review and update

The broad planning framework is consistent with the IP&R Framework and industry practice. We noted that a number of plans have reached or are nearing the end of their useful life. There appears to have been limited strategy development or revision undertaken since 2017.

The revised Delivery Program is now a one-year program. The Asset Management Strategy and Plans are well out of date, the LTFP needs to be updated and the Workforce Management Plan is not published publicly. We have sighted a copy and it does not identify the workforce requirements to deliver strategies and services. In the absence of current asset and workforce plans, the Long Term Financial Plan (LTFP) cannot reflect the cost of those resources, nor can the three areas be combined to tell an integrated resourcing story.

## Support systems

We did not undertake a detailed review of current, strategic planning support systems and focused on potential gaps. There were no major issues raised other than the need for a tool to simplify and improve the speed of the process for planning staff. Council has been investigating the Urpla software solution to improve development application processing and response times to free up resources to undertake more strategic activities.

## Implementation capacity

The implementation capacity of the strategic planning framework is unclear in the absence of an integrated Resourcing Strategy. Integration of the Resourcing Strategy is something the industry has struggled to deliver and therefore quite common in most local governments. We would expect the new Workforce Management Plan to identify the human resources required to deliver Council's strategic priorities and plan for these, but the current draft does not.

There is a clear lack of capacity to develop critical strategies. As noted, many of the strategies that plan for growth are out of date and need to be updated to facilitate planning for the flood recovery and restoration. Some of these strategies (i.e. IWCMP) are fundamental to making decisions about options to rebuild or relocate. The restoration of Lismore will require economic, strategic planning, strategic asset engineering, placemaking, property, smart city and technology skills to support Council's role in the process. This capacity and capability do not exist currently within Council and will only be required for the initial period of the recovery. While some of these resources can be provided by outsourcing, there will be a critical role inside Council to coordinate the activities.

Council would also benefit from some short-term resources to 'catch up' on key strategy projects such as its asset management plans. Temporary resources could also help reduce the development assessment backlog and coupled with the technology improvement, free up planning resources for strategy development.

## Monitoring and measuring

Council's annual reports are available on Council's website. In reviewing the most recent annual report, the report paints a positive picture of Council's achievements and initiatives. In the financial report section the Council does note the operating deficit and acknowledge that "looking to the longer-term, Council continues to face an ongoing challenge to adequately fund the maintenance and renewal of its assets, particularly roads, as our community grows and expectations and needs increase... Council's challenge into the future will be to address this ongoing funding shortfall and find further funds to ensure Lismore's infrastructure is renewed and improved for future generations".

Council's quarterly delivery program progress reports are difficult to find but are available on Council's website, although the content has not been updated for twelve months.

While the Council is reporting progress, it appears to be less transparent with its community on the major issues and challenges facing Council. This transparency may be reflected in the most recent community survey where satisfaction with Council's leadership and advocacy, consulting with the community and informing the community of Council decisions has significantly declined from the previous survey.

## Finance

Council is obligated under the Local Government Act to apply sound financial management principles<sup>1</sup>. It is essential that Council is financially sustainable over the longer term to enable development and delivery of plans and services and have the financial capacity and capability to respond to changing demands and circumstances.

To successfully apply these principles Council's financial strategy should have, as a minimum, the following four key financial sustainability objectives:

- Council must achieve a **fully funded operating position** reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
- Council must **maintain sufficient cash reserves** to ensure it can meet its short-term working capital requirements.
- Council must have a **fully funded capital program**, where the source of funding is identified and secured for both capital renewal and new capital works.
- Council must **maintain its asset base**, by renewing identified ageing infrastructure, and ensuring cash reserves are set asides for those works yet to be identified.

A financially sustainable council is one that has the ability to fund ongoing service delivery and renew and replace assets without imposing excessive debt or rate increases on future generations.

For a high functioning council, we would expect:

- the council to have links between community strategic priority, investment, costs and service delivery to ensure the current generation pays for its services while demonstrating regard to achieving intergenerational equity
- that councillors, the executive team and managers should demonstrate a strong financial awareness and knowledge requisite to their role, with staff having relevant local government financial skills and expertise
- that the IP&R Framework be fully implemented and aligned with a current strategic asset management, workforce plan, LTFP, ICT and other strategies
- that the Long Term Financial Plan is current and is fully integrated within the IP&R Framework, including a comprehensive prioritised capital works program, asset maintenance strategy and workforce resourcing
- that the council should have in place a comprehensive and current suite of financial management policies and procedures that are consistently used in the allocation and use of financial management resources
- that all managers are accountable for and have access to financial and business-related information for key business decision making
- that there should be a comprehensive set of relevant and reliable reports designed to meet the requirements of all internal users.

We have adapted our financial management maturity assessment framework for guiding the high-level assessment of the capacity and capability gaps. This full framework is outlined in Appendix D of this report.

<sup>1</sup> New South Wales Government, 2022. 8B Principles of sound financial management. In *Local Government Act 1993 No 30*.



Sound financial management enables decisioning making for the optimal allocation and management of resources. This is achieved through understanding the current circumstances and gaps that need to be addressed.

Using our methodology as part of conducting staff interviews, reviewing information provided by Council and further industry research, the following is our overall detailed assessment of Council's financial management position.

Adapting our financial management maturity framework to guide the high-level assessment of Council's capability and capacity gaps in financial management, the following are the assessment observations and findings.

#### **Overall assessment**

The longer-term financial planning and integration of resourcing documents is currently very limited. Council is undertaking an annual budgeting process with limited knowledge of the longer-term financial needs, implications, and options/strategies to achieve financial sustainability. Council's financial capability would be enhanced with a chief financial officer position and financial skill development across the organisation. The cash position of Council is deteriorating and the 2021/22 and 2022/23 operating results for General Fund estimate significant deficits. There is currently no plan in place to address this and until there is, the financial situation will not change.

#### **Financial governance and capability**

The assessment criteria for financial governance related to the emphasis that Council and management place on their own responsibility and the collective responsibility for financial matters. For financial capability it was the assessment of the financial management capabilities of Council, management, the financial section and other staff.

It was evident from the discussions with staff that there was a lack of accountability across the organisation in a broad sense, with limited focus on the financial management performance. There was limited meaningful financial information flow that engendered a collaborative approach to the wholistic financial management of Council. It appears that the level of financial literacy and use of financial reports are contributing to the management of Council's financial position.

