



Our ref: 5751473

3 September 2015

Mr John Miller
General Purpose Standing Committee No. 6
Inquiry into local government in NSW
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Sir

Inquiry into local government – transcript and questions on notice

I refer to your email dated 25 August 2015, providing a copy of the transcript for the proceedings on Tuesday 18 August 2015 and seeking responses to questions on notice taken during the hearing.

I now have pleasure in responding to your email. First, I can advise that I do not have any corrections for the transcript provided.

Secondly, I provide the following responses to the questions on notice taken during the hearing.

Page 29 "Mr David Shoebridge: Do you now all have a consistent approach to depreciation? Is that the purpose of this on the Mid North Coast?"

Page 30 "Mr McGrath: By all means I am happy to take it on notice. There are some papers that have been distributed among the member councils that are party to the project. I can lay my hands on those fairly quickly for you."

I refer to Attachments 1.1 and 1.2 to this correspondence. Attachment 1.1 is a summary of a new regional asset management approach, which attempts to describe the rationale in simple "layman's" terms. Attachment 1.2 is a more detailed description of a proposed new asset management paradigm for NSW local government. This paper has been prepared by Ben Lawson from Common Thread Consulting, the consultant who has been facilitating our regional asset management project.

Page 35 "The Hon. Catherine Cusack: The other difference I want to highlight and you may wish to take this on notice, was the really important issue you raised about non-rateable land. Some of it is Aboriginal land and some of it is national park. It seems to be me to be unresolved as to how those deficits are financed. If we could have some more detail about the extent of your non-rateable land, as it is an extra cost to be carried, that would be helpful. I might ask the Mayor of Nambucca Shire Council for a quick comment on that.

Ms Hoban: In terms of non-rateable land, particularly forestry and Crown land, they are actually making money out of that land. Forestry trucks are travelling over our roads and our bridges. There is no Section 94 contribution for roads like there is for quarry trucks or extractive industries. So they damage our roads and make no payment for the land or the roads. Yet they are running it as a commercial business. I can understand that if something does not generate any revenue then it might be different. Certainly for Crown land and the running of caravan parks or other commercial activities I do not think it unreasonable to expect at least some level of payment towards the infrastructure that they use and make money out of.

Mr David Shoebridge: I think on that point more detailed answers on notice would be terrific."

In response to this issue, I provide the following table which summarises the Non-Rateable Land issue for the Coffs Harbour local government area.

	Area	Land Value	Total Rates	Rates Forgone
Non-Rateable Land Valued	51.88%	7,138,215,928		37,751,361.65
Rateable Land	45.91%	6,373,584,513	41,017,563.25	0.00
Valued land, but Exempt	2.21%	247,497,598		1,308,922.18
	100.00%	13,759,298,039	41,017,563.25	39,060,283.83

Page 36 "Chair: I have a couple of questions for you to take on notice, since we only have about a minute remaining. Are any of you selling assets or do you plan to sell assets to help you become Fit for the Future? Could you please take that on notice."

Coffs Harbour City Council has identified the potential to rationalise and better use its current commercial property portfolio to assist in providing funding for asset investment, be that renewals, upgrades or new assets. A Commercial Property Strategy is being developed to advance this opportunity. This opportunity has not been modelled financially and therefore was not included as a specific strategy in Council's Fit For The Future Improvement Proposal.

Page 36 "Chair: The Orana Regional Organisation of Councils put together cost-shifting results for 2012. That is very handy to see where the cost-shifting is happening. There is no doubt that if we are going to have financially sustainable councils we will have to fix things like that. There are about 25 issues where there is cost shifting."

I have provided with this correspondence a summary of the latest LG NSW Cost Shifting Survey (2013/14) as Attachment 2. This summary clearly estimates that the annualised cost shifting to Coffs Harbour City Council in 2013/14 was \$4.756m.

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Page 36 "Chair: We would like you to table the application for JO funding from whoever applied to be part of the pilot program.

Mr McGrath: I did in on behalf of the group. So I can get the original application with the attachment and the fresh one that we submitted.

As indicated during the hearing on Tuesday 18 August 2015, Coffs Harbour City Council undertook the preparation and submission of an Expression of Interest to have a pilot Joint Organisation approved for the proposed North Coast Joint Organisation. Whilst Coffs Harbour City Council took the lead on this matter, it must be stressed that this process was undertaken with input from all four member Councils of the proposed North Coast JO and their collective endorsement for the final submissions.

I have attached to this correspondence the following material which summarises our attempts to secure pilot JO funding/approval:

- Attachment 3.1 Initial Eol by Clarence Valley, Coffs Harbour City, Bellingen Shire and Nambucca Shire Councils for the North Coast JO Pilot;
- Attachment 3.2 Circular 14/30 from Office of Local Government announcing the five successful pilot JO's;
- Attachment 3.3 Correspondence dated 23 December 2014, from Coffs Harbour City Council seeking feedback regarding our unsuccessful pilot Eol;
- Attachment 3.4 Correspondence dated 25 February 2015, from NSW Office of Local Government providing feedback;
- Attachment 3.5 Correspondence date 30 March 2015, to the NSW Minister for Local Government providing an updated Eol for a pilot JO;
- Attachment 3.6 Correspondence to NSW Office of Local Government dated 30 March 2015, providing an updated Eol to the Government for consideration of JO pilot funding; and
- Attachment 3.7 Correspondence dated 30 April 2015, from the NSW Office of Local Government acknowledging new submission but not progressing same.

I believe that the above information provides responses to the various Questions on Notice raised at the hearing on Tuesday 18 August 2015. Should you require any further information please contact me direct on 02 66 61 1101

Yours faithfully

Steve McGrath
General Manager

Att.



DRAFT MIDROC SUBMISSION RE A NEW REGIONAL AM APPROACH

Adopting Best Practice Asset Management in Local Government

The current and historic connection between financial and asset management has led to an approach to asset management (AM) which is primarily focused on depreciation and backlog. This approach does not reflect the principles, processes and vocabulary in world's best practice asset management standards. It has failed to deliver the outcomes required by local government and the communities it serves into the future.

Asset management needs to be decoupled from a financial mindset but still remain related, as there are genuine connections.

The international standard ISO 55001:2014 is a suitable guide for local government in how we should address asset management. This approaches asset management in the same way that national and international standards guide local government's approach to risk, safety and environmental management. These standards have a proven record in ensuring all aspects of a subject are considered and have proven to be auditable leading to significant improvement in process and outcomes over time.

Rather than “the value of works a council couldn't afford to do” (backlog), ISO 55001 focuses on “the value realised from assets based on performance, cost and risk” (which councils determine in consultation with their communities).

Adopting this standard would dispense with the current backward-looking financial measure (backlog) in favour of a forward-looking planning and engagement tool (optimising value from assets) that focuses all stakeholders on improving outcomes.

When implemented in an integrated manner with a risk management system (ISO 31000) this approach would also lead to improved risk management in councils. Historically, high residual risk assets have been “lost” within the larger reported backlog that often included all assets below condition 2 out of 5. The change recommended above would clearly differentiate the two, enabling councils to focus on high residual risk assets as a priority.

It is understood that auditors are currently grappling with the issues associated with conducting audits of local government asset management maturity. The use of ISO 55001 fulfils a fundamental need of auditors. That is, it supplies a robust standard against which an organisation's available AM evidence and practice can be weighed. The act of auditing would be best supported by having auditors accredited in the standard, and therefore is not necessarily reliant upon either financial auditing practice, or the accounting profession as is currently envisaged. The adoption of ISO 55001 would provide OLG with some flexibility in this regard.

In accordance with the success of other “standards-based” approaches, there needs to be a considerable improvement in management and communications tools. To



obtain consistency and improvement, a system needs to be easy to understand and communicate.

To that end "Infrastructure Dashboards" have been created to simply explain the status of an asset category in an organisation both now and in ten years hence, both of which are supported by a long term financial plan and detailed asset management plans. This approach has been adopted across all MIDROC councils.



A New Asset Management Paradigm for NSW Local Govt.

This paper presents a response to Office of Local Government (OLG) Circular 15-29, which outlines stages towards auditing of the Report on Infrastructure Assets, Special Schedule 7 (SS7), and includes a supporting document *Guidance for Councils and Auditors on the Audit Preparedness Assessment 2015*.

“Stage 1” (assessment of systems supporting AM Plans & SS7) will present major challenges in terms of AM maturity and capacity issues at many councils, yet I heartily endorse this as critical to gauge gaps and drive improved practice.

“Stage 2” (review and update of SS7 and IP&R Guidelines and Manual), though, is where the biggest challenges are for the industry as a whole. Following is a proposal for a solution that helps overcome these.

Old AM paradigm: centred on “infrastructure renewal backlog”

It is understandable that “Stage 2” in the process towards auditing SS7 is focused on the “backlog”. TCorp found that it rose 25% between 2009 and 2012,¹ but it could reasonably be expected to drop in excess of 50% between 2012 and 2015.²

Backlog was the focus of the Local Government Infrastructure Audit by OLG.³ Guidance in Circular 15-29 notes (p.1) recommendations from the Audit were:

- “...clearly defined and specific AM measurement parameters be developed within the local government sector...” and for
- “...aspects of AM (to) be subjected to an audit. Audit parameters to be developed to ensure a level of assurance that AM information is reliable”.

In this context, the proposed approach to “Stage 2” (Guidance, p.3) makes sense:

It has been recognised by the industry and the Office that more information needs to be available to councils related to SS7 together with a more consistent approach to calculating the cost to bring assets to a satisfactory standard and a more refined definition of what is meant by ‘satisfactory’ and ‘condition’ (physical state, functionality, capacity, so on).

My point is: attempts to measure backlog more precisely are a dead end. Backlog has no meaning in ISO 55000:2014 or the International Infrastructure Management Manual (IIMM). Backlog isn’t an AM term.

¹ TCorp *Report on Financial Sustainability of NSW Local Government Sector* (2013).

² e.g. refer the article from the Sydney Morning Herald at <http://www.smh.com.au/nsw/sydney-councils-shift-1-billion-repair-bill-with-accounting-fiction-in-fit-for-the-future-scramble-20150621-ghp0ui.html>.

³ The key objectives of the 2013 Audit were to:

1. Provide information in relation to the infrastructure backlog in NSW
2. Assess the reliability of the information provided by councils to determine the backlog
3. Identify trends in infrastructure needs by area and asset type
4. Identify current infrastructure risk exposure.

In the glossary, backlog was defined as “the value of asset renewals projected to occur prior to a reporting date. The value of unfunded renewals is reflected in current levels of service”.

A new AM paradigm: centred on “value realised from assets”

Surely it is symptomatic of our AM problems that the *Local Government Code of Accounting Practice and Financial Reporting* turns to the *Australian Concise Oxford Dictionary* to define “satisfactory”: we lack an appropriate AM standard!

If the focus of “stage 2” is approaches and definitions, ISO 55000:2014⁴ (the international standard for AM) must be our first point of reference... but *it isn't even listed in the references* on page 7 of the Guideline in Circular 15-29!⁵

AM is the coordinated activity of an organisation to *realise value from assets*. AM doesn't focus on the asset itself, or a “backlog” in renewal, but rather on the value (or lack thereof) realised from the asset for the organisation.

Realisation of value involves a balancing of *performance*,⁶ *cost* and *risk* in order to “make real” that which was otherwise only a “potential” value in the asset (or in other words to avoid “making real” the losses that risks imply).

While the term “**backlog**” is not used, it is important to note the “new” categories that issues currently considered as “backlog” would fall into:⁷

- **high residual risks** to the organisation as determined by council in accordance with its risk management system (the cost to adequately manage this risk could be reported as a new cost to bring to satisfactory)⁸
- **situations where council is failing to optimise value from assets** as determined by council, after community engagement and considering professional advice (these will be inputs to the AMP i.e. the 10 year plan to address sub-optimal value i.e. performance, cost and/or risk).⁹

Appendix 1 provides an overview of infrastructure AM in the ISO 55000 series.

ISO 55001 is potentially the catalyst for a “step change” in AM... not because it solves the “backlog” problem, but because it is about *managing organisations, not just assets*. Any program seeking to improve AM practice that fails to address the essential organisational (not just technical) issues won't achieve its objective!¹⁰

Measuring backlog (“the depth of the hole we're in”) is just the start: the real challenge is developing and implementing AM Plans – driven by the Community Strategic Plan and aligned with the Long Term Financial Plan – that optimise value realised from assets (“how we dig ourselves out”). This is what must be audited.

⁴ ISO 55000 is “overview, principles and terminology”, 55001 is (prescriptive) “requirements”.

⁵ NAMS.AU noted in IIMM (page 1-11) that ISO would lead to “harmonization of principles, vocabulary and processes”. Unfortunately, NAMS hasn't followed through: e.g. NAMS.AU *Practice Note 8* uses quite different terminology (although concepts are quite similar – see note 16).

⁶ Performance is synonymous with “level of service” which is, of course, to be understood in terms of quality, function and capacity. Refer NAMS.AU *Practice Note 8*.

⁷ These two categories reflect the difference in emphasis between submissions from JRA and CTC to IPART re: FFF Methodology. Both components are auditable with a supporting AMP.

⁸ As JRA have proposed. ISO 55001 is designed to integrate with ISO 31000 (risk mgmt. system). Retaining the term “BTS” may be confusing e.g. addressing high residual risk may entail closing a bridge, but this would not necessarily be considered “satisfactory” (i.e. a reputational risk!).

⁹ This is arguably what the *Code* is focused on (assets “causing complaint”, i.e. those below condition 2). These were included in the BTS in the past, leading to it being overstated.

¹⁰ Premier Mike Baird introduced *Fit for the Future* saying “we need strong councils providing the services and infrastructure communities need”. SS7 won't do this... it's just the start.

Things to consider: establishing ISO 55001 as “the” AM standard

If ISO 55001 is to be prescribed as “the” standard and councils held accountable for complying with it (via audit), there are three perspectives to consider:

- normative: is the standard adequate to guide appropriate AM practice?
- objective: how will compliance be assessed in individual situations?
- subjective: how will people’s preferences shape its application?

Beginning with the **subjective**, those wanting a “black and white answer” in SS7 must appreciate that a local urban road deemed “unsatisfactory” by a wealthy Sydney Metro council might be the envy of a struggling rural community!

ISO 55001 says value is to be determined by the organization and its stakeholders. Yet the *methodology for making those decisions* (i.e. determining “value” and identifying assets with a high residual risk) and *means by which they are recorded and reported* and must be prescribed in a (normative) standard.

The **objective** perspective is where auditing comes in. The move to audit the quality with which councils manage our vast community wealth that is tied up in infrastructure assets (just as we do our finances)¹¹ is heartily endorsed, but...

I challenge the rationale behind auditing AM systems in terms of finances... in fact, it isn’t the numbers in SS7 that need auditing but the AM system!

AM isn’t merely accounting: most “key ingredients” of an AM system required for an organisation to “realise value from its assets” are outside the accounting profession (many are outside of engineering, too!), as ISO 55001 makes clear.

For many years NSW government has used accounting standards to try to drive AM improvements.¹² Thankfully OLG has now realised *a direct focus on AM systems is essential*. While this is great, the AM Audit Preparedness Assessment 2015 is only focused on part of the ISO 55001 AM system:

2015 OLG AM Audit Preparedness	ISO 55001 equivalent clause
1. Asset Knowledge and Data	7.5 Information requirements
2. Strategic Asset Planning Processes	6.2 AM objectives / planning to achieve
3. Op’s & Maintenance Work Practices	8.1 Operational planning and control
4. Information Systems	7.5 Information requirements

The questions that arise are:¹³

1. Why not adopt “world’s best practice”, a solid reference point?
2. What about organisational context, leadership, competence and awareness, performance evaluation and improvement: will councils succeed in AM without the other parts of ISO 55001?
3. Should council’s financial auditors be the ones doing the auditing?

¹¹ Here I must note that I’m quoting Roger Byrne from his paper *Implementing SIAM in Durban as a pilot scheme for a national approach in South Africa*. Roger wrote the original 1993 Australian AM manual. It was at Roger’s insistence that I added “independent audits <= 4 years” to the diagram in Appendix 1. He reflected that while the 1993 manual had the technical features of ISO 55000 (e.g. future expenditure model), progress has been slow – hence the need for auditing!

¹² The biggest impact was the mandate to report assets at “fair value” in 2006.

¹³ I would add another question: should the “state of the assets” return to the Annual Report where it started in 1993? This was recommendation 11 in the 2013 LG Infrastructure Audit.

For 2015, there is no choice but to include Audit Preparedness in the financial auditing process, but longer term this approach will be inadequate and obsolete.

AM is not a sub-set of accounting.¹⁴ Auditors must understand the subject matter that they are auditing.

What's more, auditing of *financial statements* entails a different mindset to auditing *management systems*.

My intention isn't to offend auditors but rather to argue that auditing of AM systems should, *from 2016*, be a distinct process conducted according to audit methodologies that give a meaningful result when applied to AM systems.

The purpose of a *financial audit* is to verify accuracy, assess compliance with accounting standards and so form a view on whether the information presented accurately reflects the financial position of the organisation at a given date.

Financial auditing is not about organisational performance: its purpose is to assure the accuracy of financial statements so others can assess performance.

A *management system audit* assesses compliance with relevant standards... but these (unlike financials) are all about organisational performance!

Management systems embed the "plan-do-check-act" cycle in an organisation so as to continually improve performance against organisational objectives related to risk, quality, environment, safety, asset management, etc.

Most councils have implemented risk management systems complying with ISO 31000 and safety systems complying with AS/NZS 4801. Insurers have fostered maturity of these systems over many years via auditing and assessment.

Councils in state road maintenance contracts have implemented quality and environmental management systems complying with ISO 9001/14001 too. *Auditing by suitably qualified auditors who understand the management systems approach* has driven significant improvements in practice in the last 10-15 years.

In many ways AM is significantly more complex than these other areas: it involves translating the priorities of a diverse, and changing, community into decisions, plans and activities that often span over 100 years. What a process!

AM must *align* with financial management¹⁵ but auditing of finances differs from *asset management systems* as much as it does from auditing of risk, safety, quality and environmental management systems.

Independent auditing of AM systems need not be aligned with the financial cycle. The optimum time for auditing is so it informs revision of AMPs in the IPR cycle. Over time, as maturity develops, it could be as little as four yearly.

Lastly, the **normative** perspective: ISO 55001 is world's best practice; if it isn't "the" standard, there must be a good reason! If it is, *supplementary materials are needed to assist councils in applying it in the NSW local government context.*

¹⁴ It's engineering with a "big picture" view (though not taught this way in universities!). To those who would dispute this, I refer to newspaper articles on my website (under "resources") relating to my great, great grandfather (also a local government engineer). The "core elements of AM" are clear: a lifecycle approach, value deliberations with the community (performance, cost and risk) and *alignment with financial planning* i.e. accounting: raising loans, increasing rates.

¹⁵ Integration of AM with other organizational functional mgmt. processes (finance, HR, information systems, operations) is an AM fundamental in ISO55000: but it never confuses them.

This is where IIMM comes in... but it must be aligned to ISO 55000 (which, I understand, is the case with the 2015 edition – out soon, I can't wait!).¹⁶

Appendix 2 provides an overview of my proposal to apply ISO 55001 to an improved Integrated Planning and Reporting (IPR) Framework for AM.

ISO 55001 can be applied in IPR via “Infrastructure Dashboards” that communicate the *strategic objectives* from the CSP (value realised now and in 10 years, based on funding in LTFP) and how these translate into *AM objectives* in AMPs and Delivery Program for each asset category.

Critically, preparing Dashboards entails a *realignment of existing data* not “throwing it away and starting again” (which there is no capacity to do).

Appendix 3 cross-references components of NAMS templates (used by over 80% of NSW councils) and the dashboards.¹⁷ It is worth noting that, same as IIMM, existing NAMS publications (particularly *Practice Note 8*) remain relevant with a change of vocabulary and clarification of key principles and processes as per ISO.

Yet consistency demands more than consistent systems: “supplementary standards” must also cover key *AM parameters*, i.e. the inputs to the AMPs:

- hierarchy (e.g. traffic volumes and function of roads)
- measures of performance i.e. level of service (condition, function and capacity) e.g. condition rating methodologies
- performance over time (e.g. decay curves for similar assets / conditions: predictive modelling – useful life for depreciation, likelihood of failure)
- cost to replace (can be benchmarked if regional factors applied)¹⁸

Attempting to prescribe such parameters on a state-wide basis is “a bridge too far”. Rather, a regional approach (e.g. the MIDROC case study below) with good consultation between the regions is recommended, with the longer-term objective being to work towards standards.

This aligns strongly with the “scale and capacity” objectives of *Fit for the Future*.

A final comment needs to be made in relation to the “normative” perspective. OLG have acknowledged (p.3) that AM information in IPR needs to be updated so that it is consistent with the “new” SS7... but this puts the cart before the horse.

When we get *AM planning* right (AMPs), *AM reporting* (SS7) is easy... but we need to adopt a *management systems approach* (ISO 55001) to get there.¹⁹

In pursuing the audit of SS7, OLG must not lose sight of the fact that SS7 is only “measuring the depth of the hole we’re in”. We must get on to “digging ourselves out”. This demands a significant improvement in the development and implementation of AM plans... and a focus on managing *organisations*, not assets.

¹⁶ I’ve almost finished a paper comparing ISO 55000 to IIMM (in fact, that is where this started). There is no conflict between the two **but** the differences in vocabulary and clarity of principles and processes represent a significant (albeit easily overcome!) barrier.

¹⁷ Jeff Roorda has advised JRA can make the transition from NAMS templates to the new SAMP/AMP simpler. Automated production of dashboards from NAMS is already possible.

¹⁸ NSW RTD’s Road Asset Benchmarking Project is > halfway there. JRA’s Datashare is there.

¹⁹ I hammer this point in *Talking apples and apples about infrastructure*, available on my website. Also: the IPR manual page 133 says SS7 “should flow directly from the DP, which should develop performance indicators” (i.e. as set out in AMPs and aligned to strategic objectives in the CSP). Last but not least, ISO 55001 focuses on the planning not the reporting.

MIDROC: working towards the “new AM paradigm”

MIDROC GMs recognised the value of one-page Infrastructure Dashboards immediately.²⁰ Common Thread Consulting is now working with staff from each council to prepare them, initially, for major asset categories.

Determining the “warning light status” (for each factor to be “balanced” if value is to be optimised i.e. performance, cost and risk) is arguably the majority of the “new work” to be done... but this is how this AM system “realises value”!

Councillors, community and staff will be “on the same page” about AM: *where we are* (where concerns are i.e. warning light status), *where we’re headed* (based on funding in the LTFP) and *how we’ll get there* (our AM priorities in the AMPs).²¹

In future, all AM stakeholders will look to the Infrastructure Dashboards.²²

Most importantly, perhaps, this “new AM paradigm” features strong engagement with operational staff who have historically ignored, and been ignored by, AM. Including them in the preparation of the Dashboards will foster ownership.

I am convinced (as is MIDROC) that *heavily involving operational staff in AM will be the catalyst for a “step change” in AM practice...* after all: if we’re trying to “dig ourselves out of the hole” it’s the operations staff who’ll be doing the digging!²³

MIDROC is also pursuing consistency in the AM parameters noted above via the “talking apples and apples about infrastructure” project. Thus far, transport assets have been revalued via consistent methodology and technology provided by Jeff Roorda and Associates.²⁴ The focus will move on to asset hierarchy, condition rating, level of service (performance) measures and risk assessment.

JRA is also undertaking an AM maturity assessment for all councils that will lead to a “gap analysis” and improvement plan, which will identify opportunities for collaboration and capacity building, as well as identifying areas of best practice.

MIDROC’s external auditors (Thomas Noble Russell, and Forsyths) acknowledge that the Dashboards offer opportunities for enhanced community engagement and that the principle of auditing information in Dashboards (SS7), when the AMPs back it up, makes sense. However they also advised talking to OLG.

Other regions wanting to “work towards the new AM paradigm” are encouraged to contact Common Thread Consulting to arrange a presentation. Given my strong belief that this is best implemented regionally and demands commitment from GMs if it is to be successful, I would ideally like to deliver a presentation to GMs and Directors, but welcome contact from others in the first instance.

²⁰ Their contribution in refining the format is acknowledged (and appreciated). The MIDROC GMs are a case in point of why ISO 55001 focuses so much on leadership, not just the assets.

²¹ This was what I was saying in *Telling the Story about Infrastructure* available on my website. These *clearly define* where we are, where we’ll get to (based on the LTFP) and how to get there.

²² AMPs will simply provide the detail backing up what is reported in the dashboards. When he wrapped his head around the implications, Mick Raby described this approach as “audacious”!

²³ The inclusion of an assessment of “operations and maintenance work practices” in the OLG Audit Preparedness Assessment is heartily endorsed in this regard... but again: will financial auditors have the skills and experience to make a meaningful assessment of this?

²⁴ JRA’s *DataShare* platform. This is helping to benchmark and improve estimates for useful life and replacement cost, but will also aid identify and disseminate best practice in operations.

Summary / Where to from here?

This document has been prepared to convince OLG (and other stakeholders) of the *huge opportunities opened up* (refer next page) if ISO 55001 is adopted as "the" AM standard for NSW local government, and how it might be applied.²⁵

I would love to see my proposed solution form the basis of consultation by OLG about an updated SS7 and IPR requirements (proposed for August to October).

But a fundamental change in thinking – a "paradigm shift" in the science of AM – is required if these opportunities are to be realised!

Interestingly, the Local Government Infrastructure Audit (p.10) anticipated something of this nature:

A significant shift in thinking is required to move from this highly subjective way of reporting on "The State of the Infrastructure in NSW Local Government", towards honest community conversations about balancing real needs with available resources in each LGA.

Improving the accuracy of the "backlog" in SS7 (the focus of OLG's AM audit) won't achieve this anyway... but Infrastructure Dashboards will, as the MIDROC GMs have recognised they enable us to *tell our story about infrastructure!*

The key areas where thinking must change are:

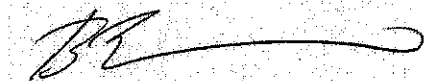
- **backlog doesn't exist**²⁶ (there are, however, high residual risk assets and a failure to optimise value from assets – an issue that must be tackled by *all three levels of government*, not just local councils, especially via FAGs).
- **the AM system must be audited, not the numbers in SS7** (OLG's 2015 assessment *is* auditing systems but the financial audit context results in this distinction being missed – from 2016 it must be a *distinct process*)
- **world's best practice in management systems for AM is ISO 55001:** if it doesn't become "the" standard there must be a very good reason why.

Measuring backlog ("the depth of the hole we're in") is only the beginning of our AM challenges. If we're to have "strong councils providing the infrastructure communities need" (the stated objective for *Fit for the Future*) then we must improve AM capability in councils (our ability to "dig ourselves out").

ISO 55001 facilitates this by comprehensively systematising AM and embedding continual improvement in organisations. Dashboards help us "tell the story".

I'd like to acknowledge the mentorship of Jeff Roorda, which has been crucial in developing this solution. He gets it and is supportive of the approach.

I look forward to the opportunity to discuss my proposed solution with OLG and other stakeholders – please feel free to contact me on 0428 191 558.



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²⁵ I reinforce, again, *it must be supplemented by IIMM and NAMS publications aligned to ISO 55000.*

²⁶ I would expect that this idea will be attractive, given "backlog" has lost all credibility as a result of the wild swings up and now down, and the fact that it is still not auditable.

Opportunities opened up by this “new AM paradigm”

These new tools are simple, and yet very powerful.

The Dashboard Summary provides an *intuitive means by which councils can re-prioritise funding between asset categories... red warning lights need more funds!*

The Infrastructure Dashboards provide a *one-page “snapshot” of each asset category in a format that forms the basis of a “story” for community engagement.*

Value is equally applicable to non-asset related services *enabling prioritisation “apples with apples” between infrastructure and non-asset related services.*²⁷

If I convince you that measuring “backlog” is a dead end, the next discussion I’d like to have²⁸ is about recommendations of the Local Government Acts Taskforce on the “role and guiding principles of local government” in the new Act. *The services council delivers must be the **common thread** in the “story” being told in IPR (services must be visible in a Community Strategic Plan) to enable meaningful community engagement and informed decision making regarding priorities.*²⁹

The most exciting opportunity for now, though, is *fostering ownership among operations staff.* Experience at MIDROC councils confirms that “performance, cost and risk” make sense to operations staff – it’s “talking their language” – in contrast to “backlog”, “satisfactory infrastructure” and “condition 1, 2, 3, 4, 5” which isn’t. Leveraging their knowledge and skills, and building their capacity to drive improvements in the AM system, will be catalyst for a “step change” in AM.

This new AM paradigm offers an opportunity for leverage “horizontally” (*between councils*) as well as “vertically” (including operations). Again, experience at MIDROC has confirmed that when all councils are thinking consistently in terms of how to optimise value from particular asset categories, *opportunities for collaboration and capacity building* are readily identified.³⁰

Last but not least, there is an opportunity to *shift the focus from managing assets to organisations:* improvements won’t happen without leadership to harness the potential of the whole council and management systems to assure the outcomes!

This will be driven by formal *AM maturity assessments* against ISO 55001, which will not only focus improvement efforts at individual councils, but (given the common standard) facilitate regional collaboration and capacity building (work on common deficiencies as well as learning from “centres of excellence”).³¹

Appendix 1 can support discussions about the “fundamentals of AM” so people get clear on “what AM is about” and understand priorities for improvement.³²

²⁷ e.g. strategic land use planning can be understood as a balance between performance (quality of planning outcomes), cost (of the service, i.e. staff and consultants) and risk (e.g. of legal challenges to planning decisions, environmental impact) so it can be compared, e.g., to roads.

²⁸ An early version can be found in *Talking Apples and Apples about Infrastructure* on my website.

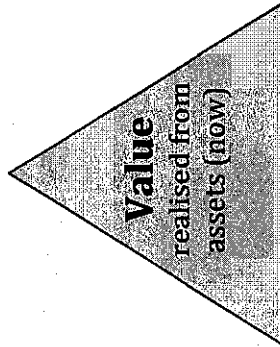
²⁹ LGAT propose “IPR form the central framework of the new Act”, but unless “the central framework of IPR” is services then (*like backlog!*) their “value” will remain amorphous in the CSP.

³⁰ e.g. MIDROC has identified timber bridges and sealed road pavements as opportunities to explore in terms of improving techniques and working together as a region.

³¹ It will also serve to demonstrate compliance and/or identify deficiencies with all items listed in the OLG Audit Preparedness Assessment.

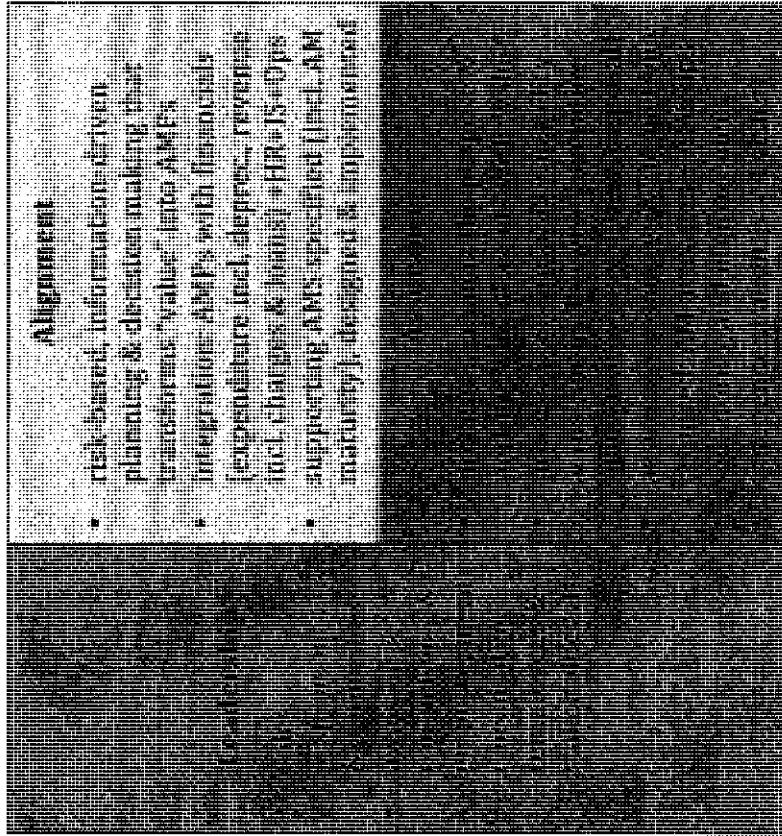
³² Ross Waugh’s *Infrastructure AM: making everything simpler, but not simple* was the catalyst for two conference papers that morphed into this after Jeff Roorda pointed me to Circular 15-29.

Performance

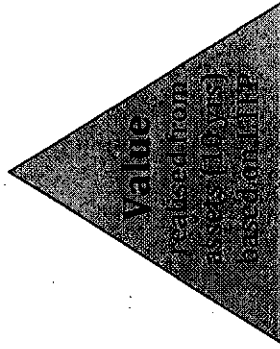


Cost

Risk



Performance



Cost

Risk

State of the Assets Now
 (where are we now compared to our Organisational Objectives?)

“Value realised from assets” (triple-bottom line balancing performance, cost and risk)* is determined by our organisation in consultation with stakeholders.

Implementing the AM System

(how do we get there – realise value from assets – what are our AM Objectives?)

Effective leadership (an AM culture that enables us to harness our potential) is essential before we can focus on alignment (“getting things in place”) and assurance (“effective governance”)



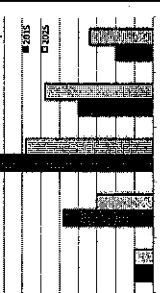
State of the Assets in Future
 (where do we want to be, what are our Organisational Objectives?)

Our objective: “optimum value” (desired balance between P, C & R)* is forecast taking into account funding in Long Term Financial Plan (LTFP) and priorities identified in AM Plans

*P (or level of service) = quality, function & capacity. C = minimum lifecycle cost (social, environmental & economic). R = as per risk mgmt. system.

Community Engagement

- Priorities & aspirations for future of the LGA 10yrs+ (developed & endorsed by council based on community engagement) incl. key infrastructure
- Social, environmental, economic & civil leadership issues addressed in an integrated manner
- Strategic objectives together with strategies for achieving them (clarity: council's role)
- RESULT = clear alignment to council infrastructure strategies

 <p>\$150M TRC</p>	<p>URLOGAL SHIRE COUNCIL</p> <p>Sealed road pavements 650km of roads</p> <p>"we have safe roads that meet the needs of all of our community"</p>	 <p>\$1.5M OPEX \$0.5M CAPEX</p> <p>Acceptable Risk</p>
<p>"State of the Assets" now (value realised)</p> <p>BTS = \$0</p>	<p>Affordable Level of Service</p> <p>Minimising Life Cycle Cost</p> <p>Why there are moderate concerns</p> <p>Why there are few concerns</p>	<p>Why there are few concerns (renewal based on risk)</p> <ul style="list-style-type: none"> • Activities to address very poor pavements • Activities to prevent premature failure of pavements (pothole patching, table maintenance) • Activities to manage risk (repairs, signage)
<p>AM Priorities Delivery Program (4 year Budget)</p> <p>EFS = \$1.2M</p>	<p>Affordable Level of Service</p> <p>Minimising Life Cycle Cost</p> <p>Lots of potholes, esp. after rain.</p>	<p>Acceptable Risk</p> <p>Emerging safