

Discussion Paper

**Structural reform for Rous Water, Richmond River
County Council and Far North Coast Weeds:**

An overview of the issues

Kyme Lavelle, General Manager

INTRODUCTION

The three County Councils, Rous Water, Richmond River County Council and Far North Coast Weeds are exploring opportunities for improving their business efficiency. One approach under consideration is the potential for an amalgamation of the three entities into one organisation.

The most recent catalyst for discussion about reform was the NSW Government's 'Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW' which was released in December 2008. The Report has predictably triggered a discussion about the future for Rous Water and its relationship with Richmond River County Council and Far North Coast Weeds, in particular the merit of restructuring the three entities as one.

The purpose of this Paper is to identify and discuss some of the many issues that may influence the direction taken with respect to the possible structural reform of the three Counties. The Paper provides a brief overview of each County, their primary function, current staffing and operating expenditure.

It is not intended that this Paper provide in-depth discussion nor is the intention to propose amalgamation as the preferred option. Rather, the Paper is designed to demonstrate the need for development of a comprehensive Business Case to objectively assess the merits of reform in both financial and non-financial terms, as it relates to the three Counties. It is however recognised that the outcome of the 'Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW' will determine the future model for Rous Water and ultimately the potential for structural reform for the three Counties.

BACKGROUND

The terms of reference for the 'Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW' ('Government Inquiry') were to:

- Identify the most effective institutional, regulatory and governance arrangements for the long-term provision of water supply and sewerage services in country NSW.
- Ensure these arrangements were cost-effective, financially viable, sustainable, optimise whole-of-community outcomes, and achieved integrated water cycle management.

Both the Northern Rivers Regional Organisation of Councils and Rous Water lodged a submission in response to the Government Inquiry foreshadowing their collective support for the formation of an alliance within the Richmond Valley catchment. It was noted that regardless of the model adopted it would be necessary for any new entity to be responsible for bulk potable water and strategic integrated water cycle planning.

Rous Water is a proponent of the county council model and in terms of the recommendations from the Government Inquiry supports that model. However operating Rous Water, Richmond River County Council and Far North Coast Weeds as separate entities may not provide the most effective model for service delivery as many functions are being duplicated.

This presents an opportunity to examine possible alternatives with a view to more effective resource use.

AN OVERVIEW OF THE COUNTIES

Rous Water, Richmond River County Council and Far North Coast Weeds are collocated in the Rous Water Administration Centre with their operations being overseen by one General Manager. Administrative, governance and financial services are provided to the other Counties by Rous Water on a 'fee for service' basis in accordance with a Service Level Agreement. This arrangement has been in place with Richmond River County Council since 1982 and Far North Coast Weeds since 2002.

Rous Water

Characteristics

- Bulk water supply authority for the Council areas of Lismore (excluding Nimbin), Ballina (excluding Wardell), Byron (excluding Mullumbimby) and Richmond Valley (excluding land to the west of Coraki).
- Includes over 33,000 connections within the reticulation areas of the constituent Councils, and around 1,900 retail connections to the trunk main system.
- Servicing a population of around 95,000.
- 8 Councillors representing 4 local government areas.
- 11 Council meetings per year.

As at 30 June 2009, Council had 74 positions (including 3 unfilled), with 68.7 full-time equivalent staff. Salaries and wages for the year were approximately \$4.6M.

Council's operating expenditure for 2009/10 is approximately \$18.9M (including depreciation and excluding capital items).

Richmond River County Council

Characteristics

- Flood mitigation authority for the Council areas of Ballina, Lismore and Richmond Valley.
- Provides a coordinating role in floodplain management, working with constituent Councils, State and Commonwealth agencies, university researchers, and floodplain industries to develop long-term effective natural resource management strategies for the Richmond River floodplain and estuary.
- Undertakes routine maintenance of its various canals and floodgate structures including the construction and replacement of flood mitigation infrastructure.
- 6 Councillors representing 3 local government areas.
- 6 Council meetings per year.

As at 30 June 2009, Council had 5 full-time equivalent staff, 3 project officers on limited duration appointments and 1 part-time engineer. Salaries and wages for the year were approximately \$428K.

