

GOVERNANCE ARRANGEMENTS

PROJECT REPORT

Prepared for: RICHMOND RIVER COUNTY COUNCIL AND FAR NORTH COAST WEEDS

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Executive Summary

Project Scope

The purpose of this project was to prepare information in regard to potential alternative governance arrangements for Richmond River County Council (RRCC) and Far North Coast Weeds (FNCW). The following project outline was proposed and accepted:

1. Assess existing arrangements and requirements/ outputs (including discussions with ROUS/RRCC/FNCW General Manager and support staff)
2. Assess existing ROUS/RRCC/ FNCW documents, information and records that relate to and/ or are relevant to the project (including discussions with ROUS/RRCC/ FNCW General Manager and support staff)
3. Research legislative requirements (including telephone discussions with NSW Department of Local Government)
4. Research governance arrangements for other County Councils
5. Research costs of potential office space/ accommodation for core staff
6. Investigate potential service providers (including costs) for “organisational” tasks that cannot be provided by existing core staff
7. Prepare and present a report (to each organisation) on the outcome of findings from above.

The format of this report has been based on the seven points above.

Actions Taken

In undertaking the research for this report the aim was to gather data for the various components of the project scope so that information and commentary could be provided on the findings of each part of the project scope. The following outlines the various actions taken for the project components:

- a. *Existing Arrangements and Documentation*; discussions held with personnel from ROUS, RRCC, FNCW. In addition information was provided and obtained that included the Structural Reform Business Case Report, the Structural Reform Discussion Paper (prepared by ROUS/ RRCC/FNCW General Manager), the Administration and Governance Services Schedule/ Service Level Agreements / Shared Technology Information/ Integrated Planning and Reporting documents for RRCC/ FNCW, Position Paper for RRCC's Capacity in Short, Medium and Long Term Delivery of Floodplain Services.
- b. *Legislative Requirements*; discussions held with officer from the Department Of Local Government, an Officer from The Local Government and Shires Association of NSW, and research undertaken of the Local Government Act.
- c. *Other County Councils*; contact made with and information obtained from five (5) County Councils, research made on their respective websites and comparisons made via public documentation of those entities.
- d. *Potential Office Space/ Accommodation*; discussions held with RRCC/ FNCW Managers on issue, search undertaken of local real estate "office vacancies" and also contact made with local Public Works Department Office.
- e. *Potential Service Providers*; contact made and information obtained from local constituent councils, local accounting firms, local providers of bookkeeping services, sought feedback from IT providers.
- f. *Summary of findings*: based on information obtained from components a - e, a summary of findings has been prepared.

Summary of Findings

The research undertaken for this report has covered the project scope; whilst the public documentation of other county council financial information has not provided for specific/ definitive comparisons between the costs of governance services currently provided to RRCC and FNCW, sufficient information has been obtained to provide the basis for the content of this report and provide RRCC and FNCW with data and other information that can assist their decision making in regard to the future governance arrangements for their organisations. All components of this report should be considered as part of future decision making as "isolating" individual components will not provide the full perspective of what is involved in the delivery and appropriateness of governance services.

The following are considered the relevant findings from the research and analysis undertaken:

1. The existing governance arrangements for RRCC and FNCW are well resourced, are defined via respective Service Level Agreements and are delivered at a reasonable cost. An important factor to recognise is that the various components of the existing services are delivered in an integrated and coordinated manner as a total package. Accordingly, the compliance levels of both RRCC and FNCW in regard to governance (administration) is high. It was noted that in researching other County Council websites that the presentation and range of RRCC and FNCW information was of a comparatively high standard
2. Whilst the existing Service Level Agreements are comprehensively documented it would seem that they are not well understood by the organisations receiving the services. Review of the Service Level Agreement documents by the respective parties would assist that understanding and could also identify areas of over servicing and/ or result in alternate service options being identified. Also, as indicated in other parts of this report there is an opportunity for the involvement of existing RRCC and FNCW staff in governance tasks
3. Whatever arrangement is in place for the delivery of governance services for RRCC and FNCW it is necessary that the “functions” or role of each organisation be a high rating factor i.e. the functions being delivered by each organisation needs to remain their focus and not get overtaken by other services/ functions
4. The current reform agenda for local government (and other State Government functions) should not be ignored. There is an ongoing need (and push) for local government to review how they undertake their functions; this requires strong governance resources to be in place that can readily respond to new challenges as they arise i.e. governance services need to be adequately resourced to contribute to the sustainability of any organisation. FNCW needs to monitor and be involved, if possible, in any proposed changes in delivery structure proposed by the State Government. RRCC is the only County Council of its type in NSW and accordingly has to be mindful of ensuring that its’ governance arrangements are strong enough to respond to funding and compliance requirements
5. The Constituent Councils of both RRCC and FNCW need to be engaged in regard to future governance arrangements. It was evident from research undertaken that there are strong levels of support (other than via contributions) of constituent councils in the operations of other county councils i.e. constituent councils need to recognise and be recognised for their “interests” in the delivery of functions by RRCC and FNCW
6. There are no legislative impediments to RRCC and FNCW altering their governance arrangements provided that proclamation and function requirements are met. In that regard the Department of Local Government emphasised the need for the the General Manager to undertake the designated functions. This again reinforces the need for strong governance arrangements via adequate resources being in place
7. Governance arrangements undertaken by other county councils vary significantly. Most of the arrangements in place have been in place for some time and appear to have been developed on a “horses for courses” basis i.e. arrangements have been established to suit the various circumstances (resources available, needs being met, skills of personnel involved, service levels acceptable to respective County Councils and the constituent councils, etc). This part of the research indicated that the governance arrangements can be undertaken in various ways depending on what outcomes are required to be achieved (including those expected by the constituent councils)
8. The current office accommodation arrangements for RRCC and FNCW cater for all requirements and provide the necessary ancillary facilities such as Meeting Rooms, car parking, amenities, etc. Similar “one stop” facilities could not be

sourced from within the Lismore Commercial Sector unless co tenancies with government agencies or the like were established. In that scenario, or the tenancy of separate offices, savings on the costs currently charged for office accommodation and cleaning, power, security, etc would not be achieved. However, in the case of FNCW the opportunity exists to consider the provision of additional office facilities at their Lismore Depot. Any alternative scenarios for office accommodation will need to consider and take into account set up costs and also the establishment of stand alone Information Technology and other communication mechanisms/ infrastructure

9. There are potential service providers in Lismore that can provide bookkeeping services for basic financial transactions. However, there would need to be other financial transactions undertaken either within established staff arrangements or outsourced to other providers. This would be ad hoc and would need to be coordinated via the General Manager and/ or another financial/ administrative position. The support of Auditors for proposed processes would be needed as they have to sign off on financial processes and reports. In addition, it is possible that a constituent council may undertake financial processing and the like. However, it would need to be recognised that such arrangements would be completely different to the coordinated processes currently in place. Information Technology and other services could also be outsourced, however, those arrangements would have to resource licence and server arrangements, and also transfer/ set up costs. Again, the outcome would not be as coordinated and integrated as is currently the case
10. Before any outsourcing of governance arrangements is contemplated, the existing governance arrangements should be reviewed to ensure they are understood and provide what is required. As part of that review the opportunity to have some tasks undertaken by the respective County Councils could be undertaken. A follow up to those actions should include the involvement of the constituent councils on the issue.
11. Should outsourcing of governance arrangements be proposed then it will be necessary to fully scope and document the services that are required (for each of the components) so that accurate costings can be sought via expressions of interest and/ or tender / quotation processes
12. In considering the outsourcing of governance arrangements the significance of IT systems and processes (particularly GIS) to RRCC and FNCW should be a high priority area. In addition, issues such as stores procurement / issue/ recording and record keeping should be recognised as areas that need adequate processes to meet audit/ risk management requirements and retain the integrity of overall systems
13. Whilst it has been stated in this report that it is has not been possible to get a direct comparison of governance costs between what is currently charged to RRCC and FNCW, and that applying to other County Councils, the following “potential cost structures” have been prepared based on information gathered as part of the research undertaken. It needs to be noted that these are broad scenarios (based on each Council having a General Manager for 20 hours per week and a Financial /Administration employee(s) working a total of 32 hours/ week) , and need to be considered with all matters raised in this report. Commentary in respect to the basis for the amounts in the table are shown below and put the potential cost structures into context.