From the staff interviews, a common theme was the need to improve collaboration across the Council through better leadership and clear performance measures. We were advised that there are currently no performance plans in place for staff, and that parts of the Council were operating somewhat independently. Currently staff have little commitment to the financial planning process. A combination of re-establishing financial planning processes and training to enhance financial literacy would build confidence and commitment. This would be underpinned by support from the executive management team.

The capability to undertake strategic planning and forecasting is limited due to the low level of linkage and integration of the Asset Management Strategy and Plans, ICT, Workforce and Plant and Fleet Management Strategies with Council's long-term financial model and plan. Council is currently developing an LTFP, however this will be limited should the other resourcing strategies not be updated and integrated.

The 2020 ALPEP report highlights some potential financial capability gaps, with degree qualified staff at Lismore lower than the survey population. The overall survey findings highlight that generally 43% of finance employees have at least a bachelor's degree, whereas at Lismore this was 33%. The report also identified that finance staff spent more time on transactional activities than business insight.

The financial management strategy and leadership capability would improve with the creation of a chief financial officer position with the remit to lead and drive organisational financial strategy and planning in a timely manner. With the additional resource this will help enable Council to plan and deliver change to become a financially sustainable council.

### Financial planning and capacity

The assessment criteria for financial planning were to have a current integrated Resourcing Strategy, incorporating LTFP, Asset Management Strategy and capital works program and Workforce Management Plan. For financial capacity it was that senior staff proactively drive and promote financial planning through the IP&R process demonstrated by staff understanding of and commitment to sound financial planning processes.

On 10 May 2022, Council was presented with 2022/23 Operational Plan and budget by program, that detail the budgets for General, Water and Sewer Funds and are further broken down into programs, along with the 2022/23 capital works program. The Council report details that the Community Strategic Plan and Delivery Program are largely developed, and the Resourcing Strategy will commence review/development in May 2022. The outcome is an IP&R compliant strategy with the LTFP, Asset Management and Workforce Management Plan that are integrated. Once these documents are complete Council plans to place them on public exhibition later in 2022.

Currently there is a low level of integration between the LTFP and Asset Management Strategy and associated renewal capital works and maintenance program, however Council plans to address this as part of updating the Resourcing Strategy and LTFP. This was supported through staff interviews and the information review, which showed that there is no current asset management financial modelling that can be used to develop the LTFP model.

IWCMPs for Water and Sewer Funds aren't in place and as these should be the key business drivers for these operations, they should be integrated into Council's LTFP. A draft was prepared in 2010, however, never presented to Council for determination. We were advised that these plans will be presented to Council in mid-2023.

From the staff interviews and review of Council information, the financial planning process was not apparent as part of the IP&R process. The staff comments were that Council was operating on a yearly cycle with little consideration of the core priority issues such as asset renewal and no real focus on longer-term financial planning. This is evident by the current situation of Council's Resourcing Strategy.

A concern that was raised several times during staff interviews was the reduction in cash levels. This is a strong indicator as to the financial capacity of Council. As presented to Council in January 2022, the cash expense ratio for General Fund is estimated to reduce from 8.5 months in 2021 to 0.3 months in 2025, well below the benchmark target of three months or greater.

We note that the proposed operating budget for General Fund for 2022/23 estimates a \$13.9 million deficit. This will be further exacerbated by the termination of a special rate variation on 30 June 2023. The estimated value is \$135,000. The purpose of the special variation is to renew Lismore Council's five-year Special Business Rate Variation Levy (business levy) which expired on 30 June 2018<sup>2</sup>. Further to this, Council is considering not increasing rates along with fees and charges for 2022/23.

### Financial procedures and practices

The assessment criteria for financial procedures and practices were for staff to understand costing methods in developing financial forecasts and budgets supported through consistent application procedures.

The financial planning processes has been mostly driven by the finance area and considered more an administrative process not a valued business support process. This has resulted in some lack of buy in and trust of the budgeting process and therefore some reluctance to provide realistic budgets. This is demonstrated by the overestimate of employee costs, in the order of \$5 million, which has been identified and changed in the 2022/23 budget.

For 2022/23, given the circumstances of Council with a new general manager, council and flooding, budgets were prepared and issued to managers as part of driving the operating deficits down and restricting cash spend equivalent to the estimated income to stop the draw on cash reserves.

What was also evident from the interviews is that the executive team was of the view that there was a capability gap and lack of understanding, with only some managers being able to develop realistic budgets and forecasts for programs and services. Financial ownership and accountability need to improve through enhanced leadership, performance plans and financial management training.

Council has a standard range of financial management policies in place, however, the supporting procedures for implementation seem limited. As an example, Council's financial sustainability policy states "*achieve long term financial sustainability by:*

- *Generating at least a balanced annual operating result before capital grants and contributions by 2023;*
- *Maintain a surplus annual budget of at least \$200,000 from a "cash perspective", that is operations are cash positive;*
- *Progressively increase asset maintenance and renewal funding in order to maintain current asset service levels and conditions;"*

To date this has not been achieved.

Council revised its delegation's policy to the general manager in January and February this year. The January resolution is standard and enables all delegations intended by the Local Government Act 1993 provisions. The February resolution limits major purchases to existing panel arrangements. Section 55 of the Local Government Act deals with tendering provisions and exempts councils in the case of emergencies. It would be beneficial if these emergency procurement provisions were delegated to Council's general manager.

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<sup>2</sup> Independent Pricing and Regulatory Tribunal New South Wales, May 2018. 'Determination – Special Variation Increase: Lismore City Council 2018-19'.

## Information support systems

The assessment criteria for financial information systems were that Council has in place current integrated financial and performance management solutions that provide data, information and reports timely and systematically.

Several staff identified the opportunity to reduce manual processes, paper and manual manipulation of data. In particular the provision of financial reports and information and online/automated financial transactions. Other areas identified were development application assessments, asset management data and processes, project management and human resources.

The 2020 ALPEP reported that Council had a low level of technological maturity, with a high level of manual data usage. Lismore continued to report a low level of technological maturity, with manual data wrangling being the primary processing method within the finance function and a lower planned use of technology.

Through the staff interviews, commentary was made that the financial system was hard to use and access information. Some weren't confident that they had or would get all the current financial information. The financial area acknowledged there was a need to improve the financial system and access to information by undertaking a restructure of the general ledger, improvement of monthly reporting and enhancement of system functionality.

## Financial monitoring and forecasting

The assessment criteria for financial monitoring and forecasting were quality, accurate and timely financial management and forecasting information, including income, expenditure, cash flow, capital projects status.

As raised earlier in the report, there is no current long-term forecasting of Council's resource requirements and therefore Council has no real understanding of its opportunities, challenges or needs. There appears to be limited financial monitoring and forecasting undertaken by senior management.