Council's operating expenditure for 2009/10 is approximately \$2.1M (including depreciation and excluding capital items).

Far North Coast Weeds

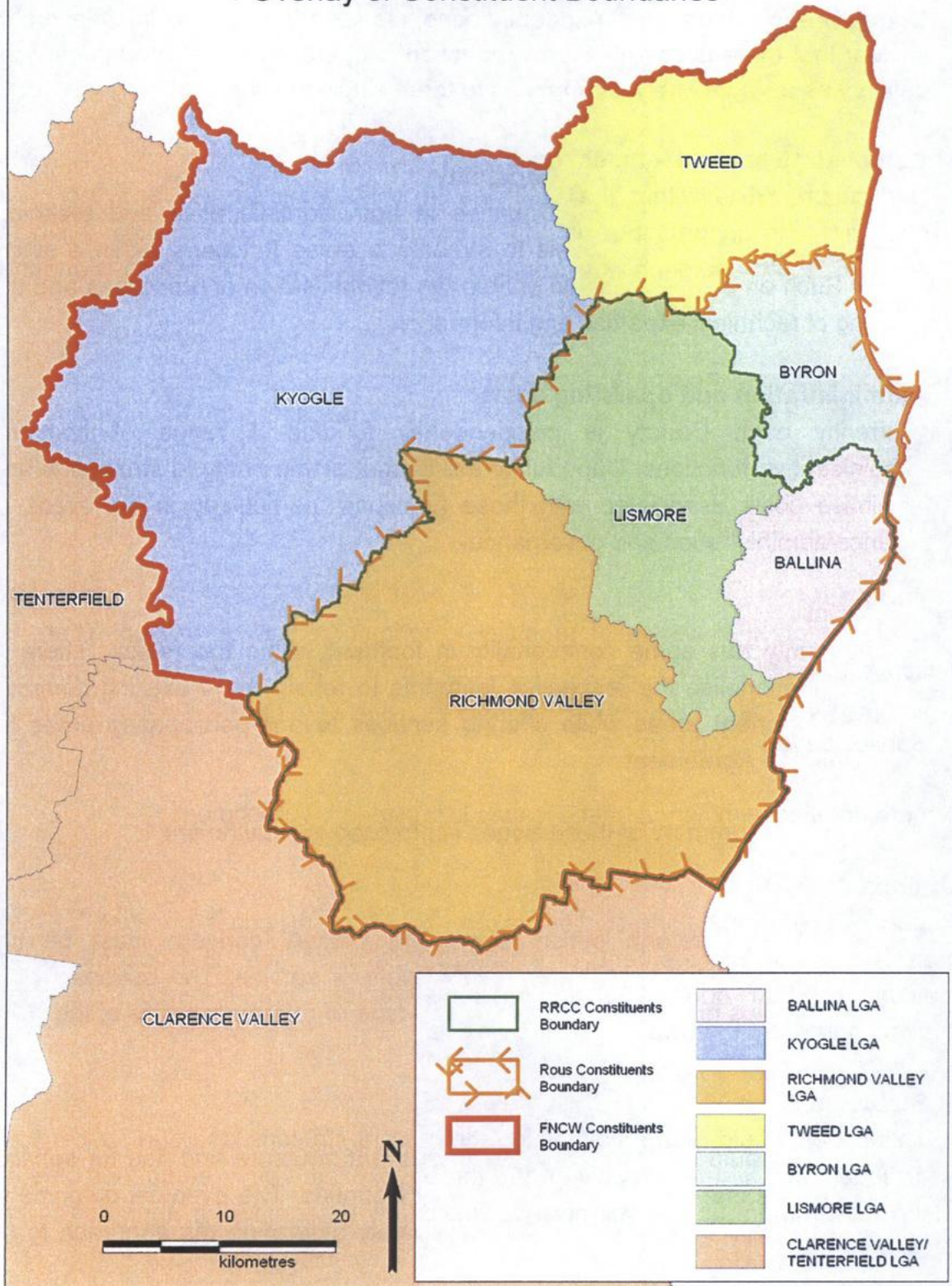
Characteristics

- Administers the *Noxious Weeds Act 1993* for the Council areas of Ballina, Byron, Kyogle, Lismore, Richmond Valley and Tweed.
- Area of operations is approximately 10,290km² which borders Queensland to the north, Tenterfield Shire to the west and Clarence Valley Council to the South.
- 6 Councillors representing 6 local government areas.
- 6 Council meetings per year.