	RRCC	FNCW
GM's Office	31200	52000
Governance	4300	7200
Finance (Including procurement / stores)	27400	39000
Information Technology	15000	20000
Human Resources (Including WHS)	1800	3000
Secretarial/ Records	4400	7300
Office Accommodation	6000	6000
Cleaning, Power, Garbage, etc	4500	4500
	94600	139000

The basis for the above is as follows:

GM's Office- 20 hours per week (at \$50/ hour) for FNCW, which is less than the GM hours for Hawkesbury River CC and a less monetary amount than Upper Macquarie CC. The amount for RRCC is based on 60% of FNCW (linked to employee numbers for the respective organisations)

Governance- 5 hours per week by Financial/ Administration employee (at \$28/ hour) for FNCW with 60% pro rata for RRCC

Finance- 20 hours per week by Financial/ Administration employee for FNCW with 60% pro rata for RRCC. In addition an amount of \$10,000 per Council has been included to outsource financial reporting completion (as per other County Councils)

Information Technology- conservative amounts for these services have been included based on the Hawkesbury River CC computer and website expenses. Note: costs to transfer and set up alternate IT services / infrastructure are not included in the example cost structure

Human Resources- 2 hours per week provided for at the Financial/ Administration employee rate with 60% pro rata applying for RRC

Secretarial/ Records- 5 hours per week provided for at the Financial/ Administration rate with 60% pro rata applied to RRCC

Office Accommodation- similar amounts to current charges used

Cleaning, Power, etc- similar amounts to current charges used

The above conservative potential cost structures show governance arrangements for RRCC as \$94,600 and for FNCW as \$139,000. If those costs were to be achieved (and that is considered to be difficult) the savings compared to the current cost arrangements are \$26,400 and \$34,000 respectively. In particular, under alternative governance arrangements used as an example above, there would not be coordinated and integrated governance processes, it would be difficult to achieve and enhance information technology requirements at the amounts included and it is unlikely that office accommodation and associated costs can be sourced at the same and/ or an appropriate standard compared to what is currently being provided.

The purpose of the cost structure example is to relate governance costs to a similar structure to other County Councils and to show that even in a best case scenario savings would not be significant (if any) and that the arrangements would not be the coordinated complete package that is currently in place. Other potential cost structures could be derived from the information in this report (and from the research undertaken), however, the determination of required and acceptable service levels, how alternate arrangements are going to be structured, etc would need to be determined to allow more specific cost comparisons.

CONCLUSION

The governance arrangements for RRCC and FNCW are important to the current and future operations of both organisations. The current governance arrangements are being provided at a high standard and at a reasonable cost structure.

However, it is appropriate to review the governance arrangements to ensure that what is being provided is required and/ or whether alternative arrangements could be made to meet the requirements of the respective organisations. In that respect there are available alternatives and it is a matter of determining what alternative(s) could meet standards and requirements and whether moving from the current coordinated and integrated arrangement and/ or adjusting the arrangements with the existing provider, is warranted. The information in this report indicates that any potential savings in revised governance arrangements would be offset by lesser levels of service than that are currently being provided.

PROJECT DETAILS

The following outlines information in regard to the various project components.

1. EXISTING ARRANGEMENTS AND DOCUMENTATION

RICHMOND RIVER COUNTY COUNCIL (RRCC)- is a County Council constituted under the Local Government Act 1993 and has specific responsibilities under that Act (specifically Section 8). RRCC was constituted by proclamation in 1959 and is responsible for flood mitigation and natural resource management issues arising there from for the Constituent Councils of Lismore City, Ballina and Richmond Valley. There is considerable infrastructure (drainage canals, floodgates/ culverts, levees, pump stations, etc) involved with the operations of RRCC.