Council was presented quarterly with the quarterly business review reports during 2021/22 detailing the progress of budget, capital works, cashflows performance indicators and any recommended changes for Council consideration. However, they don't appear to be in the reporting section of the website, only within the Council business papers.

At an operational level it was identified through the interviews that staff haven't been proactively managing budgets on a regular basis. This, coupled with no performance management plans or targets highlights the significant shortfall in the organisation's financial management capability to monitor and manage the financial resources of Council.

## Asset management

Asset management is an organisation-wide activity that requires alignment with all operating areas of the organisation. Council's asset management objectives should be aligned with Council's Community Strategic Plan and IP&R resource documents to ensure that asset management effort translates directly to strategic value. The asset management processes need to be planned and integrated across the organisation, only then will Council create a positive and proactive asset management culture.

The foundations for good asset management practices are people, processes, systems and data, as set out in the 2020 *International Infrastructure Management Manual* (IIMM).

A council functioning at a core or "better" asset management standard would have:

- an Asset Management Strategy (AMS) and Asset Management Plans (AMPs) that meet IIMM
- an Asset Strategy and Plans that are aligned with the council's Community Strategic Plan
- long-term asset financial data integrated into the council's ten-year LTFP
- asset levels of service and asset improvement actions listed in the council's Delivery Program/Operational Plan and reported to the community
- an AMS and AMPs that are reviewed and updated annually
- a corporate asset management system that includes a financial register of all assets including age and condition
- asset management roles and responsibilities that are clearly defined across the organisation
- demonstrated leadership by senior management with respect to asset management, by actively supporting 'whole of Council' asset improvement plan activities.

### Overall assessment

There are three key factors which are significantly impacting Council's asset management ability. Firstly, whilst the current organisational structure adequately separates asset strategy and delivery, the asset strategy section is too involved in delivery and day-to-day operations, inhibiting any asset planning activities. Secondly, there is no overarching Strategic Asset Management Framework, and asset roles and responsibilities are not clearly defined. Finally, a leadership and management capability and capacity gap exists. This gap can be closed by the senior leadership team actively supporting an 'whole of Council' approach to asset management, including communicating the importance of asset management, cross-functional collaboration, continual improvement and risk management.

## Analysis

### Asset data and knowledge

Quality asset data provides the confidence and evidence to enable better investment decision making, enabling effective programmes and robust long-term financial forecasts to be developed.

The confidence in the inventory data completeness and accuracy including age and condition are integral for Council to plan and prepare ten-year asset financial forecasts.

Discussion with the infrastructure staff provided a divergent view on asset data and knowledge, whilst there was confidence Council had captured the asset inventory. There were two differing views expressed by staff on Council’s current asset condition data in particular for transport assets.

### Strategic asset planning processes

The most recent AMS is dated 2014. The AMS should be fully aligned with Council’s strategic documents (LTFP and Workforce Plan). The documents should include or define the plan review process, long-term expenditure forecasts with operations and maintenance, renewals and new/upgrade forecasts separately identified, and Council's strategy for the management of Council's assets. There does not appear to be any evidence that the strategy is being complied with in recent years.

The Asset Management Policy was reviewed and adopted by Council in June 2021 and is current.

**Table 7 Dates of last update of asset management documents**

Asset documents	Last updated
Asset Management Strategy	2014
Buildings - AMP	2012
Land Improvements and other structure - AMP	2012
Wastewater - AMP	2013
Water Supply - AMP	2013
Transport - AMP	2015
Stormwater - AMP	2015
Parks and Recreation Core AMP	2017

The Asset Management Strategy and all of the Asset Management Plans are publicly available on Council’s website.

It does not appear that any of the Asset Management Plans developed between 2012 and 2017 have been enhanced or maintained. Actions from individual asset management improvement plans may have been completed but there is no documented evidence of this. Good practice would include updating AMPs on an annual basis. We were advised by the asset manager that a consultant is currently updating the Transport AMP for Council.

The lack of current and detailed asset management plans is inhibiting Council’s ability to adequately plan and manage assets for both the short term and long term. Based on our interviews, there does not appear to be any integration of the asset financials with Councils LTFP.

## Information systems

The corporate asset management information system is Civica Authority, which can support asset management functions and is a critical part of the overarching asset management system and framework. Based on our interviews with staff we could not determine if Council was maximising the benefit of the corporate asset management system and would recommend Council review the current system and improve use (if required) to ensure the information system meets the immediate and future needs. This would include the requirement to allow for integration with other systems used by Council for, financial, mapping, works management, etc, functions. Current best practice systems include:

- single source of truth integrated asset, financial and customer service systems which can be fully reconciled
- spatial mapping capability and integration
- remote capturing of live data from infield operators
- support of advanced asset management functionality including risk assessment, predictive maintenance and renewal modelling and service level scenario analysis.

We were advised during the interviews that Council is currently operating two systems, Reflect Asset Edge for roads asset maintenance and inspection of roads, and Civica authority for other assets. As Civica acquired Asset Edge in April 2019 and now owns both products, there is an opportunity to improve the integration to capture all of the data as a single source of truth.

## Operations and maintenance work practices

We would expect there to be operation and maintenance plans taking levels of service and performance targets into account for each asset class. There does not appear to be any formal reporting of performance against the community or technical levels of service listed in the AMPs.

Based on interviews with staff, the recent flood events have exasperated the required maintenance and operational work practices. Issues were raised with the blurring of lines between asset planning and asset delivery due to insufficient lead time for works, due to survey and design not being undertaken 18 months in advance. This has resulted in City Services now preparing road pavement designs for asset services. It was reported there is little or no reporting on work activity outputs or outcomes.

Procurement and finding skilled resources are areas causing concern for the delivery of services, in particular in the operation of specialist road construction plant such as road graders. The lack of skilled workers is a wider industry problem and will require specific actions in Council's Workforce Plan, including training programs and traineeships for in-house staff and new staff.