As at 30 June 2009, Council had 11 full-time equivalent staff. Salaries and wages for the year were approximately \$588K.

Council's operating expenditure for 2009/10 is approximately \$1.14M (including depreciation and excluding capital items).

Far North Coast Weeds Overlay of Constituent Boundaries



STRUCTURAL REFORM: ISSUES

Rous Water has identified 4 main issues that need to be considered in terms of any proposal for structural reform of the three Counties. These are:

1. Economies of scale and scope

Currently each County independently conducts several functions in isolation. It is clear that there is potential for a reduction in operating costs through service delivery as a single entity as opposed to three single entities.

2. Administrative and technical capability

Duplication exists within the Counties in both administrative and technical capability and opportunity exists to streamline these functions within a single entity. Such an approach would enable the rationalisation of processes and the sharing of technical expertise and information.

3. Administration and operating costs

Currently each County is independently funding a range of common administrative functions. Opportunity exists as a single entity to streamline and minimise costs associated with these functions, particularly in the areas of finance/administration and governance.

4. Footprint

Each County has some commonality in footprint within the region. There is scope to rationalise the respective footprints to reflect the 4 existing common local government areas while offering services to non-participating areas by Service Level Agreement.

A more detailed summary of these issues is provided in Attachment 1.

Options

Regardless of the reform option taken, the primary concern must be the maintenance (or improvement) of existing levels of service. The options are to maintain the status quo or to implement some type of reform. In terms of the latter it is recognised that several possibilities exist.

1. Status quo

This option would mean maintaining the current structure and 'fee for service' arrangements that exist between the three Counties. The eventual outcome of the Government Inquiry will however ultimately determine the approach to be taken.

2. Reform

Subject to each Council's willingness to participate, reform could be achieved with least disruption to the continuity of operations by adopting a footprint modelled on Rous Water's constituent Council membership. While the outcome of the Government Inquiry will determine whether Kyogle is included, Tweed has opted to remain autonomous. Three discrete functional areas of operations would exist (water, flood and associated natural resource management, and noxious weed control) with service delivery to non-participating areas occurring on a 'fee for service' basis in accordance with a Service Level Agreement.

It is expected that the identification and discussion of other reform options would be incorporated into the scope of works for the development of the proposed Business Case.

STRUCTURAL REFORM: THE PROCESS

Business Case

The proposed Business Case would need to investigate and identify the most appropriate institutional arrangements for the three Counties and their relationship with the constituent Councils. As a minimum it would need to consider:

- A governance process based on local Government representation.
- The financial impost on constituent Councils (if any).
- Associated costs and how they could be recouped through projected future savings.
- The objectives of the Government Inquiry reform.
- The existing legislative framework.

Consultation

Rous Water wrote to the Department of Local Government in November 2009 regarding the proposal to combine the three Counties (Attachment 2). The Department advised, among other things, that it supported initiatives 'that reduce duplication and build local government capacity to meet community needs' (Attachment 3). Furthermore it was recommended that the support of each County be obtained prior to the development of a Business Case. Consultation in this regard would necessarily involve a range of stakeholders including each County Chairperson and Council, and each constituent Council Mayor, Council and General Manager. It is worthwhile noting that Richmond River County Council and Rous Water have provided their in-principle support for reform, however at this stage Far North Coast Weeds remains opposed to any change.

Statutory requirements

The statutory requirements to be complied with will vary depending on the proposed reform. Regardless, any proposal that relates to boundaries of areas or the areas of operations of county councils must be referred to the Boundaries Commission. The Commission must then have regard to the factors prescribed in section 263 of the *Local Government Act 1993* (Refer to Attachment 4A and Attachment 4B) when considering such a proposal.

