



**Rous Water
Richmond River County Council
Far North Coast Weeds**

STRUCTURAL REFORM BUSINESS CASE

FINAL REPORT TO THE GENERAL MANAGER

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EXECUTIVE SUMMARY

Rous Water, Richmond River County Council (RRCC) and Far North Coast Weeds (FNCW) engaged the UTS Centre for Local Government to undertake a cost and benefit analysis of the current structural arrangements of the three organisations. This report represents the results of that analysis.

METHODOLOGY

The methodology used to undertake the study was directed towards engaging constituent council stakeholders and key county council staff. It was undertaken in a series of stages:

- Desktop review of key documents to identify the key challenges facing the three organisations
- Briefings with the General Manager and senior county council staff
- One-on-one interviews with the Chairs, General Manager and senior managers of the three county councils
- A workshop with the senior staff of the three county councils to further explore issues and themes raised in the initial interviews
- A mixture of face-to-face and telephone interviews with the mayor of each constituent council and a number of general managers
- Discussions with senior officers of the NSW Division of Local Government (DLG) Department of Premier and Cabinet
- Review of financial statements, policy documents, annual reports, work sheets
- Presentation of an interim overview report to the Chairs, councillors and senior management team of the three county councils and separate briefings with the Chairs
- Preparation of this report.

KEY FINDINGS FROM RESEARCH

The key findings from the workshops, interviews and review of financial statements are outlined below:

Key points from discussions

- FNCW and RRCC have insufficient capacity to respond adequately and appropriately to the various reporting requirements under the Local Government Act 1993 without the support provided by Rous Water
- With a ratio of elected representatives to staff of 1:1 in the case of RRCC and 1:2 for FNCW, the two organisations have an excessively heavy governance structure
- The triplication of annual and other reporting to meet statutory compliance are inefficient, resource intensive and costly
- The General Manager currently has too many direct reports
- An executive team should be established to drive cross-departmental and major projects, provide strategic leadership and improve communication

Perceptions and views about reform

- There are mixed views in the region about the need for reform, with some suggesting sweeping changes while others opposed the initiation of the review process
- A number of perceived barriers to amalgamation or reform have been identified

Administrative Agreements

- The level of service provided by Rous Water to FNCW and RRCC under the Administrative Agreements is quite high

- Should either FNCW or RRCC withdraw from the existing administrative agreement with Rous Water, the costs for both organisations would exceed the existing cost outlays to Rous Water by a minimum of 32% for FNCW and 76% for RRCC

Staffing and assets

- There are opportunities for some sharing of staff and equipment between the three organisations
- There are no identified shortfalls in the capacity or competencies at the management level within Rous Water
- The primary deficiencies for RRCC and FNCW resource shortfalls relate to the provision of governance and administrative support

Natural resource management

- A number of natural resource management (NRM) models have been explored, including: the existing NRM functions; more integrated catchment approaches; an enhanced NRM role; and a single river authority

Merge options and risks

- A number of merge options are explored; the factors and risks of each option assessed; and costs and savings identified

Selecting to the most appropriate structural model

- A number of criteria are put forward for consideration when selecting the most appropriate structural arrangement. They include:
 - Enhanced strategic capacity
 - Governance and engagement
 - Optimal service delivery
 - Risk liability
 - Financial benefit
 - Workforce.

STRATEGIC CONTEXT

A number of new initiatives and references are canvassed that are of interest to the local government reform agenda generally in NSW. These include:

- Destination 2036
- Local Government Review Panel
- Recent research into consolidation undertaken by the Australian Centre of Excellence for Local Government (ACELG)
- Discussions with the DLG.

Each of these initiatives are important to take into account when structural reform. The Destination 2036 initiative and the establishment of the Local Government Reform Panel are particularly relevant to the business case deliberations.

STRUCTURAL REFORM OPTIONS

Based on the analysis and inputs to the review, the organisation reform options to be considered are linked to the following factors:

- Governance
- Constitution and change
- Maintaining existing service levels

- Constituent council approval
- Representation
- Specific focus outcome
- Staffing impacts.

The structural reform options examined in this report settle into three broad categories:

- Options that involve structural reform that reside within the three counties (localised county council options)
- Options that enhance the capacity to attract subsequent initiatives to provide improved benefits to the broader regional local government community (broader regional options)
- Options that provide more rigorous management and control, operating under either state or federal legislative frameworks.

Potential localised county council options include:

- Option 1. Amalgamation of the three county councils into a single entity controlled by the six constituent councils and with a new constitution; this option involves the dissolution of the three existing county councils.
- Option 2. Amalgamation of the three county councils into a single entity controlled by only four of the six constituent councils removing both Kyogle Council and Tweed Shire Councils from elected representation; this option would require a new constitution; this option involves the dissolution of the three existing county councils, and relies on service agreements to provide ongoing weeds services to Kyogle and Tweed shires.
- Option 3. Amalgamation of the three county councils into a single entity through the merge of the two smaller county councils into the larger Rous Water Council, with a modified constitution and the dissolution of the two smaller county councils; this option retains all six constituent councils.
- Option 4. Retain the three existing county councils including their organisation structure, constitution and governance structure, however with the consolidation of the management of all assets and service delivery functions to the largest county council, Rous Water.
- Option 5. No structural changes [‘Do nothing’ option].

Potential regional options include:

- Option 6. Create a new county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) with a new constitution that provides the flexibility to accommodate the management and delivery of regional initiatives; the governance structure would include representation from all six constituent councils.
- Option 7. Create a new county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) with a new constitution that provides the flexibility to accommodate the management and delivery of regional initiatives; the governance structure would include representation from only four of the current six constituent councils (excluding Tweed and Kyogle shire councils).

Potential corporation options include:

- Option 8. Create a new entity (outside the Local Government Act) that has ownership (part or whole) by the constituent councils and incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC); the new entity would operate under either a NSW or federal act as a Company, a Company State Owned Corporation, or a Statutory State Owned Corporation.

THE WAY FORWARD AND DRAFT ACTION PLAN

The Centre for Local Government recommends the adoption of Option 7. The primary elements leading to improved efficiency and operational outcomes are:

- Adoption of the consolidated county council model
- Reduced governance costs
- Reduced statutory reporting costs
- Increased capacity to pursue external funding sources and grants
- More effective organisational management enabling a concentration on services efficiency and improvements
- More cohesive functional approach to service delivery and NRM strategies.

1 BACKGROUND

Three County Councils: Rous Water (RW), Richmond River County Council (RRCC) and Far North Coast Weeds (FNCW), collectively sought to explore opportunities for improving their business efficiency and invited quotations to undertake a cost and benefit analysis of the current structural arrangements for the three county councils.

The catalyst for this review was the NSW Government's *Report of the Independent Inquiry into Secure and Sustainable Urban Water and Sewerage Services for Non-Metropolitan NSW*. The findings of the review prompted an internal discussion about the future of Rous Water and its relationship with RRCC and FNCW. Restructuring of the three entities into a single authority is one of the reform options to be considered as part of this business case review.

The project brief outlines the scope of the work required, specifically:

- Undertake a comprehensive cost benefit analysis of the current structural arrangements for Rous Water, Richmond River County Council and Far North Coast Weeds (the counties)
- Investigate and identify potential reform opportunities based on that analysis
- Include recommendations for a solution that will deliver long term strategic, operational, administrative and environmental benefits.

Following a review of the quotations received, the counties appointed the UTS Centre for Local Government to undertake the review.

1.1 The UTS Centre for Local Government Team

The UTS Centre for Local Government (CLG) is an autonomous unit within the University of Technology, Sydney. It was established in 1991. The Centre is also leading the establishment of the Australian Centre of Excellence for Local Government (ACELG).

Senior CLG Associates Melissa Gibbs and Kevin Hough comprised the project team undertaking the review.

1.2 The proposal

The Centre presented a proposal which outlined:

- The Centre's understanding of the brief
- The methodology to be applied in undertaking the review
- Profiles of the project team
- Professional fees and charges
- Details of insurances and referees.

2 METHODOLOGY

The Centre adopted a methodology aimed at engaging constituent council stakeholders and key county council staff. Specifically, the submitted methodology involved a staged approach, namely:

- Stage 1 – Inception
- Stage 2 – Benchmark primary areas for analysis
- Stage 3 – Preparation of reform case
- Stage 4 – Preparation of draft report
- Stage 5 – Preparation of final report.
- Stage 6 – Presentation of final report.

This methodology reflects the project brief as provided to the Centre.

2.1 Modified study methodology

At the start of the project, the Centre's review team conducted the following tasks:

- Review of key documents to gain an initial appreciation of the background and key challenges facing the three counties and constituent councils
- Briefings with the General Manager
- One-on-one interviews with the Chairs, General Manager and senior managers of the three county councils.

To consolidate the views, comments and issues raised by those in the initial discussions, it was agreed that the review team would conduct a workshop with the senior staff from the three county councils. The workshop allowed the team to further explore the issues raised in the initial interviews and gain a clearer picture of the challenges facing the three organisations.

The review team also conducted a mixture of phone and face-to-face interviews with the mayor of each constituent council and a number of general managers. The interviews sought to canvass the views of the constituent councils about the business case review. To assist with an understanding and the application of legislative requirements, a number of discussions were also held with senior officers of the NSW Division of Local Government (DLG) Department of Premier and Cabinet.

In subsequent discussions with the General Manager, it was agreed that the Centre would produce an interim report to provide an update on findings to date – including the consolidated feedback from interviews with mayors and some general managers of constituent councils – and to seek direction regarding further work under this project study.

Feedback on the interim report has been taken into account in the initial draft report adopted as the base document from which to prepare a "Report Overview" for presentation to the Chairs, councillors and senior management of the three county councils. The brief was modified and accordingly, two additional workshops were held: one with Rous Water councillors on the 21st December, 2011; and a separate workshop held on the 8th February 2012 for both RRCC and FNCW councillors. It should be noted that the Chairs of the three county councils were briefed at separate

meetings on the 21st December, 2011. The Report Overview was also submitted to NOROC in February.

Feedback from the December 2011 and February 2012 workshops have been incorporated into the Final Report to be submitted to NOROC in April 2012 by the General Manager, Rous Water.

NOROC has sought the presentation of this report to the May, 2012 meeting of NOROC at Ballina.

3 KEY ISSUES FROM RESEARCH AND DISCUSSIONS

As noted in the methodology, the Centre conducted a series of face to face and telephone interviews with key staff and chairs of the three county councils and mayors and General Managers of constituent councils. The key points arising from those interviews are highlighted in section 3.1 below.

The Centre also reviewed key documents and made independent inquiries with external bodies. Our findings from this research are outlined below in section 3.2.

3.1 Key points from discussions

For ease of reference, we have summarised the key feedback points from the various discussions into the following key themes:

- Management and governance
- Structure and culture of the three entities
- Administrative (service) agreement with Rous Water
- Organisation models and reform options
- Implementation issues
- Perceived barriers to reform.

3.1.1 Management and governance

It is clear from our discussions and review of financial statements that FNCW and RRCC have insufficient capacity to respond adequately and appropriately to matters of governance – particularly compliance with the various reporting requirements under the *Local Government Act, 1993* – without the administrative and operational support provided by Rous Water.

With a ratio approximating 1:1 of elected representatives to staff in the case of RRCC and 1:2 for FNCW, these raw ratios lead to a perception of an overblown governance structure. The smallest general purpose council in NSW in terms of council staffing numbers is Urana Shire Council, its website indicating six permanent councillors that provide governance direction for its thirty (30) staff (refer Table 3.1 of the “Comparative Information on NSW Local Government Councils 2009/10”, prepared by the Division of Local Government, Department of Premier and Cabinet). This indicates a ratio of one councillor to five staff for the smallest general purpose council in NSW.

The councillor and full-time staffing figures for the three county councils from 2010 reports are summarised in **Table 3-1**.

Table 3-1 Ratio of councillors to staff of each County Council

Council	Councillors	Full-time staff
Rous Water	8	77
Richmond River County Council	6	7
Far North Coast Weeds	6	11
Total	20	95

The requirements of Section 390 of Part 5 of the Local Government Act (refer section 3.2.11 of this report) requires that “A county council must have a governing body elected by its constituent councils. Provisions concerning the membership of a county council's governing body are to be as prescribed by the proclamation establishing the county council.” The low ratios for the smaller county councils raise questions about the suitability of the county council model for FNCW and RRCC with its heavy elected representative governance structure and attendant cost burdens compared to general purpose councils.

The comparative ratios of RRCC and FNCW compared to the smallest general purpose council in NSW suggests a cost burden for governance of the two county councils that exceeds that expected of general purpose councils (refer **Table 3-2**). The details included in **Table 3-2 Comparison of Expenses** were extracted from published annual reports. The purpose of the collation of this information was to assess the impact of organisation size (measured in ‘expenses from continuing operations’). The DLG Comparative Information report defines ‘Other expenses’ in this table to include “councillor and mayoral fees, bad and doubtful debts, revaluation decrements, electricity, telephone, contributions, donations and levies”.

Table 3-2 Comparison of Expenses

EXPENSES ACTIVITIES FROM CONTINUING OPERATIONS	Lismore Shire [Group 4] Dissection 2010/11 Expenses, Actual		Kyogle Shire [Group 10] Dissection 2009/10 Expenses, Actual		Urana Shire [Group 8] Dissection 2009/10 Expenses, Actual		RRCC Shire Dissection 2009/10 Expenses, Actual [7 EFT]		FNCW Dissection 2009/10 Expenses, Actual [11 EFT]	
Employee costs	\$25,159 K	26.3%	\$6,297 K	26.7%	\$1,808 K	32.0%	\$420 K	19.4%	\$735 K	50.2%
Materials and contracts	\$39,268 K	41.0%	\$7,865 K	33.4%	\$1,503 K	26.6%	\$773 K	35.6%	\$404 K	27.6%
Borrowing costs	\$3,662 K	3.8%	\$173 K	0.7%	\$28 K	0.5%	\$39 K	1.8%	\$0 K	0.0%
Depreciation	\$23,203 K	24.2%	\$7,579 K	32.2%	\$1,724 K	30.6%	\$739 K	34.1%	\$86 K	5.9%
Impairment	\$0 K	0.0%	\$0 K	0.0%	\$0 K	0.0%	\$0 K	0.0%	\$0 K	0.0%
Other expenses	\$4,446 K	4.6%	\$1,634 K	6.9%	\$579 K	10.3%	\$198 K	9.1%	\$239 K	16.3%
TOTAL EXPENSES FROM CONTINUING OPERATIONS:	\$95,738 K	100.0%	\$23,548 K	100.0%	\$5,642 K	100.0%	\$2,169 K	100.0%	\$1,464 K	100.0%
Mayoral/Chairperson Fees	\$48 K	13.9%	\$23 K	16.2%	\$14 K	16.3%	\$8 K	16.3%	\$5 K	16.1%
Councillors' Fees & Allowances	\$176 K	50.9%	\$86 K	60.6%	\$62 K	72.1%	\$28 K	57.1%	\$17 K	54.8%
Councillors' (incl Mayor/Chair) Exp	\$122 K	35.3%	\$33 K	23.2%	\$10 K	11.6%	\$13 K	26.5%	\$9 K	29.0%
Sub-total Expenses:	\$346 K	100.0%	\$142 K	100.0%	\$86 K	100.0%	\$49 K	100.0%	\$31 K	100.0%
Balance of 'Other Expenses':	\$4,100 K		\$1,492 K		\$493 K		\$149 K		\$208 K	
Ratio of 'Councillor Expenses: Other Expenses'	7.8%		8.7%		14.9%		24.7%		13.0%	
Ratio of 'Councillor Expenses: TOTAL Expenses'	0.361%		0.603%		1.524%		2.259%		2.117%	

Examination of **Table 3-2** indicates the following trends:

- As council size (measured by total expenses from continuing operations) decreases, the percentage of ‘Other expenses’ to ‘Total expenses’ increases

- The ratio of 'Councillor expenses' to 'Total expenses' increases as the size of the organisation diminishes (measured by 'Total expenses').

Again, it is recognised that the number of councillors, and the consequential expenses, originate from the requirements under Section 390 of the Local Government Act. This means that small councils can have disproportionately larger governance cost burdens than larger entities.

In this regard, perhaps the most inefficient aspect of the current arrangement is the triplication in annual and other reporting, specifically, the need to produce three sets of documentation to satisfy governance and statutory obligations. These reports are prescribed under the Local Government Act, and the production of each report consumes resources and presents costs to the councils.

Under a service agreement, Rous Water is contracted to each of the other two councils through an Administrative Agreement to provide administrative support as well as the services of the General Manager (see below for further detail). Members of Rous Water staff, working on behalf of the three county council entities, have expressed their frustration at having to produce three sets of council business papers each month, three management plans, and three annual reports, amongst other documents. They indicated that these requirements create duplication in documentation, are inefficient and time wasting.

The appropriateness of the ongoing "stand-alone" county council model is questionable for both FNCW and RRCC, particularly given their limited roles, high staff to elected representation ratio and reporting issues that county council status confers under statutory and other obligations. All of the issues raised above point to the need to examine options for reform of these two counties.

3.1.2 Structure and culture of the three entities

3.1.2.1 Management and reporting structure

The General Manager of Rous Water, who is also the General Manager of RRCC and FNCW, currently has six direct reports, being:

Rous Water

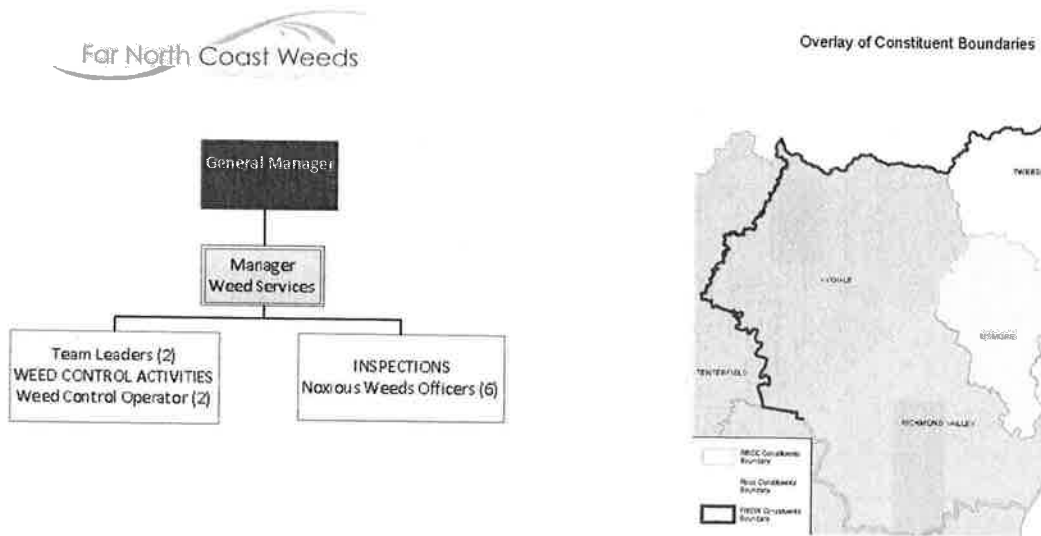
- Technical Services Director
- Human Resources Manager
- Financial and Commercial Services Manager
- IT Manager
- Manager Governance,
- RWL Manager.

The Rous Water organisation chart is included in Figure 3-1.

Far North Coast Weeds

- Manager, Weed Services.

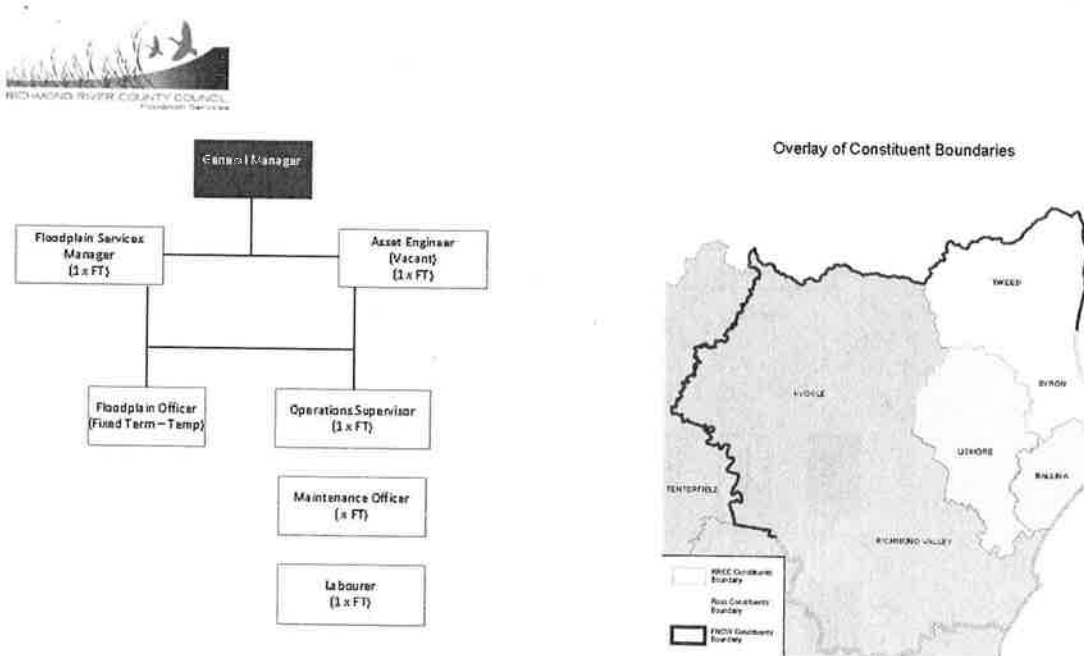
Figure 3-2 Existing FNCW Organisation Chart



Richmond River County Council

- Floodplain Services Manager.

Figure 3-3 Existing RRCC Organisation Chart



Management theory and practice suggests that a chief executive officer (CEO) ideally should have no more than five to six direct reports. A large number of direct reports can distract or divert the CEO's attention away from strategic planning and organisational leadership, imposing a commitment to deal with day-to-day operational management issues. The Centre is concerned that the large number of direct reports impacts on the General Manager's ability to devote sufficient time to the two smaller entities.

At the start of the review process, the General Manager had seven direct reports, including an additional Director having the responsibility for special projects. While the number of direct reports to the General Manager at the commencement of this project runs counter to management theory and trends in other councils, the current structure appears to be working, albeit with excessive effort required of the General Manager in both commitment and time. Indeed, the managers currently reporting to the General Manager, as well as the General Manager himself, have remarked that the arrangement is working well, and is an improvement on the previous structure, where a number of Rous Water managers were reporting to a Director who had oversight only of Rous Water matters, yet the managers were required to support and service issues for all three counties.

Notwithstanding this, we question whether it is in the long-term interest of the three organisations to continue with the current span of control for the General Manager, and we recommend a review of the current structure in the coming months to ensure that the best interests of the three organisations are served.

Each of the county councils has such a small staff and resource base, and in our experience do not warrant reporting direct to a General Manager notwithstanding the requirements of the Local Government Act. Even in the smallest rural councils within New South Wales, the functions and processes of smaller entities would report to either a senior supervisor or technical manager.

3.1.2.2 Principal activities of FNCW and RRCC

Principal activities of FNCW and RRCC are:

Far North Coast Weeds

- *Regulatory* – inspection of land, compliance activity and production of Section 64 certificates under the Noxious Weeds Act 1993
- *Weed management on public lands* – development of weed management plans, mapping, carrying out control works
- *Strategic control of high-priority, high-risk weed species* – mapping, inspections, collaborative control activities, development of strategies for identified species, review and prioritisation of weed management programs to ensure appropriate resource deployment
- *Education, extension and community engagement* – developing community education programs, provision of advice on best practice control methods, provision of technical support to key stakeholders, community engagement.

Richmond River County Council

- *Principal activity* – to provide floodplain services to the communities of the constituent councils.
- *Subsidiary activities* – flood protection, provision of advice in relation to floodplain management issues, provision of a program to balance maintenance of drainage

infrastructure whilst managing environmental impacts, work in partnership with stakeholders to address environmental issues, co-ordination through Floodplain and Estuary Management Committees, assist the State Emergency Service with flood warning advice, manage floodplain issues.

As these functions are operational in nature, we are of the view that the responsible line managers do not necessarily require direct reporting to a General Manager. In the event that no structural consolidation takes place and the three county councils remain without change, we suggest that the RRCC Floodplain Resource Manager and the FNCW Coordinator Weed Control Services report to the General Manager through another senior manager role, equivalent to a Director, at Rous Water. This would assist the service delivery functions and development of strategies.

Senior staff of the three counties reported that employees operate in silos (which is certainly not unusual in local government) but is a luxury that the three organisations can ill afford. In particular, in Rous Water there is limited collaboration across departments on major projects and initiatives affecting the whole organisation, and project management generally needs to improve across the three county councils.

During the early phases of this review, under the current structure, the senior managers of the three organisations met once each month, and while the team was working harmoniously, it had not been set up to function as an executive team. The group as currently constituted was too large and meetings too infrequent to provide the strategic leadership normally expected of an executive leadership team.

Regardless of whether there is any consolidation of the organisations, the Centre believes that an executive leadership group of no more than five (including the general manager) should be formed to provide strategic direction and leadership to the organisation/s and to drive cross-departmental and major projects. The executive team would also be responsible for improving internal and external communication, driving business efficiency, avoiding duplication, ensuring resources are shared across the organisation/s and improving cross-departmental teamwork.

3.1.2.3 Culture

During the staff workshops, the following comments were raised about the culture of the three organisations.

3.1.2.3.1 Rous Water

- Office staff generally have a positive approach and try to respond equally to the issues that arise from each of the three county council entities
- Rous Water is seen by staff as an employer of choice
- Function-based silos are seen as effective and necessary to enable a focus on continuing governance and statutory matters
- Function-based silos are seen as effective and necessary to enable delivery of corporate projects
- When there are conflicting demands from each of the three entities, there is a tendency to gravitate towards the Rous Water issues rather than the other two counties

3.1.2.3.2 FNCW

- The mix of current staff reflects a progressive attitude towards the provision of services and management and control of weeds
- Weeds staff can see the benefits in providing education to the community and agricultural land holders, rather than their historical role of trying to manage, contain and control weeds
- Weeds staff are positive, co-operative and readily accept advice that would improve the level of services
- Staff suggest that there is a poor commitment to natural resource management (NRM)
- Current staff are overcoming an historical level of distrust with Rous Water and its management
- Some staff resist, while others embrace the support and services provided by Rous Water.

3.1.2.3.3 RRCC

- An apparent staff preference for the provision of services by staff labour, rather than considering supplemented services from contractors and external agencies
- Committed to the provision of flood mitigation services by direct control
- Insufficient resource capacity allocated to educate the broader community and all land owners to the requirements and strategies of flood mitigation.

3.1.3 Administrative Agreements with Rous Water

As noted above, Rous Water provides administrative, operational and governance services to FNCW and RRCC under an Administrative Agreement. The intention of the agreement is to enable the rationalisation of administrative cost overheads in order to maximise the level of financial resources available to be applied to the direct management of primary service delivery functions: flood mitigation in the case of RRCC, and the management of noxious weeds in the case of FNCW.

The agreement (as updated) has been in place with RRCC since 1982 and with FNCW since 2002. The current agreements were established for the period 1 July 2006 to 30 June 2010, but have been extended by two years and now expire on 30 June 2012.

Under the terms of the agreement, Rous Water provides the resources necessary to fulfil the administrative functions required in the exercise of responsibilities, separately for each of FNCW and RRCC as independent authority constituted under the Local Government Act, and to ensure that records and finances are managed to satisfy legislated access, reporting and accountability requirements.

In addition, both RRCC and FNCW separately agree, for the time being, for the appointment of the General Manager of Rous Water as the General Manager for each of RRCC and FNCW, and with this appointment include the responsibility for all functions in Section 335 of the Local Government Act, 1993.

The Agreement acknowledges that the General Manager remains an employee of Rous Water, but the position maintains the accountability separately for both RRCC and FNCW to include objectives generic to each of RRCC and FNCW, including:

- Development of policy

- Working with councillors
- Employee/industrial management
- Future planning
- Financial management
- People management
- Community interaction
- External relationships
- Specific targets and objectives to be negotiated annually between each council and the General Manager.

The Agreements state that Rous Water will provide the following specific services to each of RRCC and FNCW:

- The services and functions of General Manager
- A front office and reception facility in the Rous Water Centre, Lismore
- A physical presence in the Lismore office identified through signage, telephone, fax and e-mail contact points
- Meeting room and councillor facilities
- Management of records including archiving, minutes, correspondence and reports
- Maintenance of full accounting records to meet AAS27 standards and to satisfy the requirements of the Local Government Act, 1993
- Preparation of annual Management Plans and Quarterly Reviews
- Preparation of annual Budgets and Quarterly Reviews
- Collection of all revenues receivable and payment of all accounts payable
- Full personnel management and payroll administration
- Management of meetings including arranging meeting venues, issuing meeting agendas and business papers
- Recording minutes and implementing decisions arising from such meetings
- Implementation of all other activities of an administrative nature.

The terms of the agreement include the option for termination either at the expiry date or subject to any mutual agreement in writing by the parties as to earlier termination or extensions.

Under Clause 7 of the Agreement, an annual fee shall be paid by four equal quarterly instalments, with the fee comprising labour, overhead costs and rent. The Agreement allows for an annual review of the fee in July of each year of the term, with such a review being based on any percentage increase in salaries during the preceding twelve months or any percentage increase in the Consumer Price Index during same period (whichever is the greater).

The Agreements also include several assumptions which we assume formed the basis for the estimated annual administrative support costs. The acknowledged Agreement assumptions are:

Table 3-33-4

RRCC – Agreement Assumptions	FNCW – Agreement Assumptions
▪ That each of RRCC conducts its ordinary meetings bi-monthly	▪ That FNCW conducts its ordinary meetings bi-monthly

RRCC – Agreement Assumptions	FNCW – Agreement Assumptions
<ul style="list-style-type: none"> ▪ That RRCC comprises four Councillors and one Administrator elected from the Councils of Ballina, Lismore and Richmond Valley 	<ul style="list-style-type: none"> ▪ That FNCW comprises five Councillors and one Administrator elected from the Councils of Ballina, Byron, Kyogle, Lismore, Richmond Valley and Tweed
<ul style="list-style-type: none"> ▪ That the administrative needs of RRCC will be adequately met by a shared General Manager and one full-time staff equivalent 	<ul style="list-style-type: none"> ▪ That the administrative needs of FNCW will be adequately met by a shared General Manager and one full-time staff equivalent
<ul style="list-style-type: none"> ▪ That Rous Water will be responsible for the labour and employment overhead costs arising from the delivery of all administration and accounting services 	<ul style="list-style-type: none"> ▪ That Rous Water will be responsible for the labour and employment overhead costs arising from the delivery of all administration and accounting services
<ul style="list-style-type: none"> ▪ That RRCC will retain directly responsibility for all other employment and corporate costs 	<ul style="list-style-type: none"> ▪ That FNCW will retain directly responsibility for all other employment and corporate costs
<ul style="list-style-type: none"> ▪ That RRCC has a staff establishment not exceeding five (5) 	<ul style="list-style-type: none"> ▪ That FNCW has a staff establishment not exceeding twelve (12)
<ul style="list-style-type: none"> ▪ That the projected 2006/2007 RRCC Revenue is \$1,742,500 	<ul style="list-style-type: none"> ▪ That the projected 2006/2007 FNCW Revenue is \$1,078,000

3.1.4 Organisational models and reform

In our discussions with mayors and general managers, it was suggested that the administrative model proposed by Lismore City Council for the provision of regional library services is a potentially replicable model to this review. We understand that Lismore City Council has requested Ballina, Byron and Tweed Councils to consider three models for the provision of regional library services:

- A county council model;
- An administrative model auspiced by Lismore City Council; and
- A shared service model.

In our discussions with a number of mayors and senior staff, it became apparent that the administrative model initially appeared to have the widest support amongst councils. However, it appears that progress on selecting the most appropriate model has stalled, as there is no unanimous view about the preferred way forward. It is not clear if this is because the model itself is out of favour or if there are other matters at play. The library precedent suggests that structural reform in the Northern Rivers region is not likely to be without its challenges.

In relation to this current review, there were mixed views about the need for reform, with a number of constituent councils keen for the review process to take its course, with a full examination of the benefits and constraints of amalgamation, so an informed decision could be made. Some expressed a strong view that amalgamation of the three organisations should be pursued, pointing to the successful amalgamations of general purpose councils in the region (Clarence Valley and Richmond Valley Councils). Others raised the question of local government reform more generally in the region, questioning whether it was appropriate and sustainable in the long term for the Richmond Valley to have five general purpose councils and three county councils. There were others passionately opposed to the initiation of the review process in the first place, let alone any hint of

amalgamation – even if the business case was compelling. Others were ambivalent, not expressing a view either way.

It is clear from this diversity of views and that the region will have a difficult time grappling with reform options, but this is no excuse to do nothing. The current structural arrangements are not serving the region well and faced with this evidence, doing nothing is not a viable option. It is up to the region to manage the politics and allow councils to make rational and informed decisions in the broader community interest based on the available facts before them.

3.1.5 Implementation issues

Whatever reform option is ultimately agreed on, it is clear from our discussions that there is a strong preference for staged implementation of any agreed reform. The current council term expires in September 2012, allowing time for the three county councils and the constituent councils to debate the merits of the various options presented in this report and agree on a preferred option, with the new arrangement taking place in the incoming council term. There also needs to be a strong change management strategy, and good communications with key stakeholders throughout the reform process. Issues around implementation are canvassed further in section 3.2 below.

3.1.6 Perceived barriers to amalgamation or reform

From our research so far, and arising from discussions with councillors, management and staff, a number of perceived barriers to amalgamation have been identified. The following points summarise the rationale presented by a combination of elected representatives and staff for the failure of any amalgamation reform:

- The footprint for each of the three counties is different, with no common overlays for each area
- As noted in section 3.1.4, there is some entrenched opposition to the suggestion of any type of reform, and we are not convinced that there is sufficiently strong leadership in the region to drive any process that does not have unanimous support
- It is unlikely that unanimous agreement between all the county councils and their constituent councils will be achieved
- Unanimous agreement is unlikely in the absence of external influences on councillors and their decision-making
- Although councillors are supposed to vote on issues to the benefit of the county council, in reality they carry their parochial and general purpose council issues into the decision-making process,
- An amalgamation may result in the perception that the absence of direct councillor representation may result in a reduction in levels of service, diminished access to those services and questions about fairness in the allocation of resources across all constituent councils
- The inability of any reform outcome to provide a structure and services that meet existing services to each of the constituent councils funding both RRCC and FNCW
- RRCC has a major liability associated with the Lismore Levee and formal legal obligations relating to its maintenance and flood prevention capacity. With its major financial current and ongoing liability, this is likely to become a major issue in any negotiations for an amalgamated model

- The triplication in reporting and other frustrations with the county council model experienced by staff may not be fully appreciated by constituent councils, and may not be seen as a strong enough argument to tackle a difficult reform process
- The views of community stakeholders is not known at this stage, and our discussions with staff of the three counties and constituent councils suggest that the community is unlikely to have an appreciation of the role and function of the three organisations, unless they have direct contact (such as farmers in contact with officers of FNCW). In a letter to the General Manager of Rous Water, the Chief Executive Officer of the DLG made it clear that appropriate community consultation needs to be undertaken, and this is yet to occur.

3.2 Key points from review analysis

3.2.1 Funding and sources

Rous Water is operating as a water supply authority that has its income generated from the sale of water to the constituent councils and to other industrial users. It is not reliant on any subsidies or grants.

In the financial year FY 2009-10, the following income sources were declared:

Table 3-5 Income sources - Rous Water

Income source	\$Million
1. User charges and fees	\$12.010
2. Interest and investment revenue	\$0.526
3. Other revenues	\$1.606
4. Grants and contributions for operating purposes	\$0.197
5. Grants and contributions for capital purposes	\$4.414
Total:	\$18.753

Far North Coast Weeds is the county council authority that undertakes weed management on public lands and provides strategic control of high priority, high risk weeds species. In the financial year FY 2009-10, the following income sources were declared:

Table 3-6 Income sources - Far North Coast Weeds

Income source	\$000,000s
1. User charges and fees	\$0.048
2. Interest and investment revenue	\$0.055
3. Other revenues	\$0.579
4. Grants and contributions for operating purposes	\$0.501
5. Grants and contributions for capital purposes	\$0.0
Total:	\$1.183

The total value of grant funding is \$501,000. The total annual expenditure of \$1.2 million approximates 42% of the FY10 income. These figures show that FNCW is totally reliant on grant funding to maintain its operational capacity.

Richmond River County Council has the principal activity of providing floodplain services to the communities of the constituent councils. In the financial year FY 2009-10, the following income sources were declared:

Table 3-7 Income sources Richmond River County Council

	Income source	\$000,000s
1.	User charges and fees	\$0.000
2.	Interest and investment revenue	\$0.184
3.	Other revenues	\$0.790
4.	Grants and contributions for operating purposes	\$0.524
5.	Grants and contributions for capital purposes	\$0.151
6.	Net gain from the disposal of assets	<u>\$0.008</u>
	Total:	\$1.657

The total value of grant funding approximates \$620 K of a total income source of \$1.66 million, or almost 40% of the FY10 income sources.

3.2.2 Analysis of agreements and costings

The basis of the administrative framework between the three county councils is outlined in section 3.1.3 of this report. This section examines the services in more detail and establishes a costed valuation of the services provided under the current agreement.

In our discussions with the General Manager, county council staff and elected representatives, there was general acknowledgement that the level of service provided by Rous Water to FNCW and RRCC under the Administrative Agreements is quite high. However, there was no unanimous agreement, especially from elected representatives, that the management and administrative support provided by Rous Water represented value for money.

As part of this review, we examined the services provided in comparison to those identified in the Agreements, and assessed our costings for those support functions.

Rous Water management developed a costing base for the cost allocation against RRCC and FNCW from a listing of the primary Rous Water resources involved in governance and administrative functions. Two further elements are included to reflect the office accommodation costs and associated power and ancillary services. The primary costing elements that continue to be adopted for administration cost re-allocation are [square brackets indicating EFT]:

- General Manager's office [1.0]
- Governance Manager [1.0]
- Finance staff [8.4]
- Front counter receptionist [1.0]
- Information technology [3.0]
- Human resources (Systems, Safety) [1.6]
- Corporate Business Director [1.0]
- Administrative support / records [3.6]
- Office accommodation / leasing, and

- Cleaning, power, garbage, office maintenance costs.

The above listing indicates the equivalent of 18.2 EFT involved in the governance and administration functions provided by Rous Water. The gross cost for each of the above listed elements was extracted from the forecast annual budget. These gross costs were amended to include the direct costs associated with five motor vehicles used by senior staff.

As part of this review process, we have examined Rous Water's development of the gross costs associated with the provision of governance and administrative support and accept the cost base for subsequent redistribution analysis.

Subsequent to the development of the cost base and considering the activities of the 18.2 EFTs listed above, Rous Water has assessed an individual percentage of time for each individual EFT or grouping of staff resources for allocation against each of Rous Water, RRCC and FNCW.

For the 2010/2011 financial year, the administrative cost reallocation indicates that Rous Water is meeting 81.7% of the total of the gross governance and administrative costs incurred by Rous Water. The same analysis process indicates that RRCC is incurring 8.8%, and FNCW incurring 9.5% of the gross governance and administrative costs incurred by Rous Water. However, the current agreement only allows recovery of 57% and 78% of the true administrative costs to RRCC and FNCW respectively and the difference being borne by Rous Water.

There are many models and scenarios that could be adopted for the development of appropriate governance and administrative cost reallocations between organisations or entities. One of those provides for the simple allocation of costs as a proportion of the gross operating expenses. The Rous Water financial statements for the year ending 30 June 2010 indicate \$23.267 million in actual expenses from continuing operations, compared to the total expenses from continuing operations for both RRCC and FNCW that combine to approximate \$3 million. The application of this 'gross expenses' model approach would seek to reallocate 12.9% of the total administrative costs across the two smaller county councils. This model would reduce the cost allocation from the existing 8.8% and 9.5% (totalling 18.3%) for RRCC and FNCW respectively, to approximately 13%. The application of this model would disadvantage Rous Water by not compensating for actual resource time consumed on governance and administrative functions supporting RRCC and FNCW functions.

There is a multitude of differentiated options and models that could be used to assess the reallocation of governance and administrative costs from Rous Water to the other two entities. We have examined many other approaches to this cost distribution issue and consider that, in this instance, the use of assessed allocated resource time is the most appropriate, because of fluctuating resource demands from the two supported entities, the ability to be able to respond to changing legislative and organisational demands, and through its review on an annual basis.

The following table provides presents an assessment for each of the elements included in the gross costs used as a basis for redistribution:

Table 3-8 Analysis of gross cost elements

Resource \ Expense	Comments
General Manager's office [1.0]	<ul style="list-style-type: none"> ▪ This position is required for each county council entity under the Local Government Act ▪ There is no requirement that the position be full-time ▪ The salary package for a General Manager to adopt the responsibilities for either RRCC will FNCW could reduce to a nominal 60% of the salary package for the GM of Rous Water ▪ We anticipate that it would be difficult to find a part-time GM for the two small county council entities ▪ We suggest that the marginal premium applied through the choice of the Rous Water GM provides access to a more experienced GM with an extensive network of colleagues, and knowledge of legislative and political imposts
Governance Manager [1.0]	<ul style="list-style-type: none"> ▪ This role oversees policy delivery, corporate procedures and meeting compliance and regulatory requirements ▪ This role provides the project management role for all three county councils to meet IPR
Finance Staff [8.4]	<ul style="list-style-type: none"> ▪ Finance section had been independent of the Corporate Business Director, but during 2011 has incorporated those functions through the engagement of an additional 1.6 EFTs ▪ Resourcing includes Finance Manager [1.0]; Financial Accountant [0.8 EFT]; expenditure personnel [4.0] including the Expenditure Officer, Accounts Payable, Payroll, Data Entry; Revenue Officers [1.6]; Reception [1.0] ▪ Revenue functions include investment management short, medium and long-term; GST and BAS preparation, submission and management; management of grants and acquittal; debtor management, receipting and bank reconciliation
Front Counter Receptionist [1.0]	<ul style="list-style-type: none"> ▪ This position provides telephony and front counter services for the community to access each of the three county councils ▪ The role includes the other associated administrative support functions during periods of low demand
Information Technology [3.0]	<ul style="list-style-type: none"> ▪ This group provides the software and hardware and systems development associated with the needs for each of the three county councils ▪ Functions include assistance and support and maintenance for three county councils as well as the needs and access for the elected representatives ▪ Increased demand for GIS, particularly for FNCW, has enabled Rous Water to engage a full-time GIS resource rather than the part-time resource, previously at 3 days per week, and particularly for the implementation of "Weed Map Pro" ['rapidmap' management system to assess noxious weed management for regional land managers, particularly using mobile computers and PDAs] ▪ Other functions include management of e-mail accounts, telephone systems, intranet and internet, asset management systems.

Resource \ Expense	Comments
Human Resources (Systems, Safety) [1.6]	<ul style="list-style-type: none"> ▪ These resources attended to HR issues and exclude financial and payroll functions ▪ Provides services associated with recruitment, workers compensation claims and management, return to work strategies, and the management of organisational and staff training
Corporate Business Director [1.0]	<ul style="list-style-type: none"> ▪ This role provided corporate direction and business strategies aligned to financial management ▪ This role has since been deleted and replaced by 1.6 EFT resource positions in the finance section of Rous Water ▪ The original role generally focused on the business management associated with Rous Water and only to a smaller extent to RRCC and FNCW
Secretarial Support / Records [3.6]	<ul style="list-style-type: none"> ▪ These Rous Water resources, service and support functions of the General Manager and principal organisational elements listed above in this table
Office Accommodation / Leasing	<ul style="list-style-type: none"> ▪ The whole building in Molesworth Street is occupied by Rous Water, RRCC, FNCW and other tenants ▪ The whole building is subject to a commercial lease ▪ The gross lease cost is based on the floor footprint area occupied by Rous Water, RRCC and FNCW ▪ The assessed cost allocation reflects the relative cost per square metre for the office and common areas occupied by RRCC and FNCW
Cleaning, Power, Garbage, Office Mntnce Costs	<ul style="list-style-type: none"> ▪ The nominated gross costs represents the cost to Rous Water of all associated power, heating, services and maintenance costs for the occupation of the Molesworth Street building by Rous Water, RRCC and FNCW.

We consider that the above listed services do not represent an overservicing to either Rous Water or to the smaller county councils, RRCC and FNCW. The resource mix and the associated costs are considered reasonable for the type of works and functions provided for county councils within New South Wales.

The following tables present an assessment of the minimum salaried and contracted staff needed to support the ongoing functions for each of RRCC and FNCW for those governance and administrative issues required of a County Council:

Table 3-9 FNCW – Assessed annual administration costs (no Rous Water administrative support)

FNCW							
Position	Annualised Full-Time Equivalence	QTY	Hrs / Wk	\$Rate / Hr	Yearly %	Package	Assessed Ann Cost
General Manager	60% of time [3 days per week]	1			60%	\$120,000	\$72,000
Manager, overseeing policy, compliance, legislative requirements, IPR,	100%- Full-time	1			40%	\$80,000	\$32,000
Contracted HR and Payroll services	Part-Time 40% of Full time equivalence	1	16	\$45		\$37,440	\$37,500
Financial Services - Investments, oversee Annual Accounts, Audits, Grants Management	Equivalent 1 day per week for whole year	1	7	\$60		\$21,840	\$21,800
Off-site Clerical Support Services	Part-Time 10 hrs per week	1	10	\$35		\$18,200	\$18,200
Information Technology Support	Notional 6 hrs per week	1	8	\$45		\$18,720	\$18,700
	Assessed Minimum Annual Cost:						\$200,200

Table 3-10 RRCC – Assessed annual administration costs (no Rous Water administrative support)

RRCC							
Position	Annualised Full-Time Equivalence	QTY	Hrs / Wk	\$Rate / Hr	Yearly %	Package	Assessed Ann Cost
General Manager	60% of time [3 days per week]	1			60%	\$120,000	\$72,000
Manager, overseeing policy, compliance, legislative requirements, IPR,	60%- Full-time	1			40%	\$80,000	\$32,000
Contracted HR and Payroll services	Part-Time 20% of Full time equivalence	1	8	\$45		\$18,720	\$18,800
Financial Services - Investments, oversee Annual Accounts, Audits, Grants Management	Equivalent 1+ day per week for whole year	1	12	\$60		\$37,440	\$37,400
Off-site Clerical Support Services	Part-Time 10- hrs per week	1	6	\$35		\$10,920	\$10,900
Information Technology Support	Notional 6- hrs per week	1	4	\$45		\$9,360	\$9,400
	Assessed Minimum Annual Cost:						\$180,500

As indicated in the above table, we assess that each of RRCC and FNCW could be subject to an annual management costs approximating \$200,000 for governance and administration. It should be noted that the costs listed above exclude any rental or cost of assets including computing or software and associated maintenance agreement services. For FNCW, we suggest that the recent implementation and support of the 'rapidmap' "Weed Map Pro" would be significantly more expensive to FNCW if not using the services and expertise of the Rous Water IT manager and staff.

As an outcome of our review of the administration agreements and our analysis above, we conclude that both RRCC and FNCW are being provided with value for money from Rous Water for the existing administrative agreements.

Should either RRCC or FNCW withdraw from their existing administrative agreement with Rous Water, we also conclude that the costs for each of RRCC and FNCW to engage resources, manage and support all governance and administrative services needed to function as a county council and in accordance with legislative and other requirements, would exceed the existing cost outlays to Rous Water by a minimum of 32% for FNCW and 76% for RRCC. Based on the current methodology adopted in the agreements, FNCW would be expected to increase its current contribution to Rous Water from the existing \$152,000 to the assessed minimum cost of \$200,000, and increase of 32%. Similarly, RRCC would need to fund the difference from the current \$103,000 to our assessed

minimum annual outlay of \$181,000, representing an increase of \$78,000 or 76% increase in administration costs.

Other than governance and administrative cost savings, the following benefits arise from the mutual supporting relationship between Rous Water and the other two counties:

- Using the experience base of Rous Water to assist the implementation of the Integrated Planning and Reporting (IPR) reforms introduced by NSW DLG
- Expanded IT demands from the smaller county councils provide Rous Water with the opportunity to engage full-time GIS resources, to the benefit of all three councils
- RRCC access to legal support services and associated with potential levee claims
- The benefits of a larger organisation being better placed to provide a broader range and scope of services, and access to specialist services with a more cost effective outcome.

There have been some comments from Rous Water that the true costs to support the Administrative Agreement are not being met by the two smaller county councils. We have not examined this issue in detail although anecdotally and from our observations, it is likely that the Rous Water true costs are understated in the current Agreement, as updated.

3.2.3 Examination of physical assets

This section examines the physical assets of each county and assesses whether there is opportunity for a more efficient, effective and economical service through the rationalisation of assets.

3.2.3.1 Rous Water physical assets

The Balance Sheet and Notes to the Accounts, as at 30 June 2011, summarises the physical assets:

Table 3-11

Asset Type	Book Value, WDV ['\$'000]
Inventories (Current Assets)	
Real Estate	\$1,935
Stores and Materials	\$100
Non-Current Assets:	
Inventories	\$2,308
Infrastructure, property, plant and equipment	
Plant and Equipment	\$2,058
Office Equipment	\$227
Furniture and Fittings	\$87
Land – Operational	\$9,578
Infrastructure – Water Supply Network [Treatment, Distribution and Catchment]:	
Work in Progress	\$3,308
TOTAL Physical Assets:	\$319,156

Council's Annual Statement advises that assets have been progressively revalued to fair value to their classes of Infrastructure, Property, Plant and Equipment (IPPE):

- a. Operational land (External Valuation).
- b. Buildings – Specialised/Non Specialised (External Valuation).
- c. Water Networks (External Valuation).
- d. Plant and equipment (as approximated by depreciated historical cost).

The following list includes some assets and types that could provide opportunities for rationalisation between the three counties:

- Buildings, operational sheds
- Depot site and buildings
- Computing hardware and software
- Richmond Water Laboratories
- Office furniture, fittings
- Office electronic equipment, including multi-function printers
- Major plant, heavy vehicles and equipment, runabout boat, punt; tractor, mowers
- Motor vehicles

3.2.3.2 Richmond River County Council

The Balance Sheet and Notes to the Accounts, as at 30 June 2011, summarises the physical assets:

Table 3-12 RRCC physical assets as at 30 June 2011

Asset Type	Book Value, WDV [\$'000]
Inventories – Stores and Materials (Current Assets)	83
Non-Current Assets:	
Infrastructure, property, plant and equipment (IPPE)	
Plant and Equipment	\$219
Office Equipment	\$3
Furniture and Fittings	\$0
Land – Operational	\$40
Buildings	\$299
Infrastructure – Flood Mitigation:	\$102,268
Work in Progress	\$0
TOTAL Physical Assets:	\$102,912

The following list includes some assets and types that could provide opportunities for rationalisation between the three counties:

- Motor vehicles
- Plant (tractor), mower
- Boat and Trailer
- Minor office furniture, equipment.

3.2.3.3 Far North Coast Weeds

The Balance Sheet and Notes to the Accounts, as at 30 June 2011, summarises the physical assets:

Table 3-13 FNCW physical assets as at 30 June 2011

Asset Type	Book Value, WDV [\$'000]
Inventories – Stores and Materials (Current Assets)	16
Non-Current Assets:	
Infrastructure, property, plant and equipment (IPPE) \$559K	
Plant and Equipment	\$280
Office Equipment	\$21
Furniture and Fittings	\$0
Land – Operational	\$60
Buildings	\$198
Infrastructure:	\$0
Work in Progress	\$0
TOTAL Physical Assets:	\$575

The following list includes some assets and types that could provide opportunities for rationalisation between the three counties:

- Motor vehicles
- Punt, dingy
- Office furniture, fittings
- Office electronic equipment, including multi-function printers
- Depots: Wyrallah Road, Monaltrie [2116 sqm]; Mullumbimby [585 sqm].

3.2.3.4 General analysis and comment

There are some common asset elements across either two or three of the county councils that could be considered to provide benefits if either the management is rationalised or the provision of some sharing arrangement between the three entities.

Outer-lying depots

There are some outer-lying depots across the three county councils. The opportunities that arise from these assets include:

- Co-location of stores and inventory
- Use to house IT backup facilities
- Co-location of operations bases.

The two FNCW depots could provide a source for co-location of resources, plant and equipment. Without examining each of the depots and their layout, we are not in a position to comment further on the formal assessment of costed outcomes associated with these depots and other real estate holdings of the other entities.

We have not examined the Disaster Recovery Plans (DRP) for each of the three county councils. However, the DRP should include provision for off-site data storage for systems particularly for the functions conducted at the Molesworth St premises in Lismore. Opportunities exist to use depot and land facilities for common purposes, but have not been examined in detail or costed.

Motor vehicles

Examination of the financial statements and attached Notes indicate a large quantity of vehicles of gross vehicle mass less than 2.5 tonnes (typically from Toyota Land Cruiser to the smaller sedans). There could be opportunities for a rationalisation of the light vehicle fleet for use and access across all three county councils if such an agreement or consolidation was to occur.

The benefits of any such vehicle rationalisation would be expressed in a combination of a one-off cash inflow from sale of 'surplus' vehicles, as well as recurrent cash flow savings in operational, maintenance and servicing costs.

The roles of each of the county councils is relatively diverse, and the resource demands for each of the three entities are required to meet the challenges of the geographic spread associated with the respective responsibilities. The rationalisation of the motor vehicle pool is a potential consideration that may provide cost efficiencies in the use of motor vehicle assets.

We also note that any consideration of motor vehicle rationalisation should be undertaken with due regard to existing conditions of employment, position descriptions and internal agreements.

Emergency support capabilities

The review of assets from each of the entities indicates some common resources, including dinghies, boats and punts that could provide inter-council support during emergency incidents or periods, rather than being totally self-reliant. Although this suggestion may provide some rationalisation of assets, or an improved sharing arrangement, the emergency demands will vary by incident and no doubt assisted by staff and resources from General Purpose Councils.

3.2.4 Staff structure analysis

3.2.4.1 Rous Water

We have examined the staff structure at management level to assess the capacity of the existing staff structure to meet the stated operational and management plan objectives. There are no identified shortfalls in capacity or competencies at the management levels analysed. As an outcome of this review, we offer the following comments. The existing staff structure, to manager level, is presented in **Figure 3-1**.

General Manager

- The General Manager has a span of control extending to two directors and five managers (direct report); we suggest that this is tending towards the limit within an organisation structure.
- The General Manager, under the Administration Agreements with RRCC and FNCW extends the span of control, not only to the two entities, but also the first level of manager, effectively increasing the span of control by an additional two, stretching the direct reports to nine (9).

- The General Manager works for the Rous Water Council as well as for the other two county councils, increasing the number of Councillors from Rous Water's eight (8) councillors (two from each of the four constituent councils), by the six (6) Councillors from RRCC (two from each constituent council), and a further six (6) councillors from FNCW (one from each of its constituent councils).
- Based on our observations and discussions, we assess that the support functions for the other two county councils consumes between 25% and 40% of the available time for the General Manager.

Technical Services Director

- Five (5) functions report to this position and include a combination of assets management, strategy development and operations management.
- This position also provides a primary support role during absences by the General Manager.

Senior Management Team

- The Rous Water 'Senior Management Team' effectively includes all managers in a direct reporting role to the General Manager.
- The size of the team ensures a broader level of input to issues and matters affecting Rous Water, producing a more comprehensive consideration and analysis for decisions.
- The large team size reduces the capacity to discuss and analyse confidential matters that are not ordinarily the domain of operations or strategy managers.
- We are aware that managers are selected, depending on the issue or topic, to attend the 'Senior Management Team' meetings, allowing sensitivity in the analysis of issues and staffing matters.

3.2.4.2 Richmond River County Council

The primary deficiency for RRCC resource shortfalls relates to the provision of governance and administrative support. However, this issue is addressed through the Administrative Agreement between RRCC and Rous Water. In the event that either Rous Water or RRCC withdraw from this Agreement, RRCC has no internal staffing capacity to provide these governance or administrative functions, including the provision of financial services or the provision of the legislated annual reports.

To assist and develop strategies for the management of the levee systems and mitigation strategies, RRCC engages a consultant engineer on a part-time basis (in the capacity as the Assets Engineer) and presents a shortfall in the capacity of the full time organisation resources.

Rous Water separately engages technical specialists to address and satisfy asset and operational needs. This leads to the potential for the consolidation or rationalisation of technical specialists to satisfy the ongoing design, development and implementation of engineering issues. This reliance by RRCC is not a staff capacity shortfall, since the external resource is engaged for specific projects, but presents an opportunity for both Rous Water and RRCC to consider mutual support for technical elements of ongoing operational activities and projects.

There is a significant focus on natural resource management (NRM) from within RRCC, as there is within FNCW and Rous Water. The collective capacity to enhance the development of strategies to achieve the management plan objectives for each of the county councils could be improved through staff NRM resource rationalisation and mutual support between the three entities. The outcome

would provide an increased capacity and competency of available NRM resources across the three entities.

3.2.4.3 *Far North Coast Weeds*

As with RRCC, the primary deficiency for FNCW resource shortfalls relates to the provision of governance and administrative support. However, this issue is addressed through the Administrative Agreement between FNCW and Rous Water. In the event that either Rous Water or FNCW withdraw from this Agreement, FNCW has no internal staffing capacity to provide these governance or administrative functions, including the provision of financial services or the provision of the legislated annual reports.

Close working relationships between entities allows a cross-fertilisation of ideas and the access and exposure to potential improvements in operational efficiency. The strong 'filial' relationship between the management of FNCW and Rous Water provides opportunities to review, improve and enhance the operational effectiveness of FNCW field activities.

We understand that council has had a strong support role for local agriculture through the provision of fee-for-service weed control activities. However, we assess that there should be a stronger focus on delivering the weed control services to crown lands and eliminate the provision of 'private works'.

We understand that the current manager of FNCW is realigning the services to focus on community education and preventative control measures, rather than a stronger direct and interventionist role responding to blooms and infestations. This approach moves the management of weeds towards 'best practice' and indicates strong leadership and innovative approaches in this role on behalf of the community.

The revised strategic and operations approaches by management continue to be bedded into place. However, there is opportunity to use the experience and expertise from Rous Water operations managers to assist and refine with systems and service delivery approaches, and improved outcomes through efficiency enhancements.

3.2.5 **Natural resource management models**

The three county councils conduct three distinct and separate NRM functions which have few synergies other than the management of water flows and the impacts on the natural environment to the outcomes of the specific management responsibilities.

Each county council has quite distinct operational objectives and direct the application of NRM principles. Each county council has technical staff that are focussed on the outcomes specific to their business goals and objectives. However, with an altered approach that strengthens the opportunities for the application of NRM initiatives, both the constituent councils and the northern region of the state would benefit. We consider that this could be attained through the increased collective partnering and functioning of the technical specialists and strategy development for the three county councils. To this end, the colocation or consolidation of technical experts would assist the integration of strategies and a more cohesive application of implementation processes and resultant outcomes.

However, these resource considerations, state government NRM objectives, actions and strategies from the constituent councils and other factors should be understood in the development of NRM recommendations.

3.2.5.1 Existing natural resource management functions

Rous Water has many elements of its functional responsibilities that impact on NRM. The Rous Water catchment assets have a strong dependency on a high level of natural resource management. This dependency is particularly strong on the riparian zones for all the watercourses feeding into the catchment reservoirs.

The processes associated with the supply of water to communities affect both present and future generations. Council has and continues to develop its disciplines in the management of natural resources.

Far North Coast Weeds has a history of responding to current issues rather than being proactive to preserve the environment for both future and present generations. However, recent staff changes have led to a major change of focus from a reactive organisation to a proactive, education-based county council in its approach to the control and reduction of weeds.

With its limited staff, FNCW typically provided weed removal services to agricultural and other land owners. With a realigned strategic approach to the management of weeds, to education programs and the use of the web, it is embracing, developing and pursuing the necessary disciplines for more effective management of natural resources.

Over the geographic footprint for FNCW, land ownership and management has drifted from agricultural land to 'hobby farms', with less sustained involvement by landowners than in the past. This change in land use will provide major challenges for natural resource management by FNCW.

The identified two main focuses for the functioning of **Richmond River County Council** are:

- Management and maintenance of the Lismore Levee, and
- Flood mitigation services, generally associated with the management of flood gates within rural lands properties.

Through a research relationship with Southern Cross University, RRCC has assisted in the development and part funding of catchment-based restorative works (e.g. Tuckean Barrage Floodgate Trial - to assess the effects of active floodgate management using controlled tidal flushing on water quality, fish passage and aquatic weed control upstream of the Barrage).

Changing land-use by owners, including the increasing conversion to 'hobby farming', presents an ongoing challenge to natural resource management. We assess that the smaller parcels of land, often with temporary occupancy, are not managed as effectively as commercially operated farms and are less predictable in their use and control of chemicals and additives incorporated into catchment runoff. To reduce NRM impacts, these changing land uses would increase resource demands on RRCC. With no likely increased staffing levels in the short term, there would be competing demands for the primary function of RRCC staff and that of NRM management. The approach to NRM appears to be limited to the county council's day-to-day operations.

The main floodplain involvement to satisfy NRM objectives is provided either through co-funded projects or project-based works.

3.2.5.2 NRM principles

The brief sought comment on alternate models associated with the natural resource management roles and responsibilities addressed by the three county councils. This report focuses on four (4) models for consideration.

The principle functions of local government in relation to NRM particularly for county councils include:

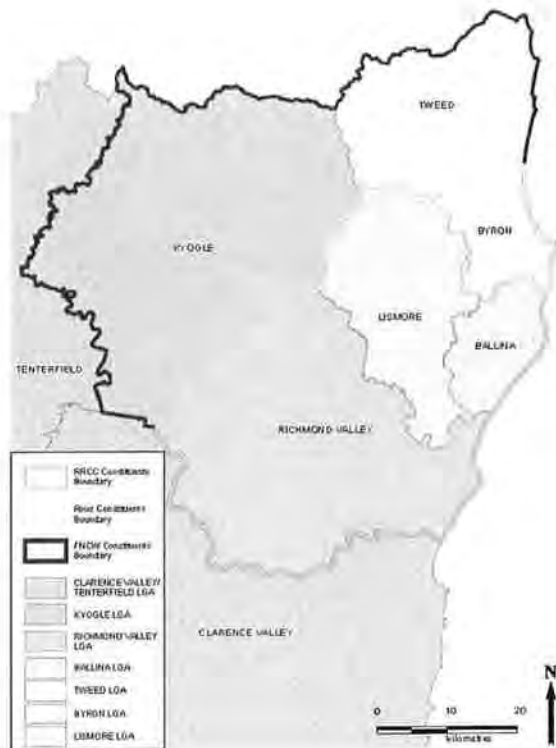
- Management of community lands
- Vegetation management (roadside vegetation, noxious weeds)
- Biodiversity and landscape management (threatened species conservation, rehabilitation of degraded sites)
- Flood mitigation and floodplain management
- Estuary and coastal management
- Pollution control and environmental management of land, water and air
- Water supply.

The Local Government Act 1993 Charter, which states that councils are obliged ‘... to properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible’ and ‘... have regard to the long term and cumulative effects of its decisions’. In addition to working under the Local Government Act, councils are required to also work under the Environmental Planning and Assessment Act, Protection of the Environment Operations Act, Contaminated Land Management Act, Threatened Species Act, and the Noxious Weeds Act.

The application of all principles outlined in legislation and the conformance to all intentions of NRM would require a significant increase in resources of all county councils and general purpose councils. The county councils generally restrict their activities to the primary purpose of the council, but are required to apply the NRM principles above and within respective pieces of legislation and their amendments.

The spatial footprint for each of the county councils is not common across the six constituent council local government areas and is presented in **Figure 3-4**. This mismatch of county council and constituent council overlays present impediments to the implementation of NRM strategies.

Figure 3-4 Overlay of Constituent Boundaries



3.2.5.3 Single Discipline Focus

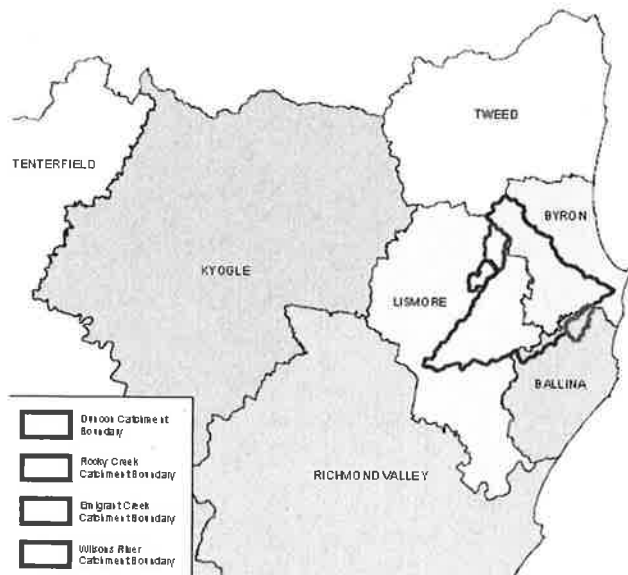
The single discipline focus is essentially the ‘status quo’ option associated with natural resource management, roles and responsibilities.

Rous Water

The Rous Water supply network has over 33,000 connections within the reticulation areas of the four constituent councils, excluding the retail connections to the trunk main. The principle sources of the supply network are Rocky Creek Dam (located near Dunoon), the Wilsons River source, Emigrant Creek Dam, Convery’s Lane and Lumley Park bores, as well as three bores near Woodburn.

Figure 3-5 Rous Water Sub-Catchments

**Wilson's River, Emigrant Creek, Rocky Creek
and Dunoon Catchment Boundaries**



The figure indicates the sub-catchment areas that provide the main source for potable water. This figure also provides an indication of the footprint of Rous Water area of control as compared the Richmond River catchment as presented in Figure 3-6 Richmond Rive Catchment Boundary

The NRM roles and responsibilities are generally restricted to those areas providing the source waters and also such infrastructure works associated with the reservoirs from which the general purpose councils draw their potable water supplies.

The upper reaches and headwaters for the catchments associated with Rous Water operations, functions and responsibilities are in a relatively confined area of the Richmond River valley catchment.

Richmond River County Council

As referenced in Section 3.2.5.5 'Richmond River County Council – enhanced role', the primary focus of RRCC is with the lower Richmond River sub-catchment. However, the LGA boundary changes since the 1959 proclamation have presented RRCC with a broader footprint that now reflects the whole of the Lismore, Richmond Valley and Ballina Councils.

The focus of RRCC has expanded from the original "prevention or mitigation of menace to the safety of life or property from floods" purpose and currently encompasses the broader elements that reflect the ideals and goals of NRM.

Far North Coast Weeds

This council has a significant role in NRM, and has a clear function to administer the Noxious Weeds Act 1993 for the Council areas of Ballina, Byron, Kyogle, Lismore, Richmond Valley and Tweed.

The functions of Far North Coast Weeds are funded from each of the constituent councils in the amount of \$608,000 for the current financial year based on a fee assessment that includes 'static' data (population, area, length of roads and the number of rural holdings) and variable data (including the number of property inspections per year, and weed control costs), as well as from grants and other contributions.

The organisation focus has shifted from heavily reactive to a proactive style involving more community involvement, engagement and education to assist in the identification and management of noxious weeds. FNCW will work in partnership with communities and broader stakeholders using a proactive approach to weed management across all land tenures. Its success is being developed through relationships and working collaboratively with agricultural land owners.

There is a strong level of autonomy in its strategic direction and operational activities that differentiate FNCW from both Rous Water and Richmond River County Council.

Excluding the need for governance and administrative services support, and assuming the continuity of constituent council and grant funding, this county council could continue to operate as a single discipline council.

In the worst case scenario, the functions of this county council could revert to the funding constituent councils and the FNCW county council de-proclaimed. However, there would be a significant loss of management, district and catchment control over noxious weeds and their infestation across local government areas. The combination of services into a single county council provides the economies of scale through resource consolidation to develop, manage and implement strategies across the district and catchments, as well as the ability to ensure a high visibility of education and information to the rural communities. This approach should not alter the primary objectives of each of the three county councils.

3.2.5.4 *More integrated catchment approaches*

The 'single discipline' focus is a continuation of existing functions or the 'do-nothing' approach. The outcome of this insular focus is that NRM is not significantly integrated, nor do the outcomes provide the best benefit for the catchments.

As a minimum, the integration of NRM strategies across the three entities would improve NRM outcomes across the catchments, but each county council would be subject to internal resourcing and funding restrictions that would impact on the application of the NRM strategies.

The above discussion of the catchments produces other issues to be considered. Richmond River County Council has the primary role for 'the prevention or mitigation of menace to the safety of life or property from floods'. As indicated in Figure 3-6 Richmond River Catchment Boundary, RRCC has the responsibility for the lower catchment area. The majority of the upper reaches are within the Kyogle Shire Council LGA.

Of the three county councils, FNCW has coverage across six constituent councils. However, a more integrated catchment approach would retain five of the six councils in the Richmond River catchment, with Tweed Shire Council being in the adjoining Tweed River catchment. This also raises the issue of whether the control of noxious weeds should form part of the catchment-based approach in the management of NRM. The management of vegetative growth that may affect the ecology of the catchment should form part of the NRM strategic approach for the catchments.

Both Rous Water and Richmond River County Council are located about the lower Richmond River catchment area. But as also indicated in Figure 3-6 Richmond River Catchment Boundary, the north-eastern corner of the Clarence Valley is also within the Richmond River catchment area.

A catchment-based approach would imply the following general split:

Table 3-14 Shire Council by Catchment

Richmond River Catchment		Tweed River Catchment	Clarence Valley Catchment
Whole LGA	Partial LGA	Whole LGA	Partial LGA
Richmond Valley Shire Council	Byron Shire Council	Tweed Shire Council	
Lismore City Council	Kyogle Shire Council (approximately 50%)		Kyogle Shire Council (approximately 50%)
Ballina Shire Council	Clarence Valley Shire Council		Clarence Valley Shire Council

A catchment-based approach for the management of weeds and the provision of services only within the catchment could isolate Tweed Shire Council. This approach would present Tweed Shire Council with the option of being serviced by the Richmond River catchment weeds management resources or Tweed Shire may choose to withdraw from the county council and provide their own weed control services.

As a minimum, a more integrated functioning of the three existing county councils would improve the NRM outcomes for all catchments. This report suggests:

- A more collegiate staff relationship between the three county councils
- Shared governance and administrative services
- The cooperative development of strategies, programs and projects, and
- Stronger focus on increased efficiency in service delivery functions.

3.2.5.5 Richmond River County Council – enhanced role

Richmond River County Council commissioned the Centre for Coastal Management (CCM) to prepare a report aimed at identifying appropriate options and actions to enhance the involvement of RCC in natural resource management. The report indicates that the Council was constituted and vested the various powers and duties under section 494 of the Act in relation to “the prevention or mitigation of menace to the safety of life or property from floods” and arising as a reaction to the 1954 floods, which caused loss of life and property within the Richmond River catchment.

The CCM report indicates that the original proclamation area was over lands contained within the City of Lismore and the Shires of Gundurimba, Tintenbar and Woodburn, as existing as at 1959. However, through subsequent boundary adjustments, the Richmond River valley sits within three shire councils and being Ballina Shire Council, Lismore City Council, and Richmond Valley Shire Council.

The report also notes that the county council’s area of authority is restricted to the lower section of the Richmond River catchment, and not the whole catchment extending into the upper reaches located within the Kyogle Shire LGA.

The proclamation dated 25th November 1959 provides the delegated power to exercise or perform the powers or duties relating to “... the prevention or mitigation of menace to the safety of life or property from floods”, and provides associated powers to levy charges or rates, borrow moneys, issue securities and various income cash-flow mechanisms.

As the CCM report outlines, the “...Council continues to operate under a limited and restrictive charter in terms of role and jurisdictional area. These limitations are now at odds with the regional focus of coordinated catchment management, as well as with the expanded natural resource management responsibilities of general and specific purpose councils”.

Figure 3-6 Richmond Rive Catchment Boundary



The diagram presented in Figure 3-6 presents the outline of the whole Richmond River catchment area. The catchment commences in the upper reaches contained in the Kyogle Shire Council area, with the waters flowing mainly through the Lismore, Richmond Valley and Ballina council areas.

However, the RRCC area of responsibility is an area limited by constitution, and extends from Lismore to the eastern coastline.

The functions of RRCC extend beyond the original role in relation to "...the prevention or mitigation of menace to the safety of life or property from floods" and now include:

- Roles in floodplain and estuary management committees
- Management of floodgates, trials and related projects
- Management of the Lismore flood levee
- Rehabilitation projects including improvements to drainage and water quality
- Studies and advisory services associated with acid sulphate soils and disturbance impacts
- Involvement in biodiversity management, land use planning and water management, and
- Support and advisory roles in research projects including deoxygenating processes on the floodplain.

The above list of current activities indicates a strong involvement in NRM within the Richmond River floodplain and a significant expansion of activities and services beyond the original proclamation role. In particular, the lower Richmond has a high degree of connectivity between surface water features such as streams, wetlands and drains and their underlying groundwater systems. In acid sulfate soil environments, the role of fluctuating water-tables and discharge of shallow groundwater into drains is central to the generation and export of highly acidic waters. This problem has been more pronounced in recent months with major 'fish kills' occurring within the lower catchment. This type of issue further extends the role of RRCC management and resources, particularly with the adoption of a conjunctive approach to water management, where the management of the surface water and groundwater systems has to be coordinated.

In addition to these functions, the increasing requirements of the general purpose councils to implement integrated planning and reporting guidelines will demand a stronger involvement by councils such as RRCC. This involvement is particularly strong in the development of strategic and statutory planning instruments for individual councils, relating to acid sulphate soils.

The 2006 Australian Government website, [Connected Water](#), refers to the Lower Richmond catchment as "...an example of the level of complexity in water management with the interplay of multiple government agencies and policies as well as the involvement of non-government bodies such as industry groups, Landcare groups, and environmental organisations. Water management in the catchment spans water allocation, ecosystem requirements, contamination, acidity and flooding. This means there is a wide range of stakeholders". It includes that some of the stakeholders "...focus on a particular issue relating to water management mandated by legislation, while others such as community groups are representative of key water users".

This broader involvement reflects a draft model for natural resource management within the Northern Rivers Region developed by the Northern Rivers Region of Councils (NOROC). This model would strengthen the partnerships between existing organisations and State and local government.

As outlined above, the current RRCC activities and assumed responsibilities have expanded well beyond the original intention of the vested powers included in the 1959 proclamation. The functional role has expanded to the assistance of general purpose councils in the development of planning instruments and management strategies, as well as the additional functions required of councils under the Local Government Act.

However, it should be noted that the county council operates as a local government authority but does so with a catchment focus that extends across local government boundaries that are beyond the Richmond River catchment.

Of relevance to this report, there are two options presented by CCM that relate to spatial increases for a modified RRCC:

- 7.3 Scenario 3 – Lower Richmond LGAs, and
- 7.4 Scenario 4 – Richmond River Catchment.

Scenario 3 involves the increase in footprint area to expand into the whole of the Lismore, Richmond Valley and Ballina Councils addressing the LGA boundaries anomaly of the 1959 Proclamation. This scenario maintains a limited focus only on the lower Richmond River sub-catchment.

Scenario 4 extends the footprint to incorporate the whole of the catchment, as indicated in Figure 3-6 Richmond River Catchment Boundary

The CCM report suggests that this would complement the regional catchment management initiatives and allows the coordinated hydrological management for the catchment.

3.2.5.6 Single river authority (NOROC)

The Northern Rivers Regional Organisation of Councils (NOROC) espouses a 'single river authority' as outlined in its submission dated April 20, 2009 on the 'Report of the Independent Enquiry into Secure and Sustainable Urban Water Supply and Sewage Services for Non-Metropolitan NSW'. In its submission, NOROC proposed that future entities should be based on catchment boundaries as much as possible. The submission suggested entities for the NOROC area:

- a) Tweed Shire Council as a single entity with an unchanged geographic footprint covering all of the Tweed River Valley.
- b) Clarence Valley Council working alone or possibly working with Coffs Harbour Shire Council with the current alliance on Shannon Creek Dam being the basis for future cooperative ventures.
- c) The Councils of Kyogle, Ballina, Byron, Lismore City, Richmond Valley and Rous Water develop an entity to cover all of the Richmond Valley Catchment, Brunswick River Catchment, Evans River Catchment plus that small part of the Clarence River Catchment that is currently part of Kyogle Council.

The NOROC submission limited its comments to the enquiry elements of water supply and sewerage services. In relation to water supply and bulk water, NOROC proposed a new entity, using the assets and facilities of Rous Water, but revoking the existing proclamation for Rous County Council, and a new proclamation prescribing functions and boundaries of a new entity to reflect the servicing of the proposed constituent councils within the Richmond Valley Catchment.

NOROC has also developed a draft model for NRM within the Northern Rivers Region through the establishment of a "Northern Rivers Natural Resource Council" (NRNRC). The model proposed more strategic approach, primarily associated with consultation, advisory services and strategic direction. The creation of this new council would impact on the responsibilities of Richmond River County Council requiring a rationalisation of functions and modifications to its charter.

The NRM roles adopted and pursued by RRCC would be blurred through the creation of an additional overarching council. The new council would require its own governance structure with its

associated costs and interaction with both constituent councils and existing county councils, imposing further resource demands on the councils within the Northern Rivers.

3.2.5.7 Integration with other agencies (state and local government)

3.2.5.7.1 Catchment Management Authority

The Northern Rivers Catchment Management Authority (CMA) is one of 13 CMAs established in NSW under the NSW Catchment Management Authorities Act 2003. The CMA's role is to engage regional communities in natural resource management priorities and direct investment into activities that will restore and protect the natural resources.

The objectives outlined in the Northern Rivers CMA Strategic Plan (as indicated in the 2010-11 Annual Report) are to:

- Improve, protect and sustainably manage the environmental assets of the Northern Rivers region
- Strengthen the region's community based NRM model,
- Support and enhance the regional model for NRM delivery,
- Improve the effectiveness, efficiency and impact of programs and performance, and
- Operate as an effective organisation that maintains good corporate governance.

It was interesting to note that the only reference to Richmond River County Council, in the Annual Report 2010-11, was in reference to "Other Matters" and provided a specific reference to a project grant in the amount of \$55,000 for "Coastal Floodplain & Acid Sulphate Soil BMP". It appears that the CMA provides an oversight role, and not directly or actively involved in the Richmond River catchment management.

Our discussions with stakeholders attempting to pursue NRM across the Richmond River catchment indicate that there seems to be resistance associated with governance matters from the constituent councils. The key resistance factor associated with general purpose councils is that of governance.

3.2.5.7.2 NSW Department of Primary Industries – Office of Water

The NSW Office of Water initiated an inquiry into secure and sustainable urban water supply and sewerage services for non-metropolitan New South Wales. The inquiry objectives 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
- To ensure these arrangements are cost-effective, financially viable, sustainable, optimise whole-of-community outcomes, and achieve integrated water cycle management.

Included in the December 2008 report was a recommendation that three organisational structures should be considered for regional groups of local water utilities, these three models being:

- a) Binding alliance (for planning and technical functions)
- b) Council-owned regional water corporation; and
- c) Status quo for some large general purpose councils and county councils.

Submissions were presented by NOROC, Byron Shire Council, Kyogle Council, Tweed Shire Council, Rous Water, and Richmond Valley Council.

However, there has been no formal outcome of this Inquiry process or prescriptive outcome actions from the NSW State Government.

3.2.6 Managing environmental risk

The primary elements of risk management include risk identification, risk assessment and evaluation, development of mitigation strategies and the implementation of risk strategies.

The three existing county councils each undertake their risk management and strategies directly associated with their corporate and environmental objectives. However, the management of environmental risk is specific to each of the three organisations and, unless tightly coordinated, will not provide the optimal outcomes for the catchment environment.

We suggest that the management processes for the assessment of environmental risks is not uniform throughout the Richmond Valley catchment, with a county council focussing on NRM strategies at the lower catchment area, but a general purpose council with a multitude of competing strategies and programs managing the upper reaches of the river catchment. The outcome of this existing split responsibility is a non-uniform management approach to environmental risk along and within the river catchment.

The management of environmental risk would improve if the three county councils, working with the general purpose councils, developed and managed a 'whole of catchment' based strategy for the management of environmental risk for the catchment.

3.2.7 Risks assessment of merged county councils

The brief requests and examination of the major risks in the counties that would be shared if a merger occurred. However, there is not one single merge option; rather there are a few options that can be considered feasible for these county councils.

3.2.7.1 *Merge of services, retaining three county councils*

The Local Government Act allows councils and county councils to enter into co-operative arrangements that provide mutual benefits and is in the public interest. This merge option would enable each of the three county councils to retain their proclaimed duties and responsibilities and working within their constitution. By implication, each county council would retain its assets as well as its liabilities.

This model would extend the existing Administration Agreement arrangements and include organisational reporting changes.

Since Rous Water is the largest of the three county council entities, it would make sense for the two smaller county councils to have their staff, functions and duties merged into the Rous Water organisation. With this model, we would anticipate that both the FNCW Coordinator Weed Control Services and the RRCC Floodplain Resource Manager would not report directly to the General Manager, Rous Water, but rather the equivalent of the Technical Services Director of Rous Water.

However, the merge of services but not county councils would retain the obligations for each county council to satisfy the reporting requirements of the Local Government Act in the preparation and submission of annual reports and other details sought by the Department of Local Government as well as other legislative and regulatory requirements. This option would lead to the development of improved strategic documents because of access to more experienced resources from Rous Water. We would also anticipate improved efficiencies in service delivery as a result of working cooperatively with Rous Water resources.

This option would not generate significant net cost savings over the existing arrangements and costs.

3.2.7.2 Merge of Rous Water, RRCC, FNCW

The outcome of this merge would result in one county council entity through:

- a. Either by proclaiming all three existing county councils and the creation of a new county council with a new constitution,
- b. Or, select two of the county councils to be dissolved, and the remaining county council to continue operating under a new constitution that absorbs the pre-existing constitutional requirements for the two dissolved county councils.

We consider that it would be more appropriate to adopt the second merge option above by retaining one of the county councils as the base for the modified constitution and organisational functioning:

- If considering a 'catchment based' county council, RRCC may appear as the appropriate council to be retained, but it should be noted that its constitution reflects the responsibilities for the lower catchment area only; although the catchment-based merge option does not deny consideration of Rous Water being the anchoring county council.
- If considering a merged entity that draws benefit from a larger pre-existing entity, Rous Water would be the more obvious choice with its larger staff base, capacity to absorb other functions and services, and management expertise and capacity.

Prior to the development of the new constitution, though, the constituent councils would need to decide whether the functions ascribed to the new constitution should replicate existing functions or move towards a model that is catchment-based. As part of this decision-making process, it should be noted that Tweed Shire Council sits within its own Tweed River catchment. If the decision is to concentrate county council activities to the Richmond River catchment, the ongoing service support provided by FNCW to Tweed Shire Council would need to be reviewed in consultation with Tweed Shire Council.

If the decision is made to expand the functions into the whole of the Richmond River catchment, there will be an associated increase in strategic planning and documentation with the inherent increase in costs to the constituent councils. These costs are more likely to be experienced in the first year or two of the new county council and should reduce thereafter. However, the development of more detailed strategic and operational plans will identify new projects and programs that would be needed to address and accommodate NRM principles and values.

To progress the merge development for discussion with constituent councils, the following issues should be addressed:

1. Geographic basis for the merge, whether:
 - a. catchment-based, or
 - b. constituent Council based geographic area;
2. Whether to choose an anchoring county council between RW, FNCW, RRCC;
3. Likely increases in organisational costs associated with an expanded or adjusted area of responsibility;
4. Service levels expected from each of the constituent councils;
5. The impact of assets and liabilities of the existing county councils for any of the constituent councils that may wish to withdraw from the merged entity;
6. The impact of assets and liabilities of the existing county councils for the remaining constituent councils and the funding mechanisms for forward years;
7. The proposed governance structure, including the number of proposed elected representatives from each constituent council;
8. Confirm with NSW government that there are no new catchment-based or structural initiatives that may affect the merge proposal.

The following issues should be noted in the development of the proposed merged county council model:

- a. All merge proposals should ensure service continuity for each of the county councils;
- b. The NSW government does not currently have any preferred model for county council activities, although a DLG discussion paper is currently being prepared;
- c. Two smaller county council entities would incur lower net costs for any merge because of size, the number of staff, and their lower asset base;
- d. Three county councils significantly differ in their footprint, and they do they match and overlay any river catchment model;
- e. Since there are two existing river catchments (Tweed and Richmond), any catchment-based decisions would need to reflect the wishes of the constituent councils;
- f. The NSW Catchment Management Authority has no formal resolution for catchment-based management in the north-east of NSW;
- g. Because of its large staff number, management capacity, administrative services, and existing governance support functions, and being the largest of the three county councils, it would appear that Rous Water would be best suited as the anchoring county council;
- h. The naming of the new or modified county council would probably be a contentious issue, but given that the NSW Department of Fair Trading allows the transfer of trading names (refer section 3.2.12), this issue should be easily resolved.

The consideration of a 'merge option' should include an assessment of risks associated with any merge proposal associated with the three county councils. The included Table 3-15 lists and analyses the potential merge factors, their risks, and suggested mitigation measures.

Table 3-15 Merge Factors and Risks

ISSUE	COMMENT	RISK / IMPACT	MITIGATION
Governance	<p>Need to reflect Local Government Act regarding 'governance'</p> <p>Councillors to be elected from Constituent Councils [Refer LGAct Part 5, S.390 in Section 3.2.11 of this report]</p> <p>Constitution to include the numbers of elected representatives from each constituent council</p>	<p>Constituent councils wishing to have variable representation in the new county council constitution</p> <p>Dialogue and discussions with constituent councils expand the timeframe for consultation process</p>	<p>Early commencement of consultation processes to minimise time delays</p> <p>Rationalise SLA outcomes and intervention mechanisms to demonstrate equity in application of business management and service delivery</p>
Administration	<p>Administrative services would be provided through one entity for all Consolidated administration functions should deliver minor savings for operational outcomes</p>	<p>Constituent councils seeking lowering of the annual contributions, reflecting the reduction in duplicated services</p>	<p>Demonstrate that savings are being distributed to all services to all constituent councils</p>
Income Sources	<p>Consolidated functions allow improved control and management of income and investments.</p> <p>Enables a stronger focus on the pursuit of grants with greater likelihood of increased grant sources over time</p>	<p>Perception that a strong pursuit of grants would be weighted towards the larger asset based county councils</p>	<p>Demonstrated strategies by management to pursue grants from all sources</p>
Staffing	<p>The net staff resourcing numbers would remain relatively constant.</p> <p>Staffing savings would be returned to program and operations outcomes</p> <p>A merge will result in changes to staff. Position Descriptions Statements (PDS)</p>	<p>Constituent councils seeking lowering of annual contributions arising from staff consolidation.</p> <p>There is potential for redundancies arising from modified PDS across the three county councils</p>	<p>Implementation strategy to reflect the absorption of staff rather than merging into modified position descriptions</p>

ISSUE	COMMENT	RISK / IMPACT	MITIGATION
Merge Costs	Costs will be incurred and associated with the development of merge option There will be a need for a strong commitment from elected representatives and management to resource the development and consultation processes for the merge Merge costs will occur in both real and 'in-kind' resource and expenses costs	Councils may reject the merge process based on the Merge Costs Merge costs should be identified as well as their attribution to the county councils and constituent councils	Seek external funding grants, eg from NSW State Government, for a proportion of identified expenses and costs Councils could provide a proportion of their contribution as 'in-kind'
NRM	The NSW stage government and CMA are seeking a greater commitment to and outcomes from NRM strategies Increasing NRM costs continue to increase cost burdens on local government	Constituent councils may desire to fund only the lower catchment NRM initiatives	Ensure early agreement to the NRM approach within the agreed county council area
Service Continuity	All merge options must maintain service continuity	Implementation strategies are to ensure nil impact on service delivery	Development of a detailed implementation strategy
LGA Coverage	FNCW covers 6 LGAs, RW covers 4 LGAs, RRCC covers 3 LGAs Richmond River catchment excludes Tweed Shire Council in the adjacent Tweed River Catchment RRCC covers only the lower Richmond River catchment area LGAct requires all constituent council agreement to modified constitution	One or more councils feel disadvantaged by the proposed merge, losing LGA coverage by the merged entity Any council may feel disadvantaged from the proposed model and withdraw from the process	Merge model is to ensure agreement from all constituent councils Early consultation with all councils

ISSUE	COMMENT	RISK / IMPACT	MITIGATION
Legislative Requirements	<p>If merge results in only one county council, the remaining two councils to be dissolved</p> <p>Modified constitution proposals to be approved by the Minister</p>	<p>One of the county councils may decide to not allow dissolving of its entity</p> <p>Minister may seek modifications to the proposal</p>	<p>Early agreement and ongoing consultation</p> <p>Develop strategies for options that may arise during consultation if they appear real</p>
Staff Support	<p>The Merge should appear seamless to the county council staff</p> <p>Staff support and acceptance will be critical to the success of the merge</p>	<p>Staff may resist the changes and cause some disruption to service continuity</p> <p>Need for strong HR management and support staff</p>	<p>Ongoing staff involvement and engagement in the processes</p> <p>Manage the rate of change to suit the staff ability to respond</p>
Community Support	<p>Anticipated neutral impact to the community providing there is service continuity and no increase in cost</p>	<p>Community may seek more aggressive changes including reduction of staff number</p>	<p>Develop communications strategy to keep the community informed of actions, outcomes and progress</p>
Council Support	<p>Although each councillor holds an individual view, each constituent council will be required to take a position regarding any merge</p> <p>The CEO of DLG has indicated that any 'merge' proposal should have community support</p> <p>The LGAct generally requires the governing body of each council to agree to changes to constitution or proposals for change</p> <p>The Minister may propose to establish or dissolve a county council or to amend the constitution</p>	<p>Any one constituent council could decide to not participate in the 'merge'</p> <p>The Minister could over-rule the decision of the constituent councils, but is unlikely</p>	<p>Provide as much of the available facts to both the councillors and the community</p> <p>Ensure that the community is informed of details to satisfy the potential questions about cost</p> <p>Keep the DLG informed of progress of 'merge' considerations and actions</p>

ISSUE	COMMENT	RISK / IMPACT	MITIGATION
Organisation Commitment	<p>Both the constituent councils and the governing body of each county council would need to commit to the proposed actions to develop the 'merge' of county councils</p> <p>Council elections will occur in the latter half of 2012</p>	<p>One or more of the constituent or county councils does not actively support the proposed actions</p> <p>The development of proposals for submission to the Minister could be substantially delayed or deferred</p> <p>Arising from the elections, one or more councils could adopt an alternate position that puts the proposed merge at risk of collapse</p>	<p>Provision of as much information as practical to both the councillors and the community</p> <p>Frequent dialogue with all constituent councils and councillors</p> <p>Provision of options and outcomes details to ensure issues are addressed</p> <p>Develop an agreed strategy with all councils prior to the 2012 local government elections</p> <p>Development and provision of Q/A for the issues likely confront the process</p>
Implementation Costs	<p>'Implementation Cost' is the total cost of necessary activities leading to the Proclamation, and the cost of modifying the county councils including organisational and staffing costs</p> <p>Notional implementation costs up to proclamation are indicated in Table 3-17</p> <p>Implementation costs include resource and staff costs as well as 'in-kind' costs</p>	<p>Councils may seek to require more preparatory works, reports and analysis (eg liabilities and associated ongoing funding mechanisms) increasing the 'merge' costs</p> <p>Extended timeframes would increase the cost base</p>	<p>Ensure the process is managed as a project</p> <p>Keep councils informed of progressive costs</p> <p>Develop mechanisms to capture real and notional costs to enable transparent information to councils on resourcing and cost burdens</p>

ISSUE	COMMENT	RISK / IMPACT	MITIGATION
Implementation Timeframe	Timeframes should be split into: Councils' agreement to the Preferred Option; Proposal Development for Minister; Minister's Approval Process; Implementation of Merge Notional timeframe is presented in Section 3.2.8.4	One or more council may have internal problems conferring support and delay the timeframe With unanimous agreement, the timeframe to proclamation could be shortened, but could also be considerably extended Implementation timeframes are subject to the commitment by both constituent councils and the merged county council	Management of the process as a formal project, with updates to all principal stakeholders Ensure 'buy-in' from all Councillors where possible
Modify Merge to 'Catchment' Basis	Councils may choose to retain the existing functions to replicate the existing proclamations and constitutions Prior to the development of the merge strategy, councils are to decide on either the preferred catchment option or clearly define the options and the potential outcomes	During the process, any of the councils could adopt an alternate approach that is contrary to the 'preferred option' Any of the constituent councils or the county councils could push for a modified 'catchment' model during the proposal development process	At the initial stages of the process, ensure complete agreement to the options and preferred option
Diluted Services	Earlier discussions with constituent council representatives indicated concerns and perceptions that the 'periphery' councils may be subject to diluted levels of service Services should be provided as outlined in proposed SLAs	Reduced level of weed and floodplain services to outer lying communities because of a 'Lismore-centric' management Poor SLAs leading to reduced levels of service	Creation of strong Service Level Agreements with constituent councils to minimise the opportunity for diminished services Develop and maintain a strong feedback loop for agreed services

Any proposal to merge the three county councils into a single entity or council should generate net recurrent budgetary savings to the 'expenses from continuing operations' from the consolidated entity. Table 3-16 summarises existing costs and develops an assessed recurrent cost savings in the amount of \$160,000 to the merged county councils.

Table 3-16 Gross recurrent savings from 'Merge Option'

ONE-OFF COSTS/SAVINGS - Merge the Three County Councils							
Ref	Category of Potential/ Actual Savings	Rous Existing	RRCC Existing	FNCW Existing	Total Existing	NEW ENTITY	Existing less Proposed
a.	Chair & Members (incl travel) - Existing	\$82,000	\$41,000	\$27,000	\$150,000	\$122,000	\$28,000
b.	Delegates expenses	\$9,000	\$18,000	\$6,000	\$33,000	\$20,000	\$13,000
c.	Insurance - Public liability / Professional Indemnity	\$58,000	\$19,000	\$16,000	\$93,000	\$74,000	\$19,000
d.	Audit fees	\$19,000	\$11,000	\$9,000	\$39,000	\$26,000	\$13,000
e.	Subscription to NOROC / LGA / FMA	\$5,000	\$5,000		\$10,000	\$6,000	\$4,000
f.	Workers Comp	\$77,000	\$10,000	\$29,000	\$116,000	\$92,000	\$24,000
g.	Administration fee	-\$243,000	\$98,000	\$145,000			
h.	RRCC Engineer P/T		\$40,000		\$40,000	\$15,000	\$25,000
i.	Duplication: office expenses , bank charges, website		\$15,000	\$15,000	\$30,000		\$30,000
j.	Other	\$4,000	\$3,000	\$2,000	\$9,000	\$5,000	\$4,000
TOTAL Assessed Recurrent Cost Savings:		\$11,000	\$260,000	\$249,000	\$520,000	\$360,000	\$160,000

It should be noted that this review has not apportioned the savings across the three county councils.

3.2.8 Costs and timings to merge the three entities

One of the options tabled during review discussions was for the three existing entities (Rous Water, Far North Coast Weeds, and Richmond River County Council) to be amalgamated into one single entity. This section of the report does not consider which entity would lead, the naming or other aspects of the merge. This section merely considers the potential cost and timing for any proposed merge into a single entity.

The 'merge' process would have to undergo four stages and activities:

- a. Constituent council agreement
- b. Approval processes
- c. Proclamation
- d. Implementation, and
- e. Costing.

3.2.8.1 Constituent Council agreement

We understand that the Division of Local Government has indicated that any proposed alterations to an existing county council constitution can be progressed without the formal agreement from each of the constituent councils.

There are six (6) general purpose council entities as constituent councils that have an involvement in at least one of the three county councils. One of the outcomes of the two workshops with elected representatives of the three county councils, and held in Lismore in December 2011 and February

2012, was that there does not appear to be any consensus or agreement amongst or between the constituent councils for significant change to the entities, and accordingly to their constitutions.

The first hurdle to be overcome will be that of obtaining an agreement from the constituent councils and also from the DLG to commence the process. Following is a list (not exhaustive) of activities to be conducted as part of the process:

- Meetings between constituent council councillors.
- Meetings between general managers and their senior staff, as well as between councils.
- Conduct audits of all council's books for the three county councils.
- Conduct assets review, and conditioning.
- Conduct asset valuations.
- Examine potential staffing outcomes.
- Draft framework for the proposed entity.
- Draft framework for service delivery, including associated costings.
- Develop framework for representation by elected representatives.
- Develop methods and resourcing for service delivery.
- Develop a communications framework for all stakeholders.
- Undertake initial community consultation.
- Undertake initial staff consultation.
- Assess the industrial implications for existing and proposed staff, potential risks and outcomes.
- Conduct meetings with the DLG.

3.2.8.2 Approval processes

The approval process takes the framework to the formal review and approval by each of the constituent councils and the county councils. The durations for this process will be influenced by the timings of constituent council meetings, requests for clarifications and any additional information. There would also be a level of negotiation as well as debate, particularly over financial and representation issues.

The approval processes would require substantial input documentation to be developed and presented to the Department of Local Government for their assessment prior to any subsequent release for consideration by the Minister. Following is a list of actions to be included in the approval process:

- Initial meetings by each constituent council to consider their formal position on the presented draft paper
- Several iterations of the content, services, costs, resourcing and representation reflected in the progressive draft papers, as presented to constituent councils.
- Present the interim and final drafts to the DLG.
- Meeting with DLG (including legal interpretation, analysis and comment).
- Review, incorporate and amend comments to reflect the issues raised by the DLG.
- Prepare the final draft (between constituent councils).
- Obtain agreement of constituent councils to the final submission.
- Present the submission to the DLG for comment and approval.
- Internally within the DLG - final review and amendments.
- DLG finalise and present to the Minister.
- Prepare a draft submission to the Minister for Local Government.

- Resource and attend a meeting between the Department and the Minister.
- Provision for legal advice, reviewing and drafting of the new constitution.

3.2.8.3 Proclamation

The proclamation process will include consideration by the Minister for Local Government. This phase of the proclamation process may involve a time period ranging from assessed two week period to 6 weeks as part of the approval for to present to the Governor for gazettal.

Once the Minister is content with the documentation, the submission would be presented to the Governor for gazettal, a formal activity of the process.

The proclamation process expected to extend beyond a six-week period.

3.2.8.4 Implementation

- Confirm that the implementation plan has incorporated all outcomes and conditions arising from the approval and the proclamation processes.
- Keep staff and stakeholders involved through consultation and advice.
- Finalise organisational structures, financial activities supporting the revised and/or amended and/new entity/entities.
- Advertise/fill key senior management positions.
- Either conduct new elections for the elected representatives or work to an agreement by constituent councils for representation as interim pre-election Councillor resourcing.
- Finalise the closure of all financial/accounting accounts, including asset valuations.
- Implement new/replacement of financial management systems.
- Accommodation modifications as needed.
- Advertise/fill all organisations positions.
- Review and provide feedback on the outcomes and issues encountered along the 'merge' path.

Costing

A notional costing has been generated to provide the order of magnitude for the potential costs to be met by the combined constituent and county councils.

Table 3-17 Notional Implementation Cost of Merged County Councils

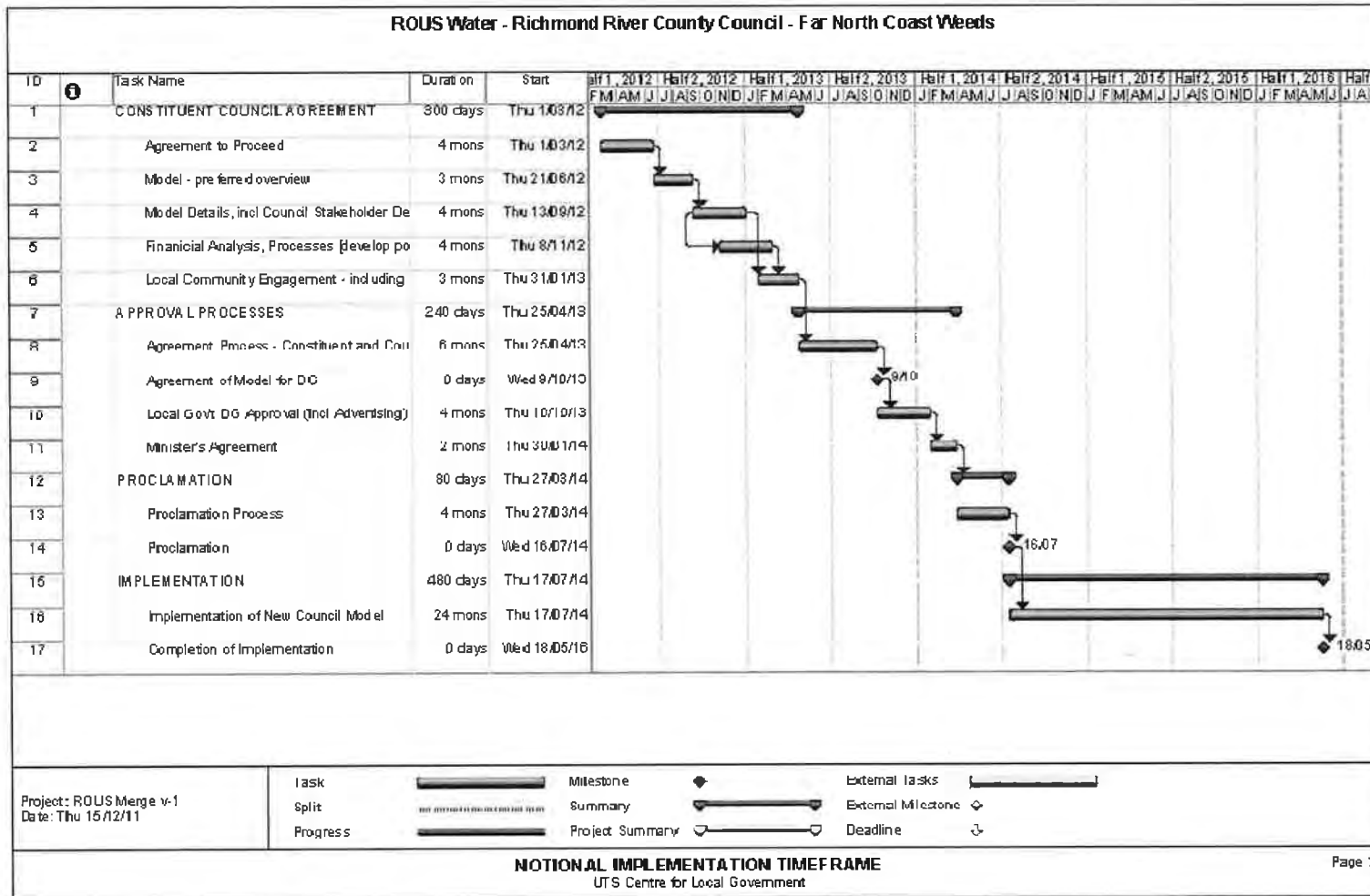
ACTIVITY	Cost Estimate
CONSTITUENT COUNCIL AGREEMENT	
Agreement to Proceed	\$20,000
Model - preferred overview	\$50,000
Model Details, incl Council Stakeholder Development	\$60,000
Financial Analysis, Processes [develop positions and statements]	\$25,000
Community Engagement - including CMA, DEP, others	\$25,000
APPROVAL PROCESSES	
Agreement Process - Constituent and County Councils	\$30,000
Agreement of Model for DG	
Local Gov't DG Approval	\$20,000
Minister's Agreement	\$15,000
PROCLAMATION	
Proclamation Process	\$5,000
Proclamation	
IMPLEMENTATION	
Implementation of New Council Model	TBA
Completion of Implementation	
TOTAL NOTIONAL COST TO START OF IMPLEMENTATION:	\$250,000

A Gantt chart with likely timings for key activities associated with a merge of the three county councils is reproduced as Figure 3-7. It should be noted that the CEO of the DLG would be expecting to see evidence of consultation with the constituent councils as well as key elements of the community. We would expect that this would extend to other NSW and federal government agencies involved in environmental and catchment management as a minimum.

To establish a time-line assessment of the 'merge' option, the principal activities were generated and an assessed duration placed against each activity. The total duration from the start of the activity of seeking constituent council approval, to the start of implementation has been notionally assessed at 2.5 years.

The implementation phase would typically take a two (2) year period as indicative program timing. The gantt chart and the notional durations are included to indicate the order of magnitude and do not represent a detailed programming analysis of the processes involved in a potential merge of county councils.

Figure 3-7 Indicative timeframe for merge of county councils



3.2.9 Criteria for selecting the most appropriate model

Based on discussions with senior staff of the three counties, the constituent councils, and the key elements sought to be addressed in the brief, the Centre proposes a number of key criteria to be considered when selecting the most appropriate structural arrangement. The criteria also respond to the themes from the experience of local government restructuring over the past decades, outlined in ACELG's recent research, which identifies two key goals of structural reform – "a search for economies of scale and more effective service delivery on the one hand; and the need for financial viability and strategic capacity to meet emerging challenges on the other"¹. The criteria also reflect the Minister for Local Government's desire to ensure a robust, financially sustainable local government sector, with the ability to deliver services and infrastructure efficiently.

With this in mind, the proposed selection criteria include:

- Enhanced strategic capacity
- Governance and engagement
- Optimal service delivery
- Risk liability
- Financial benefit
- Workforce.

These criteria are discussed in the following section.

3.2.9.1 Enhanced strategic capacity

The discussion in section 3.3.1 of this report is centred around the drivers for local government reform identified in recent research, in the current *Destination 2036* agenda (discussed in further detail in section 3.3) and in the brief.

One of the key drivers is the need for local government to strengthen its capacity to play an expanded role, to better plan for the future, to manage growth, and respond to community expectations. The Queensland local government reforms of 2007-08 were directed towards creating a more robust and capable system of local government equipped to respond to the varied challenges emerging in key locations in Queensland. The Local Government Reform Commission called for the establishment of organisations with the requisite "knowledge, creativity and innovation" as well as adequate financial capacity and skills both to deliver services efficiently and to plan effectively².

A recent survey carried out by the South Australian division of Local Government Managers Australia (LGMA) identified the benefits of increased strategic capacity by the use of terms such as: providing the resources to undertake projects on a larger scale; better placed to win grants and government funding; stronger negotiation positions and enhanced ability to lobby other tiers of government;

¹ Aulich, C., Gibbs, M., Gooding, A., McKinlay, P., Pillora, S., Sansom, G. (2011) *Consolidation in Local Government: A Fresh Look*, Australian Centre of Excellence for Local Government, Sydney p. 22

² Local Government Reform Commission (Queensland) 2007, report, Volume 1, at: <http://dlgp.qld.gov.au/sustainable-local-government/commission-s-recommendations-report.html> pp. 4-5.

ability to have more influence on the decisions made by other government bodies; being better equipped to deal with 'big picture' issues³.

For Rous Water, FNCW and RRCC, this is important, as the organisations must be ready to respond to the challenges of the future, such as the requirements of the new integrated planning and reporting legislation and other legislative reforms that will emerge from time to time.

3.2.9.2 Governance and engagement

The *Destination 2036* Draft Action Plan describes governance as "how the responsibilities of those in power are exercised, how decisions are made and how community members and stakeholders have their say in such decisions⁴". Quality governance is critical to the sustainability of local government, as it enhances the ability of councils to develop good policy, community confidence in the performance of councils and systems underpinning council decision-making processes.

High performing organisations also have the capacity to effectively engage with key stakeholders, develop relationships government decision makers and non-government groups. This ability to form partnerships is important as the organisations need to be in a position to influence decision makers now and into the future.

3.2.9.3 Optimal service delivery

The Local Government Act rightly focuses on the importance of local government's role as a service provider. However, the Act places local government's service delivery role within a broad, strategic framework. With this in mind, councils must be aware of the local and global trends that impact on service delivery, and take steps to ensure service planning and delivery is able to quickly and appropriately respond. Some of these trends include: changing community expectations, monitoring demographic changes and catering to the needs of the ageing population; emerging challenges such as climate change, cost shifting, workforce shortages and technology; and alternative models of service delivery such as shared services and resource sharing.

This is backed up by the *Destination 2036* Draft Action Plan, which sets out a range of initiatives aimed at increasing the efficiency and effectiveness of service delivery, including providing councils with "greater flexibility to expand service delivery, increase opportunities for employees and enable new and innovative ways of doing things⁵".

3.2.9.4 Risk liability

Understanding risks and ensuring that mitigation measures are in place is vital to any reform process.

³ 2010 Emerging Leaders *Amalgamation: Is it a dirty word?* Local Government Managers Australia, South Australia Division, <http://www.lgmasa.org.au/events/elp>

⁴ *Destination 2036 Draft Action Plan*, December 2011, p. 24

⁵ *ibid.*, p. 17

3.2.9.5 Financial benefit

Financial sustainability is vital to the long-term viability of councils. It was nominated by delegates to the *Destination 2036* workshop as the most important issue facing councils in NSW⁶. Maximising revenue potential, establishing a long-term financial plan, maximising opportunities to secure funding from other spheres of government, and strong asset and financial management all play a role in ensuring the financial sustainability of local government.

3.2.9.6 Workforce

Local government is competing with a range of other sectors in the economy to attract and retain a qualified workforce equipped to respond to current and future challenges. The new integrated planning and reporting framework places a high importance on workforce planning with an emphasis on increasing the diversity of skills of the local government workforce.

In order to compete, councils need to ensure they offer an attractive workplace, with career advancement and professional development opportunities and a range of flexible work practices to set them apart as an employer of choice.

3.2.10 Staffing benefits of alternative models

A merged county council model would provide sufficient scale to attract, retain and enable the training of skilled staff. This would also enhance the capacity to support traineeships and apprenticeships in recognition of local government responsibility to the local community and related industries. The organisation structures presented in Section 3-1 indicate a lack of depth for professional staff, especially in RRCC with reference to the Asset Engineer. Smaller organisations that include limited or a few professional positions (in particular, specialist engineers) are exposed and vulnerable to resignation and retirement. With limited professional staffing numbers, smaller organisations can be caught with a lack of professional capacity to apply engineering judgements and decisions to technical issues.

The recruitment of technical specialists and engineers in the NSW state's north east remains an issue for local government, and particularly for smaller councils, as the remuneration levels are not sufficient to attract the technical and specialist staff with the appropriate qualifications and skills.

Throughout the many reviews conducted by the Centre, we have observed that the larger councils have the greater capacity to attract and retain professional staff. Alternative organisation models that enable the 'pooling' of technical skills would present opportunities to increase the capacity to attract and retain more highly skilled professional staff, as well as the provision of a more sustainable capacity to internally resource all governance and administrative requirements, for which deficiencies were outlined in Section 3.2.4.

⁶ *ibid.*, p. 29.

3.2.11 The application of the Local Government Act

To assist in the analysis of options for the future operation of the three existing entities, the following extract is reproduced from the LGA 1993:

Part 1 – General

358 Restrictions on formation of corporations and other entities

(1) A council must not form or participate in the formation of a corporation or other entity, or acquire a controlling interest in a corporation or other entity, except:

- (a) with the consent of the Minister and subject to such conditions, if any, as the Minister may specify, or
- (b) as provided by this Act.

(2) This section does not prevent a council from being a member of a co-operative society or a company limited by guarantee and licensed not to use the word "Limited" in its name.

(3) In applying for the Minister's consent under subsection (1) (a), the council is required to demonstrate, to the Minister's satisfaction, that the formation of, or the acquisition of the controlling interest in, the corporation or entity is in the public interest.

(3A) The regulations may make provision for or with respect to the matters to be taken into account by the Minister in deciding whether to grant consent under this section and the conditions that may or must be specified by the Minister under this section.

(4) In this section, "entity" means any partnership, trust, joint venture, syndicate or other body (whether or not incorporated), but does not include any such entity that is of a class prescribed by the regulations as not being within this definition.

The application of this section of the Act for the three county councils enables the consideration of any such proposed partnership, or other arrangement that is in the public interest, subject to the Minister's consent.

The following extract identified that a council is a 'body politic' and not a body corporate. The "*Local Government Amendment (Legal Status) Act 2008*" advises that "council" includes county councils.

Part 2 – Councils

Division 1 – Constitution

219 Constitution of councils

A council is constituted by this Act for each area.

220 Legal status of a council

(1) A council is a body politic of the State with perpetual succession and the legal capacity and powers of an individual, both in and outside the State.

(2) A council is not a body corporate (including a corporation).

(3) A council does not have the status, privileges and immunities of the Crown (including the State and the Government of the State).

(4) A law of the State applies to and in respect of a council in the same way as it applies to and in respect of a body corporate (including a corporation).

In relation to county councils, in particular governance, the following sections from the LG Act are reproduced:

Part 5 – County councils

383 Proposal to establish or dissolve a county council or amend its constitution

- (1) A council, a county council, a public authority or the Director-General may make a proposal to the Minister to establish or dissolve a county council or to amend the constitution of a county council.
- (2) The Minister may propose to establish or dissolve a county council or to amend the constitution of a county council.

388 Legal status of county councils

- (1) A proclamation establishing a county council operates to constitute the county council as a body politic of the State with perpetual succession and the legal capacity and powers of an individual, both in and outside the State.
- (2) A county council is not a body corporate (including a corporation).
- (3) A county council does not have the status, privileges and immunities of the Crown (including the State and the Government of the State).
- (4) A law of the State applies to and in respect of a county council in the same way as it applies to and in respect of a body corporate (including a corporation).

390 Who comprise the governing body?

- (1) A county council must have a governing body elected by its constituent councils.
- (2) Provisions concerning the membership of a county council's governing body are to be as prescribed by the proclamation establishing the county council.
- (3) A member of a county council is to be elected from among the councillors of the constituent councils in accordance with the regulations.
- (4) The governing body of a county council is responsible for managing the affairs of the county council.

397 Amendment and dissolution of county councils

- (1) The Governor may, by proclamation, amend or revoke a proclamation in force under section 387 for the purpose of amending the constitution of, or of dissolving, a county council.
- (2) A proclamation for the purpose of amending the constitution of a county council:
 - (a) may change the name of the county council, or
 - (b) may vary the county council's area of operations, or
 - (c) may vary the number of persons who comprise the county council's governing body, or
 - (c1) may vary the number of persons to be elected by each constituent council to the county council's governing body, or
 - (d) may vary the county council's functions.

The relevance of section 383 above is to indicate a county council can amend its constitution subject to the Minister's consent. Both section 383 and 397 allows for a council to be dissolved and proclamations addressing dissolution or amendments to the constitution.

The definition of a 'body politic' is reproduced below from the Australian Government's 'Australian Business Register' (ABR):

The term 'body politic' is considered to cover any artificial legal entity having a separate legal personality. These entities have perpetual succession. They have the power to act, hold property, enter into legal contracts, sue and be sued in their own name, just as a natural person can.

The types of entities falling into these categories are broad and include:

- trading and non-trading

- profit and non-profit-making organisations
- government-controlled entities
- other entities with less or no government control or involvement.

The term 'body politic' includes the Crown in right of the Commonwealth, a state or territory. However, government departments are not bodies politic in their own right. Instead, they are part of the larger body politic of the Commonwealth, State or Territory. Bodies such as municipal councils are bodies corporate rather than bodies politic.

Notwithstanding the ABR definition above, NSW legislation has modified the definition with reference to sections 220 and 388 above.

The intention of including the above extracts from the Local Government Act and the ABR is to indicate that individual county council constitutions could be amended as could those of the constituent general purpose councils. Further, there is no absolute restriction on either the constitution, organisational structure, partnering arrangements, or other proposed modifications and where these can be demonstrated to be in the public interest.

The single issue that has potential constraints on the modified of organisational structure at all partnering arrangements is that "... county council must have a governing body elected by its constituent councils", refer section 390 above.

3.2.12 Trading and operations naming

The Proclamation of 5 June, 1940 was in response to the application of the Councils of the Shire of Byron and the Municipality of Lismore as a "... County District for local government purposes under the name of Rous County District". The Rous District has been recognised for decades and the word "Rous" is synonymous for most of the mid to upper reaches of the Richmond River catchment. Similarly, the name "Far North Coast Weeds" is recognised throughout the Richmond and Tweed river catchments.

The issue of continued use of existing trade names and organisational names may cause some enthusiastic dialogue during the discussions of county council and trading names.

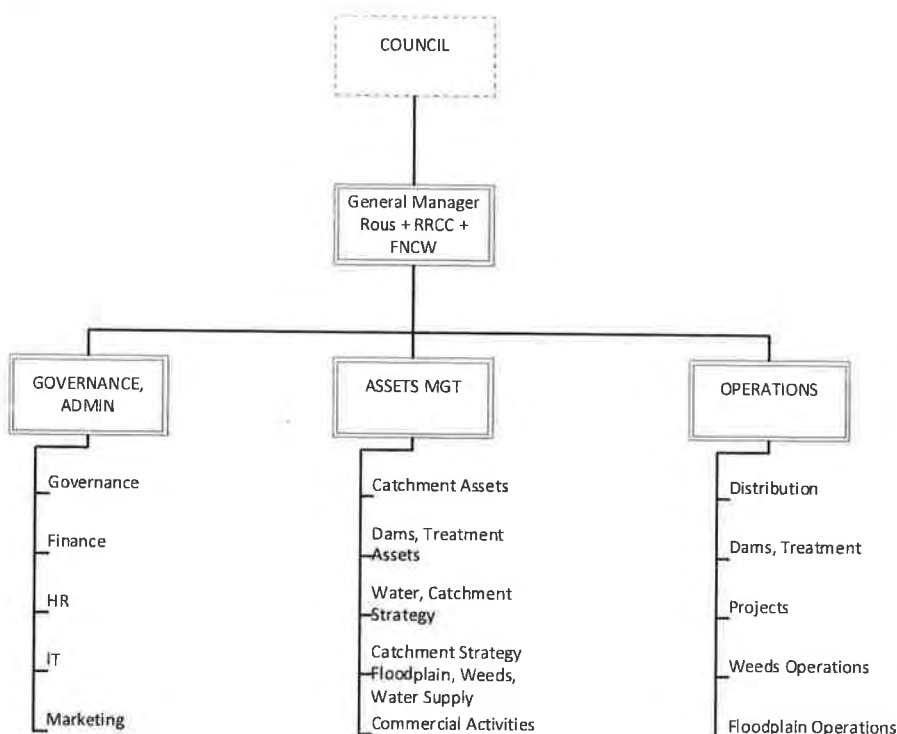
The Department of Fair Trading has advised that there is portability of trading names for continued usage of existing business functions. Both "Rous Water" and "Far North Coast Weeds" are trading names, registered in the name of proprietors 'Rous County Council' and 'Far North Coast County Council' respectively.

Subject to formal confirmation by Department of Fair Trading, all pre-existing trading names can be merged to any new or modified county council entity as the proprietor.

3.2.13 Proposed 'merge' structure for the three county councils

An organisational model that would provide the consolidation of all activities and enhanced management and operations control into a single entity is presented in Figure 3-8.

Figure 3-8 Consolidated County Council



The structure absorbs all functions of the three county councils and provides a stronger resource base of technical experts to apply broader NRM focus through the assets management division. All functions would be rationalised, but there would be an element of cost increase in the initial implementation years. Position description changes may also trigger cost increases and the potential for redundancy and related costs.

This proposed structure would include or require representation from each of the six county councils for the new entity. Constituent councils to the new entity would need to address the issue of appropriate representation. The new entity would have an overall budget approximating \$17 M of which approximately \$3 M reflects the turnover of FNCW and RRCC.

Because both Tweed Shire Council and local Shire Council do not draw any water from Rous Water, the issue of appropriate representative membership from each of the constituent councils would be in question.

These issues and other options are further discussed in Section 5 of this report.

3.3 Key points from research

In addition to speaking extensively with senior staff of the three organisations and mayors of constituent councils, we have reviewed a number of new initiatives and references that may be of interest and use to the reform process. These are:

- *Destination 2036* and the likely reform options that may arise from that process

- The findings of an extensive research report recently undertaken by the Australian Centre of Excellence for Local Government (ACELG) entitled *Consolidation in Local Government: A Fresh Look*
- The views of the NSW DLG.

These are canvassed in further detail below.

3.3.1 Destination 2036

The NSW Minister for Local Government, the Hon Don Page, MP has made it clear the NSW state government is interested in pursuing a partnership approach to local government reform, with a focus on improving the financial sustainability of local government. Underpinning the new relationship is the *Destination 2036* initiative, which began with a two-day forum convened in August 2011, involving the mayors and general managers of all NSW general purpose and county councils, the executive officers of all ROCs in NSW, and other local government leaders.

The aim of the forum was to begin the process of developing a “clear, achievable and shared path to a strong and resilient local government sector, responsive to the current and future needs of our communities⁷”.

One of the remarkable revelations of the *Destination 2036* process has been the strong support for regional co-operation and ROCs. In November 2011, the Minister reinforced his support for ROCs, announcing in a media release that they will have ‘an expanded and more important role to play in the future of local government’, stating that ROCs ‘are the primary model through which councils elect to identify, plan, manage and conduct their resource sharing arrangements and their collaborative programs⁸’.

Following the forum, a working group comprising the Presidents of the Local Government Association, the Shires Association and Local Government Managers Australia (NSW Division) developed and released in December 2011 the *Destination 2036: Draft Action Plan*. The draft Action Plan includes 16 new initiatives grouped into five strategic directions:

- **Efficient and effective service delivery:** establish frameworks that facilitate and encourage effective, responsive and innovative service delivery
- **Quality governance:** enhance the governance framework to ensure community confidence in councils and to further enable local government to meet community needs and challenges
- **Financial sustainability:** ensure the financial sustainability of councils
- **Appropriate structures:** develop a variety of local government structural models to suit different environmental contexts
- **Strong relationships:** Improve the relationship between the state and local government by working as partners, with a clear understanding of respective roles and responsibilities and for the benefit of our communities.

⁷ NSW Division of Local Government 2011, *Destination 2036: draft Action Plan, NSW, Nowra*

⁸ Page, D. 2011, *Regional Approach a Key to Council Reform*, media release from the office of the Minister for Local Government and the North Coast, NSW

Activities 11a and 11b have particular relevance to this current review of the three counties:

Activity 11a: Undertake research into alternative structural models of Local Government in Australia and other jurisdictions, identifying their key features and assessing their applicability to NSW

Activity 11b: Develop, with volunteer councils, a variety of models for the structure of councils in NSW.

There are also a number of actions identified in the plan supporting regional collaboration and resource sharing.

Should there continue to be an appetite for reform of the three county entities, the *Destination 2036* process could be the vehicle to drive the change. It is therefore important for Rous Water, FNCW and RRCC stand ready to contribute to this review, and perhaps even offer to assist in the development of alternative models.

3.3.2 Local Government Review Panel

On 20 March 2012, Minister Page issued a media release advising the establishment of an independent expert panel to examine structural arrangements in the context of the financial sustainability of councils across NSW. The Local Government Review Panel is the first initiative to be announced out of the *Destination 2036 Action Plan*. The panel will investigate ways to create stronger and better councils in the future.

The review will drive key strategic directions identified in the *Destination 2036* initiative and support the broader objectives of the state as outlined in *NSW 2021: A Plan to Make NSW Number One* (the State Plan).

The panel will investigate and identify options for governance models, structural arrangements and boundary changes for local government in NSW, taking into consideration:

1. Ability to support the current and future needs of local communities
2. Ability to deliver services and infrastructure efficiently, effectively and in a timely manner
3. The financial sustainability of each local government area
4. Ability for local representation and decision making
5. Barriers and incentives to encourage voluntary boundary changes.

In conducting the review, the panel will:

- Ensure recommendations meet the different nature and needs of regional, rural and metropolitan communities
- Consult widely with the broader community and key stakeholders
- Take into account the work completed, and future work to be completed, under the *Destination 2036* initiative
- Take into account the broader interests of the state including as outlined in the State Plan
- Consider the experiences of other jurisdictions in both the nature and implementation of local government reform
- Take into account the Liberal-National's 2011 election policy of no forced amalgamations.

The panel is expected to report to the Minister by 12 to 14 months from the start of the review.

3.3.3 Consolidation in Local Government: A Fresh Look

In May 2011, ACELG released a report entitled *Consolidation in Local Government: A Fresh Look*. It was undertaken as a collaborative research venture between ACELG, the Local Government Association of South Australia and Local Government New Zealand. Each wanted to take a fresh look at the issue of consolidation in local government, free from any current political or other pressures to recommend any particular approach towards structural reform.⁹

The research looks at four broad strands in the debate about reform:

- Efficiency
- Strategic capacity
- Service delivery
- Local democracy.

The researchers examined data from a range of sources:

- Desk analysis of literature
- On ground case studies
- Practitioner interviews.

The headline conclusions are presented below:

- **Ongoing change in local government is unavoidable**, and consolidation in its various forms will be a part of that process.
- As a general rule **benefits of some sort do accrue** when councils adopt mechanisms to collaborate or consolidate with other local authorities.
- Potential **benefits are reduced or lost when the process is flawed** due to inadequate planning and consolidation or a **failure to consider all the options** available and precisely what each could achieve.
- There is **little evidence** that **amalgamation** will automatically yield substantial **economies of scale**.
- **Efficiency gains** can be achieved through various forms of consolidation, but are unlikely to produce reductions in council rates and charges due to other expenditure needs.
- What is more obvious is that various forms of consolidation have the **capacity to yield economies of scope**, or to increase the capacity of councils to undertake new functions and deliver new or improved services.
- More importantly, consolidation offers opportunities to achieve **economies of scope** or enhanced **strategic capacity**. This effect may well be the strongest in the case of amalgamation into relatively large units.
- New services and/or **innovative approaches to service delivery** have been promoted through various forms of consolidation.
- In the case of **more remote councils** with small populations spread over large areas, consolidation (whether amalgamation or shared services) may not be feasible.

⁹ Aulich, C., Gibbs, M., Gooding, A., McKinlay, P., Pillora, S., Sansom, G. (2011) *Consolidation in Local Government: A Fresh Look*, Australian Centre of Excellence for Local Government, Sydney.

- **Concerns for any diminution of local democracy were muted**, suggesting that councils may be managing this issue well and/or that it is often not a major, ongoing factor in the eyes of the community.
- Underpinning any approach to consolidation is the **importance of political leadership, good governance and effective management arrangements**, both in managing change and establishing a sound basis for ongoing operations.
- There is a **continuing role for state (and national) governments and local government associations** in facilitating and supporting consolidation initiatives.
- **Too much attention is focused on institutional arrangements** of the local government system in each jurisdiction rather than on the fundamental issue of the societal functions performed by local government and its changing role.¹⁰

While most of these findings are relevant to this review, we particularly highlight the following:

- **The inevitability of ongoing change** – it is clear from our research and discussions to date that the current county council model is not appropriate for RRCC and FNCW, and some form of consolidation or reform is warranted.
- **Benefits accrue from consolidation** – our research to date indicates that there are benefits from a range of consolidation actions, whether it is consolidation, further collaboration or resource sharing between the three organisations.
- **Amalgamation may not yield economies of scale or rate cuts** – but in the case of Rous Water, FNCW and RRCC, consolidation is highly likely to achieve economies of scope, enhanced service delivery and improved strategic capacity (which has already been achieved to some extent with the additional resources provided through service level agreement).
- **Diminution of local democracy** – the two smaller counties are top heavy with elected representation. Although some will argue that a reduction in the number of councillors will reduce access to elected representation, diminution of local democracy is a difficult argument to sustain in this case, and the ACELG research indicates that this has either not been a factor in reform, or councils may be managing the issue well. These comments are made with recognition that governance requirements are prescribed in the Local Government Act.
- **Importance of political leadership** – this cannot be stressed highly enough. Political leadership, good management systems, good governance and communication are vital to the success of any reform initiative, particularly where there is opposition.

3.3.4 DLG research and discussions

The project brief prepared by Rous Water included copies of correspondence between the General Manager of Rous Water and the Deputy Director General, Local Government, Department of Premier and Cabinet in late 2009. In his letter to the Deputy Director General, the General Manager advised that the business case study to assess the merits of amalgamation of the three county councils in the Richmond Valley is proceeding, and sought advice as to the assistance the Division could provide to progress the initiative. In his response, the Deputy Director General noted the intention to develop the business case examining the merits of amalgamation. The other points of note in the Deputy Director General's correspondence include:

- The matter of amalgamation is a matter for council consideration

¹⁰ *ibid.*, pp. 7-8.

- As the NSW Government is still considering its final position on the review of local water utilities, the General Manager should discuss this further with the NSW Office of Water
- The DLG encourages initiatives that reduce duplication and build local government capacity
- Any proposal to merge the 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
- The support of each of the county councils should be gained with the development of the business case
- Alternate governance models that may meet the participating councils' strategic objectives should be considered in addition to the county council model
- Any change to the constitution, functions and membership of a county council will require a proclamation by the Governor.

With the change of government in March 2011, it is unclear if this is the current position of the DLG, although the Centre has been advised that the DLG is continuing to encourage shared services and regional collaboration between councils. The DLG is preparing an options paper canvassing a range of delivery models, and this paper will cover the county council model, although this paper will not be released until 2012.

4 MAJOR INFLUENCES ON ORGANISATION STRUCTURE

Comments from the review process interviews, including those from managers, executive managers and Mayors, varied markedly with no real uniformity or consistency apparent for any one organisational model, whether it be catchment based, NRM based or services based.

Outside of the broad management team from the three county councils, views of those interviewed varied markedly, with some advocating "do nothing" and others expressing equally strong views supporting amalgamation of the three counties. Others were ambivalent, preferring to wait until the business case analysis before forming a view either way.

It is clear from the Centre's examination of financial statements and discussions with key stakeholders that there are opportunities for efficiency improvements, reduction in management overheads and a keener focus on organisational outcomes. However these are constrained by issues including variations in local government footprint for each county council, views of elected representatives ranging from rejection of amalgamation to a 'wait and see the facts' before making a decision.

The following points reflect the major issues identified during this review process:

- Both FNCW and RRCC have insufficient capacity to provide support to undertake all reporting and legislative requirements imposed by the Local Government Act (see section 3.1.1)
- Section 390 of Part 5 of the Local Government Act requires a county council to have a governing body elected by its constituent councils (see section 3.1.1)
- Smaller councils, in NSW, are subject to higher administrative and governance costs than larger councils; the costs and level of governance for the smaller county councils raises an issue about the suitability of the county council model for FNCW and RRCC (section 3.1.1)
- The span of control for the Rous Water General Manager is too broad, and should be reduced; this review suggests an executive leadership group of no more than five managers, including the General Manager (section 3.1.2)
- The Administrative Agreement between Rous Water and RRCC and FNCW was each based on 2006/2007 revenues as the base for the model (see section 3.1.3)
- There are many perceived barriers to amalgamation or reform (refer section 3.1.6)
- Costed analyses of the existing administrative agreements indicate value for money exceeding the annual charge sought by Rous Water (refer section 3.2.2)
- There are some opportunities for the rationalisation of assets across the three county councils but would only lead to very minor cost savings between the three entities (see section 3.2.3)
- Management structures are not optimal, but currently provide a reasonable level of support and management service delivery; some opportunities are available for improvement to management operational efficiency within and across the three county councils (see section 3.2.5)
- The six constituent councils that fund the three county councils are either fully or partially in four (4) river catchment systems.
- There is no single response associated with a request for a natural resource management outcome for the six constituent council local government areas; problems include overlapping local government areas across the county council areas, and even any proposed Richmond River Catchment model would disadvantage both Tweed Shire and the western half of Kyogle Shire; the eastern half of Byron Shire would also be affected; a 'single river authority' would have similar issues to that of the "catchment" model (see section 3.2.5)

- The risk analysis for a merge of the county councils indicates little opportunity to develop an outcome or solution that would be acceptable to all of the six councils as well as the overlapping areas covered by the three county councils (see section 3.2.7)
- The review assesses that there would be a minimum \$160,000 recurrent savings across the three county councils if merged (refer section 3.2.7)
- Any proposed merger of three county councils into one entity would involve considerable cost and timings, costs assessed at greater than \$0.25 million and with a duration approximating 2.5 years to the start of implementation, criteria for selection of the most appropriate model assessed/or developed for discussion and review (refer section 3.2.9)
- The Local Government Act provides major impediments on changes to the Constitution for the local government county council entities as they currently exist, also requiring a modified or new constitution to match any new or proposed framework (refer section 3.2.11)
- Research indicates that one of the approaches that could be adopted to improve efficiencies across the three county councils, and to reduce cost burdens, could be one of the outcomes of Destination 2036; there are indications that the current county council model may not be an appropriate model for smaller local government entities, to be reviewed (see refer section 3.3.1).

The major points listed above lead to a list of issues that will influence the options to be considered.

From the analysis and input of this review, the organisation reform options are linked to the following factors:

- Governance
- Constitution and change
- Maintaining existing service levels
- Constituent Council approval
- Representation
- Specific focus items
- Structure outcome, and
- Staffing impacts.

Governance

- Management of the entities or whether current or modified county councils
- Transparency of governance costs to the funding councils
- Mechanisms to ensure equity across the constituent councils funding the revised entity.

Constitution and change

- Department of Local Government approval
- Identify and draft the inclusions to the existing or re-written constitutions
- Modifications to existing constitutions (including examples: natural resource management.

Maintenance of service levels

- Identifying and capturing existing service levels
- Convert service levels to formal agreements
- Incorporate mechanisms to ensure service continuity and the delivery to agreed standards (incorporate measures)
- Establish dispute resolution processes
- Provision of a clear outline of the services and their value.

Constituent Council approval

- Mechanisms for constituent Council approval on the proposed constitution.

Representation

- Most appropriate model for representation for the constituent councils
- Equity in representation, including the ratio of councillors from each constituent Council for the proposed reform model entity(ies).

Specific Focus

- Includes handling specific issues for example Lismore levee, whether Lismore should take ownership of its levee and any associated liabilities (past, current and future including claims not yet lodged).

Structure Outcome

- Clear service delivery functions
- Mechanisms for resource and services "pooling" and provide access to common resources, and
- Identification of cost saving for the proposed structure.

Staffing Impacts

- Managing staff entitlements
- Handling reform processes over the duration of implementation
- Cost risks (including that of potential redundancies)
- The costs of the merged/reform process to complete implementation and review, and
- Skills audits to ensure the appropriateness of the skills base for the new entity or reformed organisational model.

The formal structural reform options proposed for consideration are outlined in Section 5 of this report.

5 STRUCTURAL REFORM OPTIONS

The focus of this review is the exploration of opportunities to improve business efficiency for the three county councils. The initial trigger for this study arose from a New South Wales government report prompting discussions about the relationships between the three county councils and the merits of restructuring the three entities into one.

The study period timeline now includes the "Destination 2036" forum held in August 2011 and the Draft Action Plan. Destination 2036 has stimulated discussion primarily about the future relationships and efficiency within local government, including county councils, and developing an action plan for how local government can best serve its communities. These issues will also be canvassed by the Local Government Review Panel recently established by the NSW Minister for Local Government.

The brief for this study requires consultation with key NSW Government agencies to record the issues that each agency identified as important, and to address each of these issues in the Business Case study. As a consequence, the Organisation options have not been limited to the three county councils: Rous Water, FNCW and RRCC. In the context of this study, the local government area footprint is reflected in the areas of the six constituent councils.

The vision for NSW local government, and arising from the 'Destination 2036' workshop held in Dubbo in August, 2011, was summarised as "By 2036, all NSW community will be healthy and prosperous - lead and served by strong, effective and democratically elected Local Government" (refer Destination 2036 'Draft Action Plan', December 2011). The workshop's grouping of 'actions into initiatives' included efficient and effective service delivery, appropriate local government structures, and strong relationships. The summary of the initiatives (refer Draft Action Plan, page 10) strongly suggests improvements in local government outcomes through different structural models, improved resource sharing and co-operative arrangements, and alternative operating frameworks, among others.

We have considered the broad directions emanating from the Destination 2036 workshop and have incorporated these themes in our considerations for service delivery models.

A more rigorous model that would provide more aggressive business efficiency improvements lies within the creation of a new entity outside the Local Government Act. The move to a more formalised business model has inherent risks and obligations that may not be acceptable to the constituent councils or the communities in general. For these reasons, we have not examined this option.

The options examined settle into three broad categories:

- Options that involve structural reform that reside within the three county councils (localised county council options),
- Options that enhance the capacity to attract subsequent initiatives to provide improved benefits to the broader regional local government communities (broader regional options), and
- Options that provide more rigorous management and control, operating under either state or federal legislative frameworks (corporations options).

5.1 Localised county council options

The following list provides a collation of the general benefits identified from localised structural reform of the three county councils through organisational changes:

- Localised opportunities for efficiency improvements in service delivery
- Opportunities to increase the effectiveness of management support to program development and more effective pursuit of external funding sources
- Enhanced opportunities for improved strategic approaches and working collectively
- Financial benefits in the form of long-term recurrent cash-flow savings associated with localised reform within the three county councils
- A net reduction in governance demands through the removal of duplicated reports currently legislated from each county council entity
- More positive community perception that council reform and restructuring would lead to more efficient outcomes and service delivery
- Elimination of the volume of formal communications between the three entities with associated recurrent administrative savings to each county council
- Existing service functions that are provided to the constituent general purpose councils can be defined and reflected that in service agreement to ensure continuity of all existing services and functions.

There are several descriptions of potential structural reform options and include:

- Amalgamation of three county councils through the combination of the three county councils into a single integrated county council; the word 'amalgamation' can mean to merge, to combine, or to unite.
- Merging of the three county councils into a single entity, and has the observed perception that this would result in a 'takeover' by Rous Water, the largest of the three county councils.
- Consolidation of existing county council functions, and has the implication of a reliance on the functions rather than the net impact on and benefits to the community.

This report will adopt the word 'amalgamation' where the discussion involves a combination of three county councils into a single integrated county council. The word 'consolidation' will be used in associated with discussion of functions currently provided or potentially for consideration from the reform outcomes.

Potential localised county council options:

- Option 1. Amalgamation of the three county councils into a single entity controlled by the six constituent councils and with a new constitution; this option involves the dissolution of the three existing county councils.
- Option 2. Amalgamation of the three county councils into a single entity controlled by only four of the six constituent councils removing both Kyogle Council and Tweed Shire Councils from elected representation; this option would require a new constitution; this option involves the dissolution of the three existing county councils, and relies on service agreements to provide ongoing weeds services to Kyogle and Tweed shires.
- Option 3. Amalgamation of the three county councils into a single entity through the merge of the two smaller county councils into the larger Rous Water Council, with a modified constitution and the dissolution of the two smaller county councils; this option retains all six constituent councils.

Option 4. Retain the three existing county councils including their organisation structure, constitution and governance structure, however with the consolidation of the management of all assets and service delivery functions to the largest county council, Rous Water.

Option 5. No structural changes ['Do nothing' option]

With Rous Water having its corporate offices in Lismore, and being the largest of the three county councils, it is highly likely that a new amalgamated entity would operate from the Rous Water corporate building, owned by Rous Water. The proportion of the building that is not occupied by the three county councils is currently leased to external entities and government agencies on a commercial lease basis. This provides the flexibility to expand the floor footprint if necessary into the future.

The likely outcome, that the new entity be located in the Rous Water building at Lismore, may lead to three perceptions:

- Most business and operational decisions would favour the larger entity (Rous Water)
- Because of its geographic location, decision-making could be seen as 'Lismore-centric'
- Presenting difficulties for the governance and management functions to ensure equity and access across the whole region covered by the six constituent councils, particularly to the extremity of the consolidated county councils' boundaries.

Table 5-1 Localised Options Review Analysis

Option	Description	Constituent Councils	Key Advantages	Major Disadvantages
Option 1	<ul style="list-style-type: none"> ▪ Amalgamates three county councils into a new, single entity controlled by the six constituent councils; ▪ New constitution replicating existing functions and responsibilities; ▪ Dissolution of the three existing county councils 	Tweed; Byron Bay; Ballina; Lismore; Richmond Valley; Kyogle	<ul style="list-style-type: none"> a. Tangible cost savings with governance, administration and statutory reporting b. Continued representation and governance involvement by each of the six constituent councils. c. Stronger focus on organisational efficiency, effectiveness and service delivery. d. Increased focus on NRM 	<ul style="list-style-type: none"> a. Perceptions of greater control by Rous Water staff reducing functional priorities. b. Perception that flood mitigation and weeds functions would be subservient to the primary needs for bulk water supply c. Elected representatives from Tweed and Kyogle may be disinterested in flood mitigation and bulk water issues d. No constitution capacity to respond to regional initiatives
Option 2	<ul style="list-style-type: none"> ▪ Amalgamates the three county councils into a single entity ▪ Controlled by only four of the six constituent councils ▪ New constitution ▪ Dissolution of the three existing county councils ▪ Relies on service agreements to provide ongoing weeds services to Kyogle and Tweed shires 	Byron Bay; Ballina; Lismore; Richmond Valley	<ul style="list-style-type: none"> a. Relies on a measurable and enforceable service agreement to provide services to Tweed and Kyogle councils b. Strengthens a 'catchment based' model approach 	<ul style="list-style-type: none"> a. Removes constituent council representation from Tweed and Kyogle councils b. Both Tweed and Kyogle reliant on Service Agreements for weeds services c. No constitution capacity to respond to regional initiatives d. Potential for perception that bulk water will consume more resources, resulting in lower priority applied to weeds functions
Option 3	<ul style="list-style-type: none"> ▪ Amalgamates the three county councils into a single entity ▪ Merge of the two smaller county councils into the larger Rous Water Council ▪ Modified constitution to absorb the RRCC and FNCW functions ▪ Dissolution of the two smaller county councils ▪ Retains all six constituent councils 	Tweed; Byron Bay; Ballina; Lismore; Richmond Valley; Kyogle	<ul style="list-style-type: none"> a. Functions of both FNCW and RRCC are merged into Rous Water b. Recurrent cash savings with a reduced administrative burden and governance structure 	<ul style="list-style-type: none"> a. No constitution capacity to respond to regional initiatives b. Potential for perception that bulk water will consume more resources, resulting in lower priority applied to weeds functions

Option	Description	Constituent Councils	Key Advantages	Major Disadvantages
Option 4	<ul style="list-style-type: none"> ▪ Retain the three existing county councils including their organisation structure, constitution and governance structures ▪ Consolidate the management of all assets and service delivery functions to the largest county council, Rous Water 	Tweed; Byron Bay; Ballina; Lismore; Richmond Valley; Kyogle	<ul style="list-style-type: none"> a. Consolidates the management function of assets and service delivery, presenting opportunities for efficiency savings b. No impact on governance structure, including elected representation 	<ul style="list-style-type: none"> a. No constitution capacity to respond to regional initiatives b. Cost burden of statutory reporting and governance structure remains
Option 5	<ul style="list-style-type: none"> ▪ No changes to each of the councils ▪ No changes to the constitutions ▪ No administrative or governance changes 	Tweed; Byron Bay; Ballina; Lismore; Richmond Valley; Kyogle	<ul style="list-style-type: none"> a. No impacts on staff and management b. No impacts on elected representatives 	<ul style="list-style-type: none"> a. Cost burden of statutory reporting and governance structure remains b. No constitution capacity to respond to regional initiatives

5.2 Regional options

The brief required an exploration of opportunities to improve business efficiency for the three county councils. As a consequence of research and public papers arising from Destination 2036, there is another option that would lead to improved business efficiency for the three county councils, but also provides opportunities for improved business efficiency across the Region. The original option is presented and outlined below.

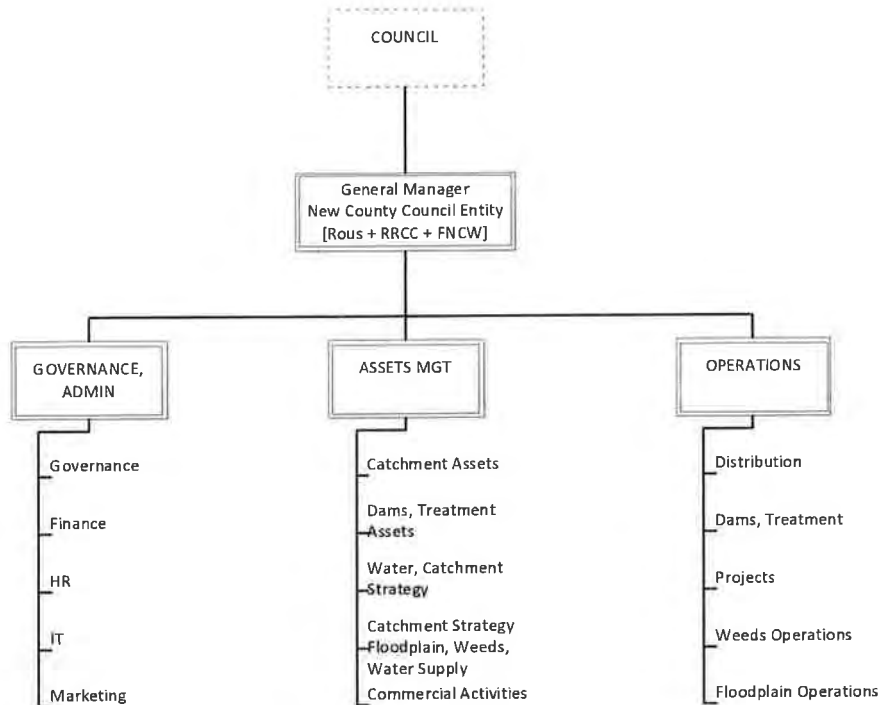
Potential regional option:

- Option 6. create a new county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) with a new constitution that provides the flexibility to accommodate the management and delivery of regional initiatives; the governance structure would include representation from all six constituent councils.
- Option 7. create a new county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) with a new constitution that provides the flexibility to accommodate the management and delivery of regional initiatives; the governance structure would include representation from only four of the current six constituent councils (excluding Tweed and Kyogle shire councils).

These options present governance models and structural arrangements that enable the creation of a vehicle to identify and oversee the management of unique regional priority activities. The existing consolidated activities could be expanded to include the delivery of regional strategies such as NRM initiatives and some regional based services that are provided across the local government areas of the constituent councils.

Consideration of these regional options raises the issue of the function of NOROC and the potential for confused and blurred responsibilities. The provision of these regional options ascribe their functions as more operational and service delivery as compared to NOROC, which provides the strategic advice and facilitates resource sharing functions within the region. As such, the functions of the new county council entity and NOROC are sufficiently different to ensure no blurring or confusion of the two distinct roles.

Figure 5-1 Regional County Council Option



The organisation structure presented in Figure 5-1 provides the flexibility to incorporate asset management and service delivery functions generated by the constituent councils or NOROC for the region.

Finance considerations for the new consolidated county council entity include:

- Re-creation of the declared business activities in the context of National Competition Policy either category 1 as is Rous Water (gross operating turnover over \$2 million) or category 2 for any other declared business activities (gross operating turnover less than \$2 million)
- Meeting Australian Tax Office requirements and associated activities for the winding up (dissolution) of entities
- Assessment and treatment of the liabilities, particularly superannuation, leave entitlements (including sick and holiday entitlements) for staff
- The legal transfer of liabilities from a dissolved county council to the new entity.

Table 5-2 Localised Options Review Analysis

Option	Description	Constituent Councils	Key Advantages	Major Disadvantages
Option 6	<ul style="list-style-type: none"> ▪ New county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) ▪ New constitution that provides updated functions of the three county councils and also the flexibility to accommodate the management and delivery of regional initiatives ▪ The governance structure would include representation from all six constituent councils 	Tweed; Byron Bay; Ballina; Lismore; Richmond Valley; Kyogle	<ul style="list-style-type: none"> a. Promote a more coordinated approach to pursue grant funding and financing for the new entity b. The amalgamated organisation would provide the opportunity to increase efficiencies and asset utilisation across the three county councils and the sharing of personnel within the three existing operational functions c. Creates opportunities to accommodate regional services initiatives across LGA boundaries in a way that binds the constituent councils to each other d. Maintains involvement having representation by each of the six constituent councils e. Demonstrates leadership by adopting a new county council model that supports the needs of the regional communities, strengthens the capacity to improve service delivery, and responds to the state government’s desire to create stronger and more sustainable local government f. Provides a flexible structure and constitution that can respond to regional service delivery initiatives, including water sharing arrangements g. Provides a more stable regional platform for integrated strategies of the group 	<ul style="list-style-type: none"> a. Presents a new county council model that has not been implemented previously in NSW b. Constituent councils will be more reliant on service agreements with the new county council entity. c. Elected representatives would each need to focus on the county council issues and not reflect a parochial position on policies and strategies

Option	Description	Constituent Councils	Key Advantages	Major Disadvantages
Option 7	<ul style="list-style-type: none"> ▪ New county council incorporating all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) ▪ New constitution providing updated functions of the three county councils and also the flexibility to accommodate the management and delivery of regional initiatives ▪ The governance structure would include representation from only four of the constituent councils ▪ Provide services to Kyogle and Tweed through service agreements 	Byron Bay; Ballina; Lismore; Richmond Valley;	<ul style="list-style-type: none"> a. Promote a more coordinated approach to pursue grant funding and financing for the new entity b. The amalgamated organisation would provide the opportunity to increase efficiencies and asset utilisation across the three county councils and the sharing of personnel within the three existing operational functions c. Creates limited opportunities to accommodate regional services initiatives across LGA boundaries d. Maintains limited involvement having representation by only four of the current six constituent councils e. Demonstrates leadership by adopting a new county council model that supports the needs of the regional communities, and strengthens the capacity to improve service delivery f. Through the limited inclusion of only four of the current six constituent councils, the option provides limited flexibility in the structure and constitution restricting the response to regional service delivery initiatives, including water sharing arrangements g. Provides a regional platform with limited stability for integrated group strategies 	<ul style="list-style-type: none"> a. Presents a new county council model with limited constituent council representation b. Constituent councils will be more reliant on service agreements with the new county council entity, particularly Kyogle and Tweed. a. Elected representatives from the four constituent councils would each need to focus on the county council issues and not reflect a parochial position on policies and strategies

Under Section 355 of the Local Government Act 1993, a "... function of Council may be exercised:

- a) by the council by means of the councillors or employees, by its agents or contractors, by financial provision, by the provision of goods, equipment, services, amenities or facilities or by any other means, or
- b) by a committee of the council, or
- c) partly or jointly by the council and another person or persons, or
- d) jointly by the council and another council or councils (including by means of a Voluntary Regional Organisation of Councils of which the councils concerned are members), or
- e) by a delegate of the council (which may, for example, be a Voluntary Regional Organisation of Councils of which the council is a member)".

The application of Section 355 would enable the new county council entity to exercise functions by a committee of the Council. In service functions where all constituent councils cannot have a direct interest, such functions could be managed through a representative subset as a committee of the Council. Such committees could have the following representation:

- bulk water - the existing four general purpose councils (Byron Bay, Ballina, Lismore and Richmond Valley).
- flood mitigation - the existing three general purpose councils (Lismore, Ballina and Richmond Valley).

The structure, capacity and flexibility of the regionally focused Option 6 present a reform outcome that is aligned to the initiatives and direction of "Destination 2036".

5.3 Corporation options

Business structures are available that are outside the umbrella of the Local Government Act. These structures are aligned to 'corporations' that reduce the burden of legislated governance but demand significant liabilities, constraints and impositions on the company owner and a range of linked reporting regimes. This alternate style of organisation model would sit within either state or federal laws regarding the corporation's creation, functioning and responsibilities.

A corporation model would enable the provision of a stronger management approach to operations and increased opportunities to improve business efficiency for the functions of the three county councils. Ownership and direction would rest with the shareholders and could lead to a progressive departure from the pursuit of NRM and other strategies.

This section presents a brief overview of the option to become a corporation, and is presented and outlined below.

Potential Corporation option:

- Option 8. create a new entity (outside the Local Government Act) that has ownership (part or whole) by the constituent councils and incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC); the new entity would operate under either a NSW or federal act.

There are three styles of corporation that could be adopted:

- Option 8a. Company, under the Corporations Act 2011 (Commonwealth),

Option 8b. Company State Owned Corporation, under the State Owned Corporations Act 1989 (NSW), and
Option 8c. Statutory State Owned Corporation, under the State Owned Corporations Act 1989 (NSW).

Having three county councils and six constituent councils, we assess that it is unlikely that the nine councils would agree to consolidate all existing constitution requirements and associated services of the three county councils into a single Company, under the Companies Act 2011.

The combination of the three county councils into a State Owned Corporation (SOC) is a potential option that has been adopted for other service activities. Examples include Hunter Water Corporation, Landcom, State Water Corporation, and Sydney Water Corporation. These examples are generally considerably larger and provide an annual dividend to the State Government.

The governance of these three options would vary from a board of independent directors (Company), to the board comprising NSW government Ministers (for both Company SOC, and Statutory SOC).

There are many factors and issues to consider if any of the three options were to be pursued, and include:

- Membership of the corporation.
- Member liability associated with the formation and ongoing activities.
- Formation process, cost in setup, transition and maintenance of structure.
- Management structure.
- Legal status.
- Continued grant eligibility.
- Interaction (if any) with the Local Government Act 1993 tendering requirements.
- Current NOROC footprint.
- Current Rous Water, Richmond River County Council and Far North Coast County Council footprints.
- Industrial relations (ie. transition from a local government entity to a company or State Owned Corporation); transitional arrangements and future change in areas such as recruitment.
- Reporting requirements under the applicable legislation (ie. the Corporations Act 2001, the Local Government Act 1993, the State Owned Corporations Act 1989, Public Finance and Audit Act 1983).
- Transfer of ownership of property and assets and the associated costs.
- Requirements to provide a dividend or return to the 'owners' or the State.
- Losses any exemptions from any rate tax, duty or other impost imposed by or under any law of the State.
- Capacity to acquire property and assets under the new entity.
- Assets and liabilities belong to the corporation/company and not by the members;
- Effectiveness of future role in policy development and implementation.
- Disapplication of certain legislation such as GIPA.
- Loss of capacity as the 'Crown' for example in the development application process, land acquisition.

We are aware of some state government authorities and some councils that have attempted to create and run a business using a corporation structure; however, there are few successful examples that would provide the basis for our support of this corporation option.

This review does not support any direction towards the creation of a corporation structure to conduct the business of the three entities. Nor does this report support any proposal to expand the corporation option to include expanded functions that would benefit the NOROC group of councils.

The corporation model options are not in the spirit of the recent Destination 2036 and have not been canvassed with the Division of Local Government or the Minister. We assess that the Division (and the Minister) would not support a corporation model.

6 THE WAY FORWARD

6.1 Opportunities for the county councils

This review has considered the constitution, services and potential for improved business efficiency across the three county councils. The analysis has identified minor operational improvements that would generate efficiency cost savings, but these are of marginal cost benefit in nature.

More significant benefits would be achieved through reduction of administrative costs that reflect the legislative and governance imposts required of local government entities. The primary mechanism to access these administrative cost savings is a consolidation of the three entities into a single county council. Additional benefits accrue to this consolidation option through an enhanced capacity to pursue NRM strategies for the lower catchment.

Option 7 provides the opportunity for the Richmond River catchment base for county council support and catchment-oriented approach to issues. However, this option suggests membership by only the four downstream councils, and relies on service agreements to provide weeds services to Kyogle and Tweed shires. The key medium term benefit of this option is the opportunity to build on this proposed county council as the basis for regional services for constituent councils and any surrounding supporting councils.

6.2 Actions leading to improved outcomes

This review report recommends Option 7 that:

“create a new county council that incorporates all the existing functions of the current three county councils (Rous Water, FNCW, RRCC) with a new constitution that provides the flexibility to accommodate the management and delivery of regional initiatives; the governance structure would include representation from only four of the current six constituent councils (excluding Tweed and Kyogle shire councils)”.

The primary elements leading to improved efficiency and operational outcomes are:

- Adoption of the proposed consolidated county council model
- Reduced governance costs through rationalisation of constituent council elected representatives
- Reduced statutory reporting costs through restructuring of the three county councils
- Increased capacity to pursue external funding sources and grants
- More effective organisational management enabling a concentration on services efficiency and improvements
- More cohesive functional approach to service delivery and NRM strategies.

6.3 Action Plan

The following actions are necessary to establish the recommended new county council:

Table 6-1 Proposed action plan to create consolidated entity

Action	Timing timeline
Outcome Action 1. Formal dialogue with the constituent councils to agree the target outcome and process	0 to 3 months
Outcome Action 2. Prepare and present a proposal to the Division of Local Government for review and concurrence in principle from the Minister	3 to 6 months
Outcome Action 3. Develop and agree (between all constituent and county councils) the constitution and processes for consolidation, including financial considerations, assets and liabilities transfer, staffing, and governance structures	6 to 14 months
Outcome Action 4. Undertake a consultation process with the communities and other stakeholders	12 to 15 months
Outcome Action 5. Present outcomes including agreed constitution, governance structure, financial issues, transition and service continuity action plans	16 to 18 months
Outcome Action 6. Minister's agreement and new county council gazettal	18 to 19 months
Outcome Action 7. Implement new governance and staffing structures for the new organisation	20 to 28 months
Outcome Action 8. Service continuity and implementation of service agreements.	20 months onwards >>

7 CONCLUSION

It is clear from the matters canvassed in this review that there is a need for reform of the three northern rivers county councils. The current arrangements are not serving the region well, and the business case for reform outlined in this report is compelling.

We have expressed a preference for option 7 described in section 5.2. We understand that the region's local government leaders will need to weigh up a range of factors in arriving at a preferred position, and we have suggested a number of criteria that will assist in arriving at the ultimate decision. While it is clear there is some resistance to change in the region, it is our strong view that this is insufficient reason to retain the status quo, and we therefore conclude that 'do nothing' is not an option for the counties.

The findings of this business case review, coupled with Destination 2036 and the establishment of the Independent Review Panel, all suggest that reform is in the air. The three county councils, their constituent councils, NOROC and local government leaders in the region have a unique opportunity to be masters of their own destiny, and embrace and drive local government reform in the northern rivers.

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