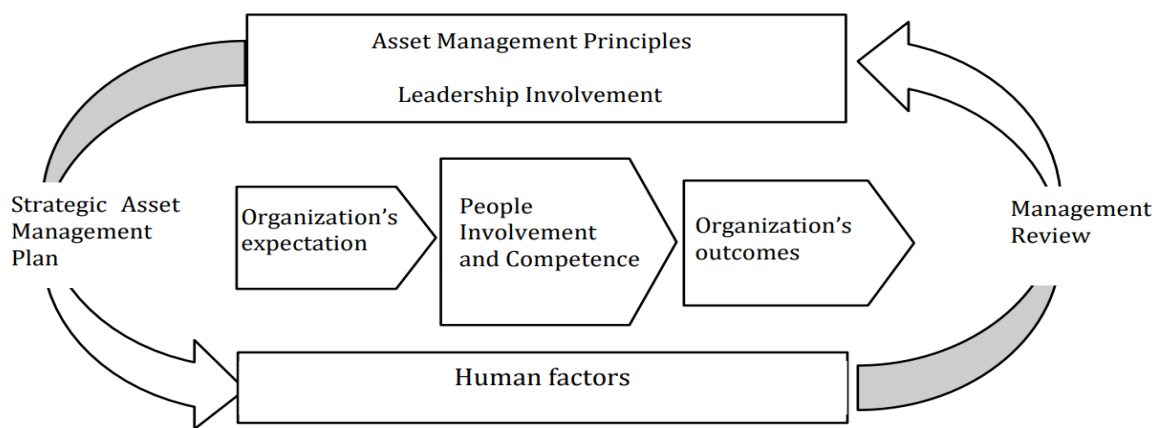
## Organisational context

Organisational context requires senior management to demonstrate leadership and commitment with respect to the asset management systems. Senior management should ensure that the responsibilities and authorities for relevant roles are assigned and communicated clearly within the organisation.

*Organisational strategy* - the senior leadership team needs to support and commit with respect to asset management. Criteria specific to demonstrating this leadership and commitment include resourcing the asset management system, communicating the importance of asset management, cross-functional collaboration, continual improvement and risk management. It would appear there has been a lack of direction from middle and senior management in regard to strategic asset management

*Asset management review/improvement* - asset management and asset management improvement require a documented governance process. The role of the Asset Management Steering Group is to provide a ‘whole of organisation’ approach and to monitor and report on the prioritised asset management improvement plan with responsibilities and timeframes. The absence of leadership across the governance group has comprised asset management and the functional teams, the figure below depicts the need for a unified vision and intention from the senior leadership team which aligns with the organisation’s values.

**Figure ISO 55002 involvement and competence**



*Asset roles and responsibilities* - to ensure that the organisation has effective asset management practices in place, the organisation must with confidence ensure that each of these functions for each asset group is being carried out. It should be noted that clarity of roles is essential, and the model can be adapted for any organisation; however, each of the asset management functions must be covered for each asset class. Clarity around roles and functions will ensure ease of management and give leadership confidence. The current organisational structure adequately separates asset strategy and asset delivery although the asset manager (strategy) is focussed on operational and project delivery activities, as well as being Council’s local emergency management officer.



## Leadership and management

High performing leadership, both in the elected council and the council organisation is a foundational component of any council. Generally the best results are achieved when the council and management work together rather than in conflict.

A successful leadership and management structure will:

- deliver on the 'Principles of local government' as set out in chapter three of the *Local Government Act 1993*
- ensure compliance with legislation
- meet or exceed industry reporting benchmarks
- have a well led, sustainable and capable workforce, with sufficient capacity
- display best practise or improvement principles.

### Overall assessment

A leadership and management capability and capacity gap exists. Closing this gap will require training and support for the newly elected Council to focus on its core roles and responsibilities regarding sustainable financial and asset-based decisions making. Capability and short-term capacity gaps exist within senior management. A review of the organisation is required to better organise and equip Council management to deliver core business, organisational transformation and recovery.

## Analysis

### Leadership knowledge and governance capability

It is well documented that Council has been subject to a large amount of leadership change over the past four years, both at the mayoral and general manager levels of the organisation. This changing leadership has made it difficult to establish a consistent strategic and operational direction.

### The elected Council

The December 2021 local government elections brought in a majority of new, first-time elected members who campaigned for change and the promise of no increase rates while investing more in essential infrastructure.

We noted that the 2020 ALPEP identified that community satisfaction with Council has fluctuated since 2016. The most recent community satisfaction and importance survey conducted by Micromex in 2020 showed that satisfaction with councillors and the mayor had improved since 2019 but was still well behind the regional local government benchmark. Areas where the community were least satisfied included ensuring Council funds are spent wisely and leadership and integrity in decision making.

During our interviews a number of common themes emerged, including:

- The elected Council was at times dysfunctional.

- There were few solid financial management skills in the elected Council and previous Councils have spent money on discretionary projects at the expense of renewing and maintaining assets.
- The previous Council was political and not strategic. It did not encourage or allow new growth.
- There is a lack of understanding, recognition or acceptance of the different roles of elected members and staff. The elected Council is challenged between being disruptive and constructive. The elected Council needs to be engaged in meaningful priority setting and projects. The elected Council would benefit from more training.
- The relationship between the elected Council and staff had broken down leading to distrust between both parties and a reluctance by staff to provide comprehensive advice as a result. This creates workplace health and safety risks with staff, and results in the Council not receiving free and frank advice. This relationship needs to be repaired.

We acknowledge that these views may not be shared or wholly supported by the elected Council, however they are representative of the Council leadership we interviewed and are supported by the community sentiment and inability to establish strategy and policy to address both the general fund shortfall and deteriorating assets.

### **Council leadership**

Based on our interviews and review of key documents, it is clear that the Council senior management has lacked the direction or display of the required leadership to address Council's deteriorating position and statutory obligations. Some of these views are evidenced by the increasing General Fund operating deficits, increasing asset backlog and poor asset renewal ratios. The failure to implement the improvement plan actions identified during the Fit for the Future Improvement Plan process to make Council 'fit' as well as other issues this report also highlights, suggests a leadership and capability gap. The absence of a robust LTFP compounds some of these problems and reduces the strategic capability to make sound strategic decisions. During our interviews we noted some inconsistent or clearly incorrect advice (not consistent with legislative requirements or Council public information) and responses to our questions which lead us to question the capability of some senior staff.

While this has not been helped by the changes in management there is a level of basic compliance that Council must deliver, and this has not occurred. Management appears not to have the capability to deliver these essential outputs to enable good governance and management.

There was a consistent view, and Morrison Low agrees, that there is a need to reset the Lismore City Council organisation, which needs leadership stability after a period of change. This will improve accountability and performance.