Timing

If reform were to occur it would be appropriate to coincide with the next local government election in September 2012. However, prior to the implementation of any such change a formal decision would need to be made and a number of actions and processes would need to ensue.

CONCLUSION

Structural reform has the potential to provide increased efficiencies in service delivery, resource sharing and technical capability thereby providing clear benefits to the community and constituent Councils. Furthermore, it is apparent that a review of the structural arrangements of the Counties could be undertaken in parallel with the Government Inquiry and that the outcomes of each process could be complementary.

It is recognised that any action must be undertaken at a local level by the Counties with the support of their constituent Councils and in this regard the first step in the process is to commission a Business Case to assess the merits of reform.

RECOMMENDATION

That this Discussion Paper be noted and the proposal to develop a Business Case be endorsed.



Mr K Lavelle
General Manager

ATTACHMENT 1

This Table identifies some of the key issues that are likely to be relevant to the discussion of reform.

REFORM		
ISSUES	Current areas of co-operation	Opportunities
Economies of scale and scope	Service provision by service level agreement: finance/administration (including reception and secretarial); human resources; governance; IT; procurement/bulk purchasing; OHS; contractor management.	<p>Enhanced financial viability:</p> <ul style="list-style-type: none"> Rationalise administration, consolidate finance systems and support processes (ie. single system for: records; stationery; Council Business Paper; website; finance (ledger, audit, BAS, payroll); IT etc). Reduced internal service/support/resource costs ie. simplification of finance and administration including taxation management. Reduced/less reliance on outsourcing ie. broader in-house technical expertise. Improved capacity to deal with external unfunded mandates ie. implementing legislative reform. Spreading overheads.
Administrative and technical capability	Centralised administrative and support staff, IT, some exchange of technical expertise.	<p>Rationalise administrative and governance processes (ie. one: Management Plan; Annual Report; Summary of Affairs; Statement of Affairs; Financial Statements).</p> <p>Better utilisation of technical expertise and information. ie. catchment management, noxious weed control and GIS.</p>

REFORM		
ISSUES	Current areas of co-operation	Opportunities
Administration and operating costs	Centralised administrative and support staff, IT, procurement, some shared plant use.	<p>Rationalise administration and operating costs (ie. simplified administration resulting in no triplicate processes such as: statutory reporting; Council meetings; Chairpersons; Councillors and expenses; Business papers; audits etc).</p> <p>Minimise costs for insurance as a result of consolidation of coverage ie. one policy each for: motor vehicle fleet; statutory liability; public liability; D&O; property etc.</p> <p>Efficiency and productivity gains in terms of the role of General Manager ie. managing one organisation as opposed to three.</p> <p>Streamline/strategic corporate governance and risk management thereby reducing risk and likelihood of potential exposure/liability.</p>
Council footprint	Synergy between the Counties in terms of some objectives ie. noxious weed control and bush regeneration, catchment protection.	<p>Functional expansion will enhance strategic approach to operations:</p> <ul style="list-style-type: none"> • Enhanced opportunities for sharing technical expertise. • Enhanced opportunities to engage with the community and stakeholder groups on a coordinated and strategic level. • Whole-of-region representation in relation to applying for/competing for funding and lobbying government.

ATTACHMENT 2

Letter dated 25 November 2009 to Mr R Woodward, Department of Local Government from Kyme Lavelle, General Manager, Rous Water.



Rous Water
REGIONAL WATER SUPPLY

BALLINA
BYRON
LISMORE
RICHMOND VALLEY

Our Ref: KL/NS: 1833/08 (2) (38040)

25 November 2009.

Mr R Woodward
Acting Deputy Director General (Local Government)
Department of Premier and Cabinet
Locked Bag 3015
NOWRA NSW 2541

Dear Mr Woodward

As you are aware the Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW was released in December 2008. Both the Northern Rivers Regional Organisation of Councils and Rous County Council lodged a submission in response to that report foreshadowing their collective support for the formation of an alliance within the Richmond Valley catchment. It was noted that regardless of the model adopted it would be necessary for the new entity to be responsible for bulk potable water and strategic integrated water cycle planning.