RRCC has 5 full time staff (Floodplain Services Manager, Operations Supervisor, Maintenance Officer, 2 Labourers) and a part time Engineer, with other temporary/ fixed term staff utilised from time to time (subject to grant funding). There is provision in the 2012/13 financial estimates for the employment of an Asset Engineer.

FAR NORTH COAST WEEDS (FNCW)- is a County Council constituted under the Local Government Act 1993 and has specific responsibilities under that Act (specifically Section 8). As a local control authority under the Noxious Weeds Act 1993, FNCW also has specific weed control functions (refer to Section 36 Noxious Weeds Act 1993). The coverage area of FNCW is some 10,290 square kilometres in the Tweed, Byron, Ballina, Lismore City , Richmond Valley and Kyogle Council areas.

FNCW has 11 full time staff (Manager Weed Services, 6 Noxious Weeds Inspectors, with 2 Team Leaders and 2 Operators undertaking Weed Control Activities).

CURRENT ARRANGEMENTS

Both FNCW and RRCC undertake specific functions on behalf of general purpose constituent councils. The arrangements for those specific functions, to be undertaken by the County Councils, have been in place for many years. If such functions were not being done via FNCW and RRCC the constituent councils would need to undertake same via their own and/ or alternative means.

As RRCC and FNCW are undertaking functions for the constituent councils their funding and operations is supported by annual contributions from the respective constituent councils. Therefore the constituent councils have an "interest" in the operation and activities of both RRCC and FNCW. That "interest" is not necessarily readily recognised by the constituent councils nor is it actually "sold" to the constituent councils.

The constituent council contributions are listed in the RRCC 2012/13 budget estimates as \$544,500 (\$181,500 per Council) and the FNCW 2012/13 budget estimates as \$629,900 (Ballina \$56,000, Byron \$95,500, Kyogle \$104,900, Lismore City \$125,600, Richmond Valley \$104,000, Tweed \$143,900). Accordingly, the "interests" of the constituent councils is not insignificant.

The current administrative, governance and financial services (including General Manager duties) for FNCW and RRCC are provided by Rous Water, via a Service Level Agreement and associated financial contributions.

The Management Services provided by Rous Water via the Service Level Agreement are defined in documents dated February 2012 for the respective County Councils. **Those documents should be viewed and considered as additional information with this report.**

The Administration and Governance Services Schedule (provided by Rous) for 2012/13 is included below:

	RRCC	FNCW
GM's Office	14,004	20,602
Governance	6,632	9,757
Finance (Including procurement / stores)	43,140	63,463
Information Technology	15,908	23,399
Human Resources (Including WHS)	14,732	21,673
Secretarial/ Records	15,965	23,486
Office Accommodation	6,120	6,120
Cleaning, Power, Garbage, etc	4,500	4,500
	121,000	173,000
Administration Payable	106,500	158,200
GIS	12,500	12,500
Travel	2,000	2,300
	121,000	173,000

Note: there are some additional Information Technology/ Communication costs incurred direct by RRCC and FNCW.

As both RRCC and FNCW are constituted under the Local Government Act, they are required to meet compliance and other statutory requirements that apply to general purpose councils.

Other issues that arose during the research of this project are as follows:

- whilst their administration and governance is undertaken by the one organisation (Rous Water) the functions of the three County Councils are different i.e. Rous functions has a service delivery focus, the RRCC functions are focussed on infrastructure and natural resource projects, and FNCW has a regulatory and preventative role
- as the management and governance of the three organisations is via Rous there appears to be some issue with the overlap of "management/ governance" with the operational functions of RRCC and FNCW

- there is a willingness in RRCC and FNCW to assess the establishment of alternative governance models on the basis that it would increase “operational” funds
- RRCC is the only County Council of its type in NSW with other County Councils being Weeds or Water focussed
- previous reports and considerations in regard to the operations of RRCC indicated a need to introduce risk management as part of the structure of that Council; this will place additional strain on the resources available for RRCC operations, hence the need for governance costs to be appropriate
- there has been recent state government action in respect to possible changes to how weed services are delivered. In that regard a recent report the “Ryan Review” and a current interdepartmental working group have raised, and are researching, the merits of a Regional Services Delivery arrangement that combines the services of the Livestock Health and Pest Authority, Catchment Management Authorities and Weeds County Councils. This issue is only in early stages of research, however it identifies that the issue of service delivery by local government is subject to scrutiny. It should be noted that an agency “Biosecurity Queensland” has been established by the Queensland Government to coordinate, prevent, respond to and recover from pest and diseases that threaten the economy and environment
- there is a strong reliance by both RRCC and FNCW on GIS / Mapping Information and related services

2. LEGISLATIVE REQUIREMENTS

As mentioned above both RRCC and FNCW are constituted via the Local Government Act 1993 and accordingly are required to comply with same.

On 22 May 2012 contact was made with the Department of Local Government (DLG) NSW in regard to the reform agenda being undertaken and also regarding the operations of County Councils. Advice was provided that there are no comparative indicators (as there are for general purpose councils) available for County Councils. It was also advised that the reform agenda included all of local government.

No concerns or issues were advised in regard to the use of Part Time General Managers, however it was stated that they need to perform the functions identified by legislation. In that regard Section 335 of the Local Government Act states that the Functions of the General Manager are as follows:

1. The general manager is generally responsible for the efficient and effective operation of the council's organisation and for ensuring the implementation, without undue delay, of decisions of the council
2. The general manager has the following particular functions:
 - to assist the council in connection with the development and implementation of the community strategic plan and the council's resourcing strategy, delivery program and operational plan and the preparation of its annual report and state of environment report
 - the day-to-day management of the council

- to exercise such of the functions of the council as are delegated by the council to the general manager
- to appoint staff in accordance with an organisation structure and resources approved by the council
- to direct and dismiss staff
- to implement the council's equal opportunity management plan

3. The general manager has such other functions as may be conferred or imposed on the general manager by or under this or any other Act.

Section 395 of the Act confirms that the role of the general manager of a County Council is the same as that of a general purpose council.

The discussions with the DLG also included comment that whilst there are no specific issues highlighted in respect to County Council arrangements, they are old arrangements and the current reform agenda will look at all entities.

It also needs to be recognised that the elected Council are required by legislation to allocate resources for their respective council so that its' functions and requirements can be undertaken and fulfilled. Accordingly, any future governance arrangements needs to be considered for its appropriateness and ability to be able to get the required functions done.

3. OTHER COUNTY COUNCILS

Contact with other County Councils provided a broad scope of information. In that regard there are a range of governance arrangements being used by the various County Councils. The following summary is provided in regard to discussions held with various County Councils on how they operate:

- A. Castlereagh Macquarie; the GM arrangements have changed from time to time i.e. sometimes done by one of the Weeds personnel at a Higher Duties rate and at other times by a GM of a constituent council. The GM payment is in the order of \$13,000 per annum. The GM role has recently been returned to a constituent council. Clerical Assistance employed for 24 hours per week to do "financials" (using MYOB Software). Constituent councils assist with specialist assistance e.g. insurance, WHS. Information in regard to financial statements/ reports was not provided, although it was noted that same were not on the organisation website.
- B. New England Weeds Authority; the GM is employed on a 9 hour per week basis. There are seven Weed Officers with one doing financial transactions using MYOB Software. The Financial Statements and reports are outsourced (\$10k per annum). Arrangements exist with Armidale Dumaresq Council regarding IT Server, premises rental, depot use and plant maintenance. There is also part time administration assistance of 27 hours per week. It was indicated that regional collaboration is very strong with Weed Officers located in respective Council areas using office space, etc.
- C. Hawkesbury River; the GM is part time 28 hours per week, with part time administration assistance of 28 hours per week. There are a total of 11.5 EFT including a Grant/ Mapping Officer, Manager Weeds, Weeds Officers, Weed Inspectors, Trainees, Plant Supervisor and Plant Operator. Financial activities are undertaken in house utilising MYOB. An

Accountant/ Bookkeeper is used as required to assist with the preparation of financial reconciliations, reports, statements, etc. Correspondence, HR, IT are undertaken internally.

D. Upper Hunter; this County Council is operated through Muswellbrook Shire Council with the GM of Muswellbrook undertaking that same role for the County Council (5 hours per week). Muswellbrook Shire also provide some administration/ governance services for UHCC currently at \$32k per annum. UHCC also has a Coordinator and 4 mobile inspectors for the respective constituent council areas. This type of arrangement has been in place for ten years with ongoing cooperation from the constituent councils. GIS has been set up and is extensively used by the Coordinator to monitor inspections and processing the associated notices, etc. The formal correspondence is done via the GM . UHCC Meetings are hosted at Muswellbrook Shire with administration for same done through Muswellbrook Council.

E. Upper Macquarie; the GM is part time, with a part time administration person 20 hours per week. There are 6 Weed Officers with most of the administration operations undertaken internally.

As indicated in the above the way the various county councils operate (including their governance/ administration arrangements) is different and as such totally accurate comparisons between same would require more specific detail than is available in public documentation accessed as part of preparation of this report.

With regards to the costs involved for the General Manager roles there is a significant variation due to the different “structures” in place and the quantity of time expected of those roles. Undoubtedly the scope of duties covered by the position would vary from Council to Council depending on the resources they have in place i.e. some would be involved in “operational” tasks as well as the general manager functions. In some instances specialist staff (e.g. Weeds Officers) are involved with undertaking administrative / financial functions.

The following information was extracted from the respective annual reports in regard to the annual remuneration for General Managers:

Hawkesbury River \$81,816

New England \$23,984

Upper Macquarie \$71,095

Upper Hunter \$11,271

In addition verbal advice was provided that the General Manager allowance at Castlereagh Macquarie was \$13,000.

As per the information above the current arrangements for RRCC and FNCW include General Manager costs of \$14,004 and \$20,602 respectively. Despite the variances in arrangements between the various county councils the amount currently in place for RRCC and FNCW compares well with other County Councils.

4. POTENTIAL OFFICE SPACE/ ACCOMMODATION

As per the current arrangements with Rous Water an annual amount for office space of \$6,120 applies to each Council. The Service Level Agreement documents indicate that the following is included:

RRCC- approximately 25 square metres of office space, 2 car parks on site, access to and use of shared meeting and tea room facilities, and accommodation security

FNCW- approximately 25 square metres of office space, 1 car park on site, access to and use of shared meeting and tea room facilities, and accommodation security.

All of the “inclusions” above are relevant in assessing office space and accommodation. In that regard it needs to be recognised that the current arrangement includes a serviced reception/ display area and the meeting rooms/ staff facilities/ car parks are in the one location.

The research undertaken indicates that alternative office space/ accommodation could be sourced in Lismore, however, some clear definitions would have to be established to enable final costs (and specific comparisons) to be determined. Some examples of information obtained from local real estate web advertisements are as follows:

60 square metres of office space at street level (Keen Street)- \$220/ week (\$11,440/ year)

Office Space, tea room and toilet (Molesworth Street)- \$260/ week (\$13520/ year)

Boutique Office 87 square metres- four offices, reception, toilets (Molesworth Street)- \$23400/ year

47 square metres, 8 data points and 8 telephones (Rous Road)- \$168/week (\$8736/year)

80 square metres including 2 offices, reception area , kitchenette - \$759/ month (\$9,108/ year)

38 square metres (Dawson Street) - \$181/ week (\$9,412/ year)

There are some unknowns with the above and as per usual commercial tenancy arrangements it would be up to the tenants to pay for any required fit outs etc.

The applicability, economics and suitability of same would also need to consider whether RRRC and FNCW were seeking combined office accommodation or individual accommodation. In addition the issues of security, staff conditions, availability of car parking, the ability to connect communication services and meeting room facilities would need to part of considerations.

Contact was also made with the Public Works Department NSW regarding office accommodation available in Dalley Street, Lismore. However, that space is no longer available.

Whilst the current arrangements are based on 25 square metres of office space for each entity it is unlikely that you would be able to source the exact same quantity of area i.e. the current space is part of an overall office environment. Any alternative would need to be based on what was available or be “custom made”.

Given the situation of Far North Coast Weeds having a depot in Lismore and that there is minimal face to face counter inquires for that entity, the opportunity to expand the existing depot facilities to accommodate the Manager Weed Services could also be undertaken. That would require specific costings to be done, with particular reference to communication/ technology requirements. In addition, the issue of a Council Meeting Room would need to be addressed.

RRCC could seek to establish office space for itself but it would be difficult to source what is already available in one package unless such accommodation was in conjunction with some other compatible organisation.

Considering the above, the existing office accommodation arrangements are of a good standard that more than cater for the respective requirements at a competitive cost structure. In that regard being part of a larger office environment cushions RRCC and FNCW from the impact of variables in market changes and tenancy/ landlord issues. Comparison of other County Council office rents (without knowing what specific infrastructure is provided) also indicates that the current arrangements are competitive e.g. the New England Weeds Authority budget indicates that the rental for their Armidale premises is \$9,000, and \$4,000 for lighting and power. Documentation for Upper Macquarie County Council indicates rent of \$4,305.

5. POTENTIAL SERVICE PROVIDERS

The use of potential service providers for financial services was researched by contacting those listed on the internet, contact with local general purpose councils and discussing the issue with accounting firms and providers of bookkeeping services.

Whilst there are a number of providers that could be utilised, it is evident that there is no “one stop shop” in the commercial field that could readily provide for the various financial services needs of each of the entities.

There are services available locally that can provide for the processing of payroll, accounts receivable and accounts payable processes. The specific costs for those services could only be determined when any full set of alternative arrangements was known and identified in a service specification. In that respect “bookkeepers” can be sourced to undertake the role of processing invoices, payments and payroll. Those processes need to meet audit standards and also have general ledger entries to account for funds to be received, paid , etc. The extent of those processes to be outsourced would need to be defined to determine accurate full costs, etc. In that regard there needs to be an understanding of the full financial processes involved, and it also needs to be noted that to comply with local government reporting, monthly reconciliations of the transactions outsourced, conversion of that information into local government quarterly reporting formats and annual statements is required.

As indicated earlier in this report other County Councils that have been contacted as part of this review do not outsource the complete financial transaction processes. This is most likely due to the need for internal controls, the cumbersome arrangement of having organisation letterheads (for invoices and the like) in the hands of external parties and the “gap” created between the organisation and the service provider i.e. the organisation would have the source documents, the service provider would have the transaction documents, so any inquiries from those receiving invoices / payments could become quite complex.

Inquiries with commercial service providers indicates that the hourly rate for competent “bookkeepers” ranges between \$35-\$50 per hour depending on what work is required to be undertaken. On the basis of 30 hours per month being required to process the accounts receivable, accounts payable and payroll transactions of each county council an amount in the order of \$15,000 per annum for each organisation would apply. That would be only processing and reconciling the transactions ; using the data for reporting would have additional costs and processes.

As indicated in the section relating to Other County Councils some of those organisations use Quickbooks or MYOB software for financial transaction processing. Similar products are used by commercial providers/ bookkeepers (to service small business needs). The research undertaken has indicated that a more versatile alternative to Quickbooks/ MYOB is evolving in the commercial sector. That alternative is a product called “Xero” which is based on internet/ cloud technology

and is aimed at increasing the linkages between various users i.e. in the case of County Councils their staff, their bookkeepers and their “accountants”.

Part of the research undertaken also sought interest from some of the constituent councils to undertake the financial transaction processing. Similarly, those tasks (and others) could be undertaken by a constituent council, however, the cost involved could only be determined when what is required is defined more specifically. Indicative costs show that it is likely that the provision of financial transaction services by a constituent council could be undertaken more cost effectively than outsourcing to commercial services.

The above is reinforced by the contact made with the other county councils as part of this review. In that respect the arrangements for processing financial arrangements varied but can be summarised as follows:

- done in house via a clerical assistant, with reporting / statements put together via part time general manager and constituent councils
- financial transactions done through one of the Weeds Officers with reports/ statements done via contract
- financial transactions done in house via administration assistant with an accountant / bookkeeper used to prepare reconciliations, reports, statements
- financial transactions done via arrangements with the “administering” council

The discussions with other councils indicated that the arrangements for processing financial transactions and meeting requirements was based around making it work in the circumstances involved i.e. there are a variety of scenarios but the day to day financial transactions are undertaken internally utilising various arrangements depending on the skill/ resource base available. Most of the arrangements are historically based and have been in place for some years. This means that there are alternate ways of completing governance tasks with the use of existing “operational” staff resources.

As there are no comparative indicators available for county councils and also due to the varying ways in which the different county councils present their estimates and complete their financial statements, it is difficult from published information to get specific cost comparisons for the delivery of the financial services i.e. the public reporting information does not parallel information between councils and the various arrangements that the county councils have do not provide for easy comparison of expenditure just on financial processing (costs are in overall salary / wages information, etc).

The situation is similar for Information Technology, Human Resource and Secretarial services (i.e. those costs are not readily identifiable in public reporting information). In that regard the other county councils subject of research for this report do not have specific and dedicated Information Technology and Human Resource personnel for their organisations (except in the case of Upper Hunter where the services of Muswellbrook Shire are used). However, it should be noted that New England Weeds Authority documentation shows that for the regional services they have costs of \$40,000 and \$32,000 for a staff person and administration/ reporting costs respectively. This is in addition to General Manager costs.

As mentioned earlier in this report the Service Level Agreement prepared in February 2012 outlines the services and levels being made available by Rous Water. Those documents are relevant to any consideration of alternative arrangements that may be sought i.e are they the service that are required and/ or needed, and can it be provided.

Given the arrangements in place at the other county councils it is likely that they do not have the specialised resources available in Human Resources and Information Technology that are available to RRCC and FNCW. However, they make do with the arrangements they have. For comparison purposes it is noted that Hawkesbury River County Council have indicated an amount of \$16,448 as computer and website expenses. Documentation from Upper Macquarie County Council indicates that recent budget estimates have provided for Information Technology improvements of \$69,000 and \$28,000 in consecutive years. However, the Information Technology services sourced by New England Weeds Authority from Armidale Dumaresq Council is listed as \$6,000.

It is apparent from discussions with Rous/ RRCC/FNCW personnel (and other County Councils) that GIS and Mapping Services are a crucial part of the current and future needs of RRCC and FNCW. In that regard Information Technology (IT) support services in general are only going to increase for organisations such as RRCC and FNCW. Therefore, the existing and future IT (and communication) arrangements for both organisations needs to be given high priority in assessing future arrangements.

Currently the Financial and Payroll Services infrastructure in place for RRCC and FNCW are licensed and hosted through Rous Water. There are similar linkages for the GIS/ Mapping Services and telephone systems. To change those arrangements would necessitate changed licence and server arrangements (depending on the alternative structure to be put in place).

Other considerations in the IT area for any alternative arrangements are the integration of and access to the various systems and databases, connectivity arrangements with Depots (including fibre optic service use and cost), security of systems and processes to protect information integrity and provide ongoing protection, and also the establishment of disaster recovery arrangements.

Attempting to define comparative costs for the governance/ secretarial /records charges in place for RRCC and FNCW is also not possible from the public information available from other county councils. Again the service levels listed in the Service Level Agreements would need to be considered as would the compliance levels of the respective organisations i.e. are requirements / standards being met in respect to reporting requirements, business paper preparation, correspondence timeframes, record keeping. The research undertaken in respect of this report did not indicate any issues in that regard.

A summary of the findings from the research and information outlined above is provided in the Executive Summary Section of this report.

The opportunity to undertake this project is appreciated and it is hoped that the information provided via this report is useful for your future considerations and decision making.