## Culture, policies and processes

Some of public documents we have reviewed have largely been outdated or of poor quality, particularly the suite of Integrated Planning and Reporting documents. The Asset Management Strategy and Plans date back from the mid-2010s. Given that the largest community perception gap with respect to Council's performance was maintaining sealed roads (96% importance and 35% satisfied), we would have expected more recent planning to address this gap. The new draft of the Workforce Management Plan under development is a significant improvement on its unpublished predecessor but would not satisfy the Government's new IP&R Guidelines' mandatory elements to forecast workforce requirements. We have been provided with a project plan for the development of the Workforce Management Plan which proposes a clear path to the plan's development but does not allow sufficient time for integration with the rest of the Resourcing Strategy. The lack of both robust Asset and Workforce Plans means sound, reliable and integrated long-term financial planning is not possible.

The organisational culture we observed was somewhat siloed, as different departments have developed key priorities, plans and delivery services in isolation of each other or were unaware of what another department was working on, even though the activities were interrelated. In some cases this has been necessary (i.e. this year's budget process) to address specific problems but more broadly there needs to be a collegial ownership and approach to problem solving Council's financial sustainability challenges.

There is a lack of transparency with some strategies, plans and reports not publicly reported on Council's website. Quarterly performance reports, the Council's current Workforce Plan and Community Satisfaction Reports are a few examples.

We have been provided with a number of human resource documents that are in development and have not been widely circulated, including the Learning and Development Strategy, talent mapping, performance development plans and employee lifecycle analysis. It was also noted that the Council lacked process mapping to clearly define roles and responsibilities.

There are some additional actions/goals to develop the Council's human resource capabilities including developing:

- a skills gap analysis
- a recruitment and retention strategy
- succession planning
- a leadership development program
- a change process and plan.

The employment market is extremely competitive at present and attracting skilled resources is challenging. In Lismore this is made more challenging by the location and recent events. While the location is attractive to a segment of potential employees, as will be the challenge of creating/restoring a new community, there is an element of uncertainty with Council. The need to attract the right human resources will need to be accompanied by a strategy to market the opportunities for someone joining Council and remove any concerns they may have. We noted the ALPEP also highlighted Council may be less competitive with remuneration when compared to the NSW market and this should be considered when attracting the right people.

### Information support systems

There is no single repository for human resource data, data reporting and analysis. Currently most human resource data is recorded and analysed manually. The organisation does not have an ICT strategy, which is an important strategy to guide and support some of the improvements in capability identified in this report.

### Leadership and management capacity

The ALPEP report identified the span of control is identical to other medium sized NSW councils at 3.7 staff per manager. The survey suggests the proportional split of staff between the general manager/director, manager, team leader, supervisor and other staff roles compares favourably with the other councils, therefore the capacity to deliver BAU is about right and the difficulty in delivering key activities may be more related to capability or other matters.

While the Council has the capacity to manage business as usual, once sustainable, it was clear that it does not have the capacity (or possible capability) to:

- undertake the backlog of work to transform the organisation to a sustainable one
- respond to the restoration by contributing to reimagining and restoring Lismore through important strategic, land use planning activities and in partnership with NSW Government and the Restoration Commission.

The general manager will need to maintain an oversight of BAU, transformation and restoration and is best placed to lead the overall process. If senior management and key staff were to be reallocated to that process, then the transformation of the Council organisation to a position of long-term sustainability through the delivery of key operational improvements is likely to be neglected, leaving the Council worse off. In addition, staff are likely to be diverted from important operational tasks.

### Performance and monitoring

Council does not currently have a performance management and accountability framework. No staff have key performance indicators and as such it is difficult to hold staff accountable for performance. This is likely to be a contributor to the lack of leadership direction and progress with key responsibilities.

This is also reported to have led to some inefficiencies which may be linked to higher cost of service delivery for some services as reported in the 2020 ALPEP.

## Summary of findings

The project set out to consider the following key questions

- What was Council planning to do?
- What is Council now required to do?
- What has become harder to do?
- What may be at risk of not being delivered?
- What is the impact of these changes on existing strategy and priorities?
- Where are the capability and capacity gaps?

Our findings in respect of each of these questions are summarised below.

### What is Council planning to do?

During the course of our discussions and research, we identified that Council plans and strategies did not provide a clear integrated picture of what Council was planning to do. Some of the plans were outdated or non-existent and therefore did not provide a robust basis for Council decision-making. Key plans that guide the approach to managing key assets and the cost of these responsibilities were deficient. Council did not have a good understanding of the resources it needs to deliver the plans it had.

Previous Council priorities were different. Council favoured different discretionary projects over ensuring core assets were maintained and the Council maintained financial sustainability. Changing leadership at Council and management levels will not have helped provide a focus on planning with financial sustainability goals at the forefront.

### What is Council now required to do?

Following the latest floods, Council faces a more complex organisational journey. Prior to the floods it was clear that Council needed to commence a transformation process, begin sustainable decision making, improve organisational structure, capability, performance and accountability, address key strategy and planning gaps, and undertake a reform process aimed at achieving financial sustainability.

Now the Council is faced with making some key strategic and long-lasting decisions on the future of Lismore's low lying residential and central business district area and the restoration of community assets. Coupled with this it needs to re-establish Lismore's community and vibrancy, re-establish community confidence and support economic recovery. While the burden will not fall on Council alone, it has a key leadership, planning and delivery role in both the recovery and redevelopment solution. Currently Council is not well placed strategically or organisationally to fulfil this role without other key activities suffering. Council will need a short-term injection of resources (contract employees, contractors and consultants) to provide capacity. The organisation will need the capacity and capability to manage these resources.

### What has become harder to do? And what may be at risk of not being delivered?

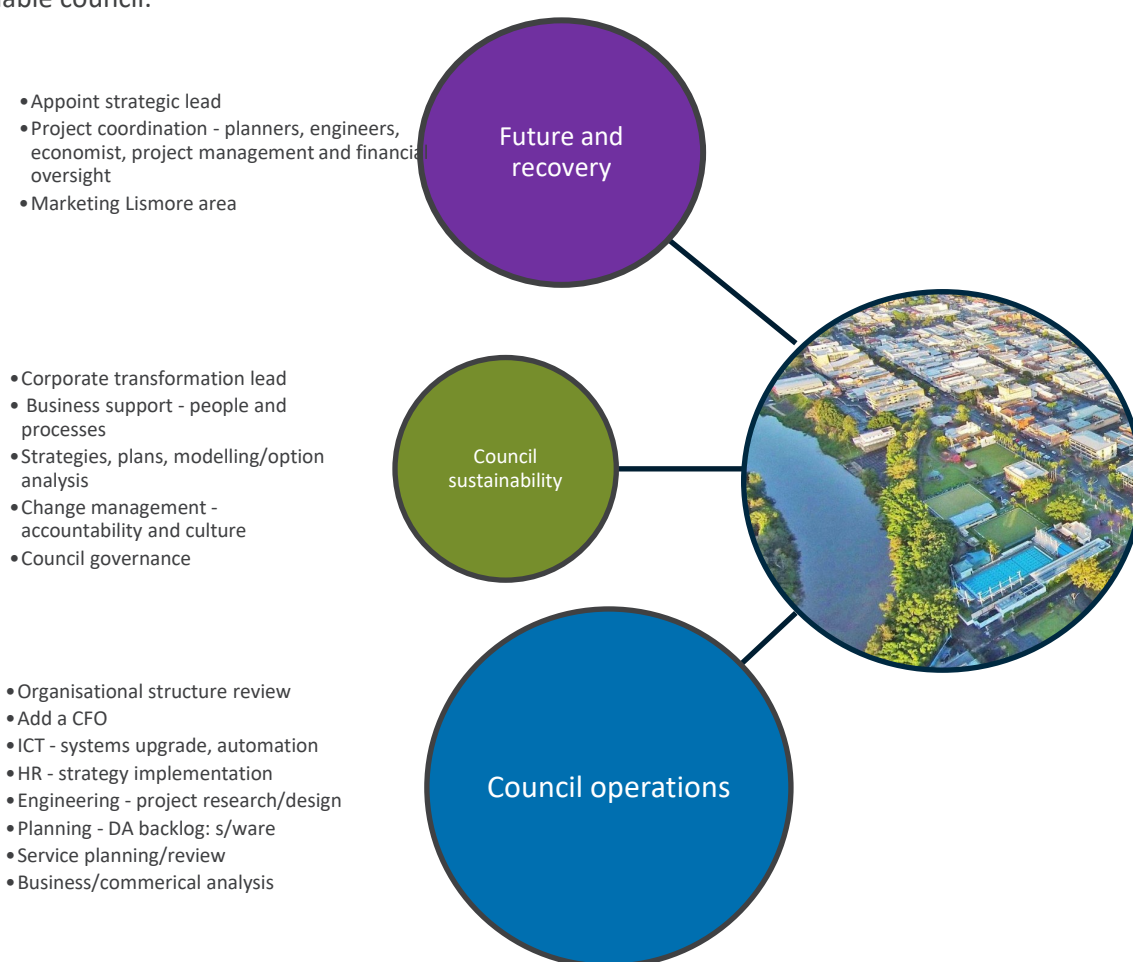
Normal business as usual will become harder to do and will be at risk of not being delivered. To participate in the recovery and restoration, without additional resources, will divert attention from core business. There are capability issues within Council as identified in this report.

## What is the impact of these changes on existing strategy and priorities?

The backlog of updating and developing key strategies, plans and documents will remain, and Council will be left making short-term decisions based on poor quality information.

## Where are the capacity and capability gaps?

From our assessment it is apparent that Council doesn't currently have the capacity and capability to be a fully functional and sustainable Council. However, from our assessment, the comprehensive roadmap, if fully implemented, would see Council become sustainable and functional in its planning and operational activities. The following diagram illustrates the indicative effort and key resource needs around recovery and future planning, building Council sustainability and Council operational improvements. This is underpinned by the three-year roadmap that, once implemented, will have embedded the operational capacity and capability for a sustainable council.



The key areas where capability and capacity gaps exist include:

- future and recovery
  - project leadership (recovery and restoration)
  - planning
  - engineering
  - property management

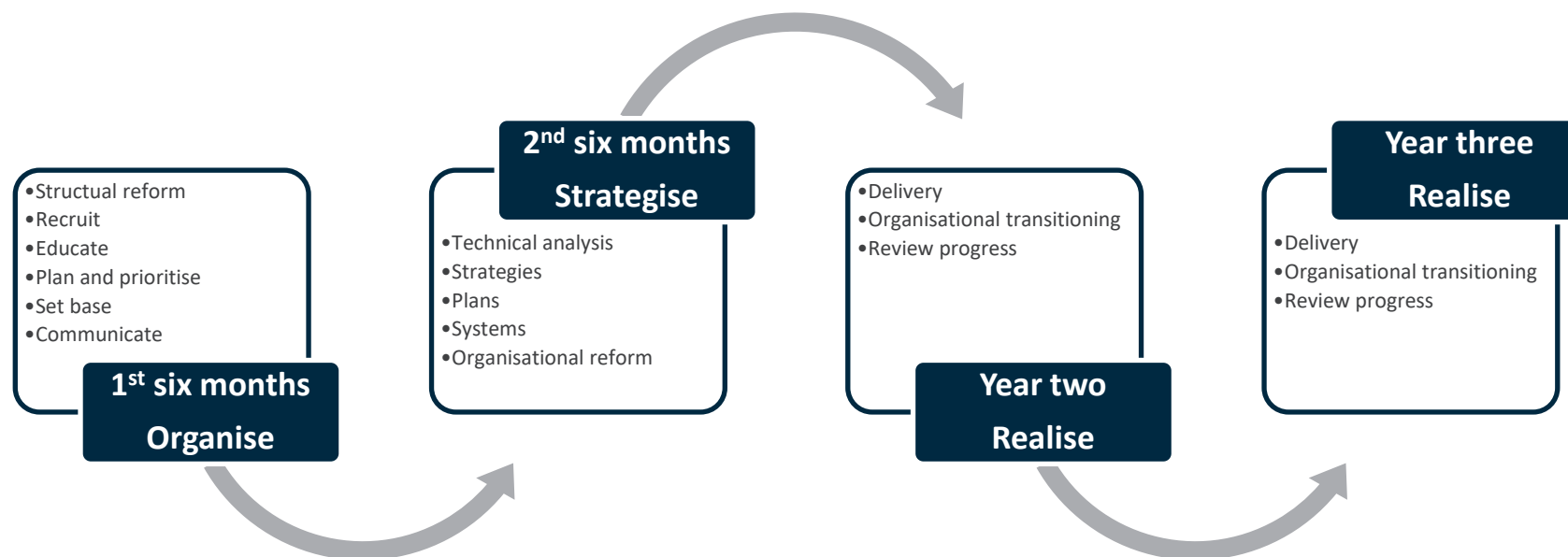
- economic development
  - economic analysis
  - marketing
- council sustainability
  - transformation leadership (chief of staff for general manager)
  - corporate planning
  - business improvement
- council operations
  - organisational leadership
  - chief financial officer
  - ICT network and data analysis
  - design engineering
  - senior planning
  - asset management
  - human resource strategy and change management
  - project/contract management
  - fleet management.

## Roadmap

The needs/gap analysis has been summarised into a recommended roadmap for Lismore City Council reconstruction and transformation and is set out on the following page.

The diagram below outlines the process recommended to implement the roadmap. It commences with Council undertaking actions to organise itself to respond, then develop the strategic support instrument followed by implementation of these strategies and identified improvements. The roadmap identifies (in our view) the importance of the action, and each action is colour coded to align with its impact on recovery, transformation or operations.

Figure 5 Roadmap implementation process





## Sustainability roadmap

Table 8 Sustainability roadmap

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
Six months	Strategic planning	➤ Recruit and appoint strategic lead for recovery and restoration reporting to the general manager (GM)	C	
		➤ Establish project office to co-ordinate and deliver Council's activities and capability to engage/influence restoration planning	C	
		➤ Develop project plan for essential strategy development	M	
		➤ Develop project plan for restoration activities	C	
		➤ Develop communication plans on roadmap	H	
		➤ Prepare economic development strategy to reactivate community, business, growth and jobs	H	
		➤ Undertake marketing to support 'Lismore is Open for Business'	M	
		➤ Complete Integrated Planning and Reporting requirements	C	
	Leadership and management	➤ Councillors' agreement to roadmap priorities	C	
		➤ Recruit and appoint strategic lead for organisational transformation reporting to the general manager	C	
		➤ Establish project implementation governance structure - OLG (or agent), GM, mayor to expedite processes and decisions	H	
		➤ GM to have emergency procurement provisions under LGA	C	
		➤ Undertake organisational restructure and capability improvements	C	
		➤ Confirm consistent leadership role for Council to implement programs	M	
		➤ Workforce capability and capacity gap analysis	H	
		➤ Recruitment or engagement of temporary resources to assist with recovery and transformation	C	
		➤ Conduct councillor education program on roles and responsibilities and financial management	H	
		➤ Establish mayoral support program	C	
		➤ Adopt Workforce Management Plan with new capacity and capability requirements	C	
		➤ Develop recruitment and retention strategy (and remuneration strategy)	H	
		Financial	➤ Undertake integrated LTF modelling, LTFP and Resourcing Strategy	C
	➤ Rates and water charges hardship relief program		H	
	➤ Review depreciation and approach		H	
	➤ Review and align services to the budgets		M	
	➤ Implement new financial management system (.xls based currently) - COLUMO to address reporting and analysis		M	
	➤ Provide financial literacy training across SLT		H	
	Assets	➤ Undertake asset maturity and improvement assessment	C	
		➤ Identify critical assets	M	
		➤ Update AMS and asset financial modelling	C	
		➤ Understand asset data gaps	M	
		➤ Undertake procurement framework review	M	
		➤ Commence preparation of IWCOMP	H	

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
12 months	Strategic planning	➤ Ongoing recruitment process	H	
		➤ Initial concept planning of solution for Lismore	H	
		➤ Procurement strategy to link with Restoration Commission activities	M	
		➤ On-going communications	M	
		➤ Undertake growth management strategy (LU)	H	
		➤ Prepare long term infrastructure strategy	H	
		➤ Review flood mitigation strategy	H	
		➤ Digital strategy (external focused)	M	
		➤ Smart cities strategy – research and prep	M	
		➤ Update Urban Stormwater Strategy	H	
	Leadership and management	➤ Recruitment or engagement of temporary resources	H	
		➤ Undertake workforce capability training	H	
		➤ Revise position descriptions	H	
		➤ Set KPIs for all Staff	H	
		➤ Prepare ICT Strategy	H	
		➤ Establish Performance Development Management Framework (PDPs)	H	
		➤ Undertake succession planning and workforce risk management plans	M	
		➤ Implement new HR system	M	
		➤ Implement new software system planning - UPLA	H	
		➤ Establish Local Independent Planning Panel	M	
		➤ Establish Leadership Development Program	M	
		➤ Implement Cultural Change Program	M	
	Financial	➤ Create Corporate Financial Sustainability Plan – transformation program	H	
		➤ Review Annual Budgeting and LTFP processes	M	
		➤ Resolve waste disposal loss	H	
		➤ Fleet management and replacement provision	H	
		➤ Service reviews/process maps	M	
		➤ Implement cash management tool	M	
		➤ Ensure business cases include lifecycle costs	M	
	Assets	➤ Prepare AMPs for each asset class	H	
		➤ Resolve asset data gaps	H	
		➤ Review roles and responsibilities of asset managers and operations staff to promote strategic planning for assets	H	
		➤ Develop asset service levels	H	
		➤ Revise Procurement Policy and procedures	M	
		➤ Contract management framework capability	M	
		➤ Review Project Management Framework to enable project delivery (capability and capacity)	M	

Timing	Theme	Task	Importance (high or medium)	Capability/capacity impact
24 months	SP	➤ Undertake master planning of agreed 'new Lismore' solution	H	
		➤ Service level engagement with community	M	
		➤ Undertake future service planning	M	
	L and M	➤ Ongoing recruitment	H	
		➤ Ongoing training	H	
		➤ Status/roadmap review	H	
		➤ Determine if additional support or intervention required	H	
	F	➤ Undertake financial transformation program (including service reviews)	H	
A	➤ Asset optimisation for critical assets for disasters	H		
36 months	SP	➤ Revise IP&R docs to set direction	H	
	F	➤ Financial transformation program	H	
	A	➤ Implement master plan	H	

## Implementation

The above table sets out a critical path for actions for the:

- months one to two
- months three to six
- months seven to twelve
- the years beyond.

The Council does not have the immediate capability and capacity to undertake all the recommended actions in months one and two or months three to six unless its reorganisation and recruitment has immediate success. Council will need to rely on outside resources initially (contractors and consultants) to deal with the critical actions and the short-term priorities, transitioning to undertaking most actions itself. We believe these resources will only be required for a short period until the required capacity and capability is in place internally.

There are number of project-based actions associated with the restoration that will require specialised technical resources that should be outsourced.

## Appendix A Documents reviewed

List of Lismore City Council documents reviewed:

- 2019-20 Annual Report
- 2019-20 Financial Reports
- 2020-21 Annual Report
- 2020-21 Financial Reports with Audit Reports
- 2021-22 Budget by Program
- 2021-22 Fees and Charges
- 2021-22 Revenue Policy and Borrowings
- 2022-2031 Long Term Financial Plan presentation
- 2022-23 Budget by Program
- 2022-23 Revenue Policy and Borrowings
- Asset Management Plan – Buildings, 2012
- Asset Management Plan – Land Improvements and Other Structures, 2012
- Asset Management Plan – Parks and Recreation, 2017
- Asset Management Plan – Stormwater, 2015
- Asset Management Plan – Transport, 2015
- Asset Management Plan – Wastewater, 2013
- Asset Management Plan – Water Supply, 2013
- Asset Management Policy, 2021
- Asset Management Strategy, 2014
- Community Strategic Plan 2022-2032
- Council report on 'Fit for the Future - Council Improvement Proposal (Existing structure)' – 23 June 2015
- Council report on Hardship Policy – 10 May 2022
- Council report on the public exhibition of the Draft Imagine Lismore 2022/23 Operational Plan and Budget
- Council webpage pdf – The organisational structure of our senior management – April 2022
- Councillor 2022-23 Operational Plan briefing presentation – 4 May 2022
- Councillor finance training presentation – 18 January 2022
- Draft Learning and Development Strategy 2022 presentation
- Draft Resource Plan for Assets Team 2022-23 (prepared January 2022)
- Fees and Charges Pricing Policy
- Financial Sustainability Policy
- Imagine Lismore Community Strategic Plan 2017-2027
- Imagine Lismore Delivery Program 2017-2021 - Progress Report: Quarter 3 – January to March 2021

- Imagine Lismore Delivery Program 2017-2021 - Progress Report: Quarter 2 – October to December 2020
- Imagine Lismore Revised Delivery Program 2017-2021 and Operational Plan 2021-2022
- Imagine Lismore Workforce Management Plan 2017-2021
- Innovate Lismore 2024 Economic Development Strategy 2019-2024
- Investment Policy
- Lismore Residential Development 2021 – Status Report
- Lismore Residential Development Map 2021
- List of Lismore City Council Plans and Strategies – spreadsheet
- Long Term Financial Plan 2019-2029
- Long Term Financial Plan 2019-2029 - Model 1
- Long Term Financial Plan 2019-2029 - Model 2
- Long Term Financial Plan 2019-2029 - Model 3
- Long Term Financial Plan presentation – 22 September 2020
- Long Term Financial Plan Update presentation – 17 November 2020
- Nine Box Grid 5.0 spreadsheet
- Notes for discussion with Mayor – General Manager Observations – 18 February 2022
- Organisational chart for Corporate
- Organisational chart for General Manager’s Office
- Organisational chart for Infrastructure
- Organisational chart for PPE
- Presentation to Council – Councillor Briefing – Finance – January 2022
- Project Charter – Workforce Management Plan
- Rate Relief presentation – 5 April 2022
- Rates and Hardship Policy, reviewed 2022
- Review of Lismore’s Land Use Management Strategy - A Discussion Paper on Growth and Rebuilding in Lismore
- Sale of Land for Unpaid Rates and Charges Policy
- Strategic Business Plan for Water Supply and Wastewater, 2016
- Work and Personal Development Plan - Manager People and Safety - Steve Klaassen - version 1.1
- Workforce Plan 2022 version 1.1

Additional documents reviewed (not published/drafted by Lismore City Council):

- Department of Regional NSW, April 2022. ‘Northern Rivers Reconstruction Corporation’. Retrieved from: <https://www.regional.nsw.gov.au/our-work/NRRC> (pdf file of webpage).
- Independent Pricing and Regulatory Tribunal New South Wales, May 2018. ‘Determination – Special Variation Increase: Lismore City Council 2018-19’.
- Micromex, May 2020. ‘Community Satisfaction and Importance Survey Report 2020’.



- Micromex, June 2020. 'Community Satisfaction and Importance Survey' (PowerPoint presentation).
- Micromex, November 2016. 'Community Satisfaction Survey' (PowerPoint presentation).
- PricewaterhouseCoopers, December 2020. The Australasian Local Government Performance Excellence Program: Lismore City Council FY20.

## Appendix B List of interviewees

List of Lismore City Council staff/positions interviewed by Morrison Low:

- General Manager - John Walker
- Mayor - Steve Krieg
- Deputy Mayor - Peter Colby
- Director Partnerships Planning & Engagement - Eber Butron
- Director Infrastructure Services - Peter Jeuken
- Director Corporate Services - Kate Webber
- United Services Union - Stephen Hughes
- Manager Assets - Scott Turner
- Manager Liveable & Active Communities - Tony Duffy
- Manager People & Safety - Steve Klaassen
- Manager Technology & Innovation - Luke Shaw
- Manager Civic Services - Darren Patch
- Manager Built Environment - Chris Watts
- Manager Finance - John Hartley
- Senior Business Analyst - Mark Parry

## Appendix C Asset management maturity assessment framework

<p><b>Asset knowledge/data</b></p> <ul style="list-style-type: none"> <li>• asset classification/hierarchy</li> <li>• attributes and location</li> <li>• condition data</li> <li>• lifecycle cost data</li> <li>• valuation, depreciation and age/life data</li> </ul>	<p><b>Asset knowledge processes</b></p> <ul style="list-style-type: none"> <li>• asset accounting/valuation</li> </ul>
<p><b>Strategic asset planning processes</b></p> <ul style="list-style-type: none"> <li>• strategic long-term plan</li> <li>• asset management policy and strategy</li> <li>• levels of service</li> <li>• risk management</li> <li>• financial planning and capital investment</li> <li>• asset management plans</li> </ul>	<p><b>Operations and maintenance work practices</b></p> <ul style="list-style-type: none"> <li>• operations/maintenance management</li> <li>• critical assets</li> </ul>
<p><b>Information systems</b></p> <ul style="list-style-type: none"> <li>• asset register</li> <li>• systems integration</li> </ul>	<p><b>Organisational context</b></p> <ul style="list-style-type: none"> <li>• organisational strategy</li> <li>• asset management review/improvement</li> <li>• asset management roles and responsibilities</li> </ul>





## Appendix D Financial management maturity assessment framework

### Governance and Leadership

- Financial Governance
- Systems of Control
- Financial Capabilities
- Training and Development

### Planning

- Integration of Financial Reporting and Monitoring
- Robust Streamlined Systems
- Business Support
- Staff Understanding and Commitment

### Decision Making

- Expenditure and Cost Drivers
- Income Streams and Fee Setting
- Major Project Evaluation, Implementation and Monitoring
- Financial Management Policies, Procedures and Processes

### Monitoring and Forecasting

- Financial Management and Forecasting information
- Indicators Financial and Non-Financial
- Financial and Operational Management Systems
- Improvements to Systems, Processes and Reports

### Reporting

- User Design of Reports
- Timely reports
- Clarity of Reports
- Use and Feedback on Reports