Rous County Council is a proponent of the county council model and in terms of the recommendations from the Inquiry supports that model. On that basis the objects of the Inquiry could be met by either amending Rous County Council's constitution to incorporate both a broadened area of operations and functions, or by dissolving it and establishing a new county council. Both approaches would provide a suitable platform for the amalgamation of Rous County Council, Richmond River County Council and Far North Coast County Council.

Council has requested that I proceed to develop a business case to assess the merits of this proposal both from an economic and governance perspective. I am now seeking your advice in relation to the assistance that the Department could provide to support Council to progress this project, in particular the availability of financial and policy support. Preliminary estimates indicate that consultant costs for the development of an appropriate business case would be in the vicinity of \$25,000.

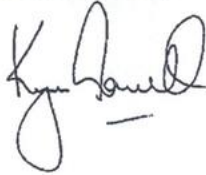
In terms of policy support it would be appreciated if you could nominate an appropriate officer from your Department with whom I could liaise on an ongoing basis regarding this proposal.

ROUS WATER CENTRE
218-232 Molesworth Street
PO Box 230
Lismore NSW 2480
DX 7652

ROUS COUNTY COUNCIL
Phone (02) 6621 8055
Fax (02) 6622 1181
Email water@rouswater.nsw.gov.au
ABN 81 383 023 771

Primarily Council is seeking to progress the business case development as soon as possible to ensure that it is best positioned to assess any response put forward by the Government in relation to the Inquiry. I would therefore be pleased to discuss this proposal with you further and in this regard I can be contacted directly by telephone on (02) 6621 8055 or 0427 068 854 or by email at kyme.lavelle@rouswater.nsw.gov.au .

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kyme Lavelle', with a horizontal line underneath.

Kyme Lavelle
General Manager

ATTACHMENT 3

Letter dated 14 January 2010 to Mr Kyme Lavelle, General Manager, Rous County Council from Mr R Woodward, Department of Local Government.



SCANNED

Department of Local Government
5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541

OUR REFERENCE A200635
YOUR REFERENCE: 1833/08 (2) (38040)
CONTACT: ~~Wayne Truogen~~
02 4428 4213

Mr Kyme Lavelle
General Manager
Rous County Council
PO Box 230
LISMORE NSW 2480

Dear Mr Lavelle

I am writing in reply to your letter of 25 November 2009 regarding the possible establishment of a new entity to be responsible for bulk potable water supply and strategic integrated water cycle planning.

I note the intention of Rous County Council to develop a business case that examines the merits of this proposal. This is a matter for Council to consider. However, I would suggest that, as the NSW Government is still considering its final position on the review of local water utilities, you should discuss this further with the NSW Office of Water by calling Mr Hans Wesling on telephone 02 8281 7337.

I also note the intent to consider an amalgamation with Richmond River and Far North Coast County Councils as part of this business case. I understand that the three County Councils currently share a General Manager, premises and administrative support.

The Division of Local Government encourages initiatives that reduce duplication and build local government capacity to meet community needs. Any proposal to merge these three County Councils should be based on appropriate community consultation and be supported by evidence that clearly demonstrates that the constituent communities will receive an improved and cost effective service. I would suggest that the support of the each of these County Councils should be gained to proceed with the development of this business case, if this hasn't already been obtained.

While I appreciate that Council supports the county council model, I suggest that alternate governance models that may meet the participating Councils' strategic objectives also be considered.

I would also mention that any change to the constitution, functions and membership of a county council will require a proclamation by the Governor.



It would be appreciated if you would keep me informed of the progress and outcomes of the business case. The Division's contact is Mr Wayne Trudgen, Principal Policy Officer, who has responsibility for the Division's work in supporting collaboration between councils and is also the Division's *contact officer for issues* related to the review of local water utilities. Mr Trudgen can be contacted by email on wayne.trudgen@dlg.nsw.gov.au or by telephone on 02 4428 4213.

I trust this information is of assistance and look forward to hearing about the progress of this initiative.

Yours sincerely

 Ross Woodward 14/1/10

Ross Woodward
Deputy Director General (Local Government)
Department of Premier and Cabinet

ATTACHMENT 4A

Extract from the *Local Government Act 1993*

218F Referral of proposal for examination and report

- (1) On making or receiving a proposal, the Minister must refer it for examination and report to the Boundaries Commission or to the Director-General.
- (2) Sections 263, 264 and 265 apply to the examination of a proposal by the Director-General in the same way as they apply to the examination of a proposal by the Boundaries Commission.
- (3) For the purpose of examining a joint proposal of 2 or more councils for the amalgamation of two or more areas under section 218A, the Boundaries Commission or Director-General, as the case requires, must seek the views of electors of each of those areas:
 - (a) by means of:
 - (i) advertised public meetings, and
 - (ii) invitations for public submissions, and
 - (iii) postal surveys or opinion polls, in which reply-paid questionnaires are distributed to all electors, or
 - (b) by means of formal polls.
- (4) The period over which the views of electors are to be sought as referred to in subsection (3) must be a period of at least 40 days.
- (5) Part 3 of Chapter 4 applies to a formal poll taken by the Boundaries Commission or Director-General in the same way as it applies to a council poll referred to in that Part.
- (6) If a proposal that is not supported by one or more of the councils affected by it, or that is an amalgamation proposal, has been referred to the Director-General under subsection (1):
 - (a) the Director-General must furnish the Director-General's report to the Boundaries Commission for review and comment, and
 - (b) the Boundaries Commission must review the report and send its comments to the Minister.
- (7) The Minister may recommend to the Governor that the proposal be implemented:
 - (a) with such modifications as arise out of:
 - (i) the Boundaries Commission's report, or
 - (ii) the Director-General's report (and, if applicable, the Boundaries Commission's comments on that report), and
 - (b) with such other modifications as the Minister determines,
but may not do so if of the opinion that the modifications constitute a new proposal.
- (8) The Minister may decline to recommend to the Governor that the proposal be implemented.

ATTACHMENT 4B

Extract from the *Local Government Act 1993*

263 Functions of the Boundaries Commission

- (1) The Boundaries Commission is required to examine and report on any matter with respect to the boundaries of areas and the areas of operation of county councils which may be referred to it by the Minister.
- (2) For the purpose of exercising its functions, the Boundaries Commission:
 - (a) may hold an inquiry if the Minister so approves, and
 - (b) must hold an inquiry if the Minister so directs,but may not hold an inquiry otherwise than as referred to in paragraph (a) or (b).
- (2A) Despite subsection (2), the Boundaries Commission must hold an inquiry for the purpose of exercising its functions in relation to a proposal for the amalgamation of two or more areas that has been referred to it in accordance with section 218F.
- (2B) Reasonable public notice must be given of the holding of an inquiry under this section.
- (3) When considering any matter referred to it that relates to the boundaries of areas or the areas of operations of county councils, the Boundaries Commission is required to have regard to the following factors:
 - (a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned,
 - (b) the community of interest and geographic cohesion in the existing areas and in any proposed new area,
 - (c) the existing historical and traditional values in the existing areas and the impact of change on them,
 - (d) the attitude of the residents and ratepayers of the areas concerned,
 - (e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area,
 - (e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities,
 - (e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned,
 - (e3) the impact of any relevant proposal on rural communities in the areas concerned,
 - (e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards,
 - (e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented,
 - (f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.
- (4) The Boundaries Commission is not entitled to examine or report on any matter relating to the area of operations of a county council constituted or proposed to be constituted for the supply of electricity.
- (5) The Boundaries Commission must allow members of the public to attend any inquiry held by the Commission under this section.
- (6) The Boundaries Commission may continue with an examination or inquiry even though a commissioner or acting commissioner replaces another commissioner during the course of the examination or inquiry.
- (7) The Supreme Court may not make an order in the nature of prohibition in respect of, or an order for removing to the Court or quashing, any decision or proceeding made or conducted by the Boundaries Commission in connection with the exercise of its functions.