
From: Jenny Bennett - Central NSW Joint Organisation
Sent: Monday, 22 July 2024 12:53 PM
To: State Development; 'mark.kellam'
Cc: Admin - Central NSW Joint Organisation; Evonne Grimm - Central NSW Joint Organisation
Subject: CM: RE: Inquiry into the ability of local governments to fund infrastructure and services - Post-hearing responses - 28 June 2024
Attachments: 240720 Questions on NoticeJB.docx

Thankyou, the content of the transcript is fine.
Please find attached my responses to QON.

Kind regards,
Jenny



Jenny Bennett
Executive Officer
Central NSW Joint Organisation
(CNSWJO)

Please note that I work flexibly – if I'm sending this message to you outside normal working hours, its because it suits me, and I do not expect that you will read, respond to or action it outside of your normal working hours.

The CNSWJO member councils are; Bathurst Regional, Blayney Shire, Cabonne, Cowra Shire, Forbes Shire, Lachlan Shire, Lithgow City, Oberon, Orange City, Parkes Shire and Weddin Shire. Associate members are Central Tablelands Water, Upper Macquarie County Council, Department of Premier and Cabinet (DPC) and Regional Development Australia, Central West.

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Advice regarding impacts of the changes to funding

General Managers from the region have provided the following advice.

From Orange:

Programs funded under Resources for Regions:

Project Name	Amount Awarded
RNSW1108 Forest Road Upgrade	\$1,550,000
RNSW785 The airside runway and taxiway reseal to accommodate large jet aircraft	\$1,460,000
RNSW2085 Hill Street / Northern Distributor Road / William Maker Drive Roundabout	\$2,350,000
RNSW2083 Orange Airport and Passenger Enhancements	\$1,554,545
RNSW1475 South Orange Economic Development Corridor Stage 4 (SFR Stage 4) Anson to Pinnacle	\$4,556,000
Resilience project	\$123,216
3 x toilet facilities at Perry Oval, Skate Park and Glenroi Oval	\$280,000
Car park refurbishment and lighting at Orange Hockey Centre	\$267,750
Colour City Caravan Park upgrade	\$250,000
Rest stop on Bathurst Road (Dairy Creek) - Stage 1 works	\$250,000
Clergate Road Stage 2	\$1,335,356
Orange Adventure Playground	\$1,256,000
Clergate Road Upgrade - Stage 3	1,256,448

From Blayney:

Programs funded under Resources for Regions:

Round	Project	Project Funding	Total Funding	Approved
4	Southern Cadia Access Route	5,174,253	5,174,253	Yes
5	Centrepoint Sport & Leisure Refurbishment Project	2,000,000		No
6				No application made
7	CentrePoint Roof Replacement	1,800,000	3,055,718	Yes
	Carbine Road Reconstruction	604,760		
	Forest Reefs Rd/Tallwood Intersection	600,958		
	Blayney Library & CBD Masterplan	50,000		
8	Blayney Shire Active Movement Strategy Projects	805,414	5,032,370	Yes
	King George Oval Refurbishment Project	1,095,000		
	Amenities Refurbishment	500,000		
	Blayney Shire Road Safety Projects	2,631,956		
9	Blayney Shire Regional Road Improvements	3,475,000	8,167,154	Yes
	Blayney Shire Local Road Improvements	4,200,000		
	Masterplan & Detailed Designs for Blayney Shire	492,154		

From Lithgow:

I estimate that Lithgow Council has lost \$5M of annual grant funding since the cessation of Resources for Regions funding.

Resources for Regions - Round 9 - Total \$5,010,483.

ABCD Inc Community Hall - Completion to Lock Up Stage	\$ 411,961
Main Street Cupro Street Stormwater Drainage Improvements	\$ 1,426,147
Sewer Mains Relining Works	\$ 500,000
Portland Central Park Project	\$ 672,375
Regional Roads Safety Improvements	\$ 1,800,000
Replacement of Geordie Street Causeway with Bridge	\$ 200,000

Resources for Regions - Round 8 - Total \$2,968,393

Project ID	Project Title	Grant Amount
R4R8 - 075	Lithgow Library Parapet and Awning Replacement	\$430,000
R4R8 - 076	Hassans Walls Road and Genowlan Roads Tourism Infrastructure Reconstruction	\$494,809
R4R8 - 077	Main Street Footpath Reconstruction	\$1,500,000
R4R8 - 078	Hassans Walls - Environmental Investigations	\$180,000
R4R8 - 079	Kremer Park Grandstand	\$363,584

Resources for Regions - Round 7 - Total \$2,003,494

- Portland Foundations Trunk Infrastructure - \$1,500,000
- LINC Revitalisation - \$453,494
- Lithgow Community Power Project - \$50,000

Resources for Regions - 2015/16 - Cullen Bullen Sewer Scheme - \$4.8M

Resources for Regions - 2013/14 - \$13.55M

- \$3.5 million for the redevelopment of Black Bridge
- \$10.05 million for a new Waste Water Treatment Plant at Portland

From Parkes:

Royalties for Regions

1. Parkes Council became eligible to compete for Royalties for Regions (R4R) funding in 2016, and allocated funding from 2020.
2. Those R4R funds have been absolutely crucial to provide some of the basic infrastructure needed to support the fluctuations in workforce and to provide expected amenities. The projects funded under R4R are listed below.

Year	Amount	Project
2022	50,000	Carrington Hotel Peak Hill Business Case
	50,000	Spicer Caravan Park Business Case
	2,684,244	Main Street Flooding Mitigation Stage 1
	1,000,000	Rose Street Residential Development
	100,000	Green Spaces Masterplan

	150,000	Entertainment Centre Business Case
2022 TOTAL	4,034,244	
2021	50,000	Pioneer Oval business case
	2,230,000	Turf 1 redevelopment
2021 TOTAL	2,280,000	
2020	50,000	Newell Highway business case
	1,628,081	Spicer Oval Amenities
2020 TOTAL	1,678,081	
2019	1,355,450	Family Daycare
2018	0	Two submissions unsuccessful
2017	0	Two submissions unsuccessful
2016	900,000	MR350 road upgrades
TOTAL 16 - 23	\$10,247,775	

3. Parkes Shire currently has one (1) active mine, however that mine has the largest impact on the GRP of the region, larger than the combined agriculture impact.
4. As the host of a large mine the regions experience impacts which include;
 - a. Massive voids and mounds left in the countryside, leaving that land unproductive.
 - b. Passenger vehicles coming and going to/from the mine from all points of the compass.
 - c. Freight of all descriptions coming and going from the mine.
 - d. Economic boom and bust with the fortunes of the mine.
 - e. Accommodation boom and bust with projects at the mine.
 - f. Workers expect the town to have good amenities.
 - g. Significant economic downturn as the mines close (so called Dutch disease)
 - h. Substantial royalties are paid to government from the local mine but now no return to the Host Council.
5. R4R was one small but incredibly important remedy for these very real issues.

From Cabonne:

Please see our R2R impacts below. Also of note whilst we were told at a round table Councils there would be a process and Councils will be able to access the new funding via the Trust some how they already had some they prepared earlier and no idea the process these projects went through as the program was as yet not even advertised as far as I know – the Regional Development Trust has made the below funding announcements now (in May) for programs including:

- \$15 million to improve rural and remote airstrips
- \$10 million Western NSW Workforce Activation Package to establish, expand or upgrade Western NSW childcare (Bourke, Broken Hill, Cobar)
- \$5 million to empower Aboriginal businesses
- \$5 million will be invested to provide low-interest loans to eligible small and medium businesses

Cabonne Resources for Regions Projects

- The 2024-25 NSW Budget shows that **mineral royalties** have been revised up by \$481.6 million over the four years to 2027-28. This is primarily due to higher price forecasts for thermal coal following price growth experienced in April 2024.
- Cabonne believes that Resources for Regions provided just compensation for the impact of mining in the areas and helps to support renewal and development of key projects for communities that are impacted – both negatively and positively – by mines in the region.
- The value of mining to the GRP in Cabonne is approximately \$186.0m.

Following a review of the program undertaken in 2019, Cabonne Council was invited to apply for funding under the program in Round 7.

For reference, a list of Cabonne Councils R4R projects is below. These projects have been vitally important to supporting positive economic and social outcomes for our community.

Resources for Regions	Project	Amount
Round 7	Amenities Block and Spectator Seating at Canowindra Sports Oval	\$1,826,747
Round 8	Activation of Cabonne's Town and Villages: <ul style="list-style-type: none">• Canowindra CBD• Molong CBD• Town Signage	\$2,621,696
Round 9	Activating Cabonne – Delivery of 3 projects in the Cabonne LGA: <ul style="list-style-type: none">• Cabonne Swimming Pools• Solar/Battery Project• Curatorial Study at Age of Fishes Museum	\$4,480,241

Advice regarding cost savings through contracts from the CNSWJO.

The finalisation of advice from the 2023/2024 year will be ready in the next month – just waiting on EOFY numbers. In the meantime the advice from the 2022/2023 year is as follows where:

- for that financial year there were 18 regional contracts with over 70 contractos with a total spend of \$25.3m;
- cost savings are highly conservative calculated at half the rate of other aggregators;
- information on the amounts saved by aggregation are actuals provided by the contractor;
- legal advice bought once not eleven times on contracts requiring this support;
- the procurement program is a one stop shop supported through other processes including;
 - advice on leading practice for local government developed through the Best Practice in Aggregated Procurement Program by four Joint Organisations;

- one procurement process supported by an online portal sees a significant reduction in staff time;
- proforma reports provided to Council creates efficiencies and ensures messaging; and
- regular review of CNSWJO contracts offers surety.

SAVINGS	Water Utilities Alliance Contracts	HR Contracts	WHS contracts	IT contracts	Supply contracts	Roads/ Transport contracts	Energy contracts	IDOCS contracts	Other contracts	Training	Legal advice re Procurement	Participation in regional procurement	Total
Bathurst	\$1,500	\$48,996	\$2,302	\$0	\$21,026	\$0	\$987,394	\$15,647	\$0	\$100	\$5,546	\$25,000	\$1,107,510
Blayney	\$1,500	\$12,661	\$0	\$0	\$11,481	\$0	\$84,946	\$1,099	\$0	\$0	\$5,546	\$27,000	\$144,232
Cabonne	\$1,500	\$13,372	\$49	\$0	\$41,138	\$0	\$86,983	\$1,388	\$0	\$5,786	\$5,546	\$26,000	\$181,762
Central Tablelands Water	\$1,500	\$107	\$0	\$0	\$0	\$0	\$46,540	\$2,191	\$0	\$0	\$4,937	\$30,000	\$85,275
Cowra	\$1,500	\$25,660	\$2,454	\$0	\$51,380	\$0	\$224,910	\$1,455	\$0	\$3,625	\$5,546	\$45,000	\$361,530
Forbes	\$1,500	\$13,509	\$0	\$0	\$59,982	\$0	\$196,440	\$8,584	\$0	\$10,215	\$5,546	\$23,000	\$318,775
Lachlan	\$1,500	\$21,716	\$0	\$0	\$32,483	\$0	\$134,552	\$1,136	\$0	\$10,356	\$5,546	\$39,000	\$246,288
Lithgow	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000	\$0	\$0	\$5,546	\$23,000	\$36,046
Oberon	\$1,500	\$19,774	\$0	\$0	\$29,569	\$0	\$51,680	\$4,019	\$0	\$0	\$5,546	\$38,000	\$150,088
Orange	\$1,500	\$72,097	\$2,497	\$0	\$30,640	\$0	\$1,052,070	\$9,425	\$0	\$5,818	\$5,546	\$22,000	\$1,201,592
Parkes	\$1,500	\$6,130	\$0	\$0	\$51,529	\$0	\$395,878	\$8,428	\$0	\$7,574	\$5,546	\$28,000	\$504,585
Upper Macquarie County Council	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,937	\$8,000	\$12,937
Weddin	\$1,500	\$355	\$0	\$0	\$10,539	\$0	\$53,624	\$611	\$0	\$5,582	\$5,546	\$42,000	\$119,756
Sub Total	\$18,000	\$234,377	\$7,302	\$0	\$339,767	\$0	\$3,315,016	\$59,982	\$0	\$49,055	\$70,875	\$376,000	\$4,470,373
												Cost to members	\$257,800
												Total	\$4,212,573

Advice regarding the costs of Audit Risk and Improvement to Joint Organisations (JOs)- correspondence provided to the Office of Local Government.

The JO Executive Officers meet regularly online and at least three times a year face to face in Sydney. CNSWJO provides the coordination support for this network. At these meetings opportunities and barriers to improving practice for JOs are the staple agenda items.

Where this JO has provided correspondence a number of times to the Office of Local government regarding this matter, an email was sent from the network 3 January as follows with regular follow-up:

Dear Brett,

On behalf of the Joint Organisation Executive Officers' Network I hope you have had a very merry festive season. You may recall when meeting with JOs at the end of last year that you asked for advice to be sent from the meeting re the Audit Risk and Improvement Framework.

Please find this following.

Executive Officers have been provided this advice and feedback has been supportive.

Re: Exemption for Joint Organisations from Audit Risk and Improvement (ARI) framework

On behalf of Joint Organisations, I write regarding the exemption from the ARI framework (the framework) as described by the Office of Local Government Guidelines-for-Risk-Management and Internal Audit Framework for Local Councils in NSW (the Guidelines).

Throughout the development of the regulation and guidance for the framework JOs have consistently provided feedback that the business of JOs and the business of Councils differ markedly. Where the framework is designed for the complex business of councils including the management of a substantial

asset base, JOs are comparatively simple businesses with a completely different risk profile. JOs have few staff, few if any assets, no rate payers and little if any income outside of grants.

It is noted that JOs have a robust compliance framework and are audited by NSW Auditor General including having to provide advice on the management of fraud. It is noteworthy that the compliance burden on JOs is significantly higher than on what was once a ROC.

Estimates of the costs of the framework to JOs vary from additional direct funding \$20K to \$150K depending on a variety of factors including number of members, fees and other costs of internal auditors as well as the extent of the internal audit program.

Add to these direct costs the indirect costs to manage the program when having to comply with the following advice in the Guidelines:

Commencing 1 July 2024, councils' general managers must appoint a member of staff of the council (the internal audit coordinator) to direct and coordinate internal audit activities for the council (section 216P).

→ Councils are not required to appoint a member of staff to direct and coordinate their internal audit activities if the council has entered into an agreement with other councils to share the internal audit function and one of the participating councils has appointed a member of staff to direct and coordinate internal audit activities on behalf of all the participating councils (section 216P).

→ A council's internal audit activities are to be undertaken under the oversight and direction of the council's audit, risk and improvement committee (sections 216M, 216P and 216R).

→ The member of staff appointed by the general manager to direct and coordinate internal audit activities is to report to the audit, risk and improvement committee on those activities (section 216P).

→ The member of staff of a council appointed to direct and coordinate internal audit activities is not to be subject to direction in the performance of internal audit activities by anyone other than the audit, risk and improvement committee (section 216P). Guidelines for Risk Management and Internal Audit for Local Government in NSW 12

→ All internal audit personnel must have direct and unrestricted access to council staff, the audit, risk and improvement committee and council information and resources necessary to undertake their role and responsibilities (section 216Q).

→ The general manager must consult with the chairperson of the council's audit, risk and improvement committee on any decision affecting the employment of the staff member appointed to direct and coordinate the council's internal audit activities and must consider the chairperson's views before making the decision (section 216P).

The ARIC has the unfettered capacity to direct a resource of the JO. Given that for most JOs there are few if any staff engaged that are not part of grant funded programs – it must become the EOs role to do this work if that is permitted under the Act where the independence of the EO must be questionable, unless another staff member is engaged to do this work specifically. It is difficult to imagine this costing less than \$50Kpa.

This direct and indirect resourcing of a minimum of \$70K per JO is neither practical nor proportionate where membership fees to JOs vary from zero for those "in hiatus" through to under \$600Kpa. It should be noted that membership fees vary due to a variety of factors including the number of members and other income streams. It is inconceivable that there would be any acceptable ROI of a minimum of 20% of a JO's membership fee income being spent on one compliance function. One JO has reported that the cost of audit and ARIC is conservatively 43% of membership fees.

Typically, the greater proportion of funding coming into JOs is from state and federal funding where this is a good fit with the purpose of JOs in delivering intergovernmental cooperation. State and federal funding is typically highly administered and audited where any number of examples can be provided.

In a nutshell – JOs are primarily funded from local, state and federal government all of which operate in highly regulated, audited and administered environments. The extent to which requiring another significant level of assurance is questionable. In reality, this cost burden is a significant disincentive to the overall JO model and has a high likelihood of leading to some JOs seeking to de-proclaim – if they haven't already.

Having said that, improvement in practice and risk management ought to be the core business of any publicly funded entity. Indeed, JOs have been collaborating for some time in this area, for example the Best Practice in Aggregated Procurement Program developed across 4 JOs in 2019/2020. There is scope for an alternative model based on leading practice.

JOs have consistently sought to codesign an appropriate ARI framework with the OLG.

Accordingly , JOs request exemption from the framework where their membership fee income is under \$1.5m. Further, we ask that there be opportunity for JOs to work collaboratively with the OLG on an appropriate and proportionate audit risk and improvement framework including the opportunity for JOs to share an ARIC.

JOs would welcome an opportunity to progress this request with you.

Kind regards on behalf of the Executive Officers' Network

Jenny



Jenny Bennett
Executive Officer
Central NSW Joint Organisation (CNSWJO)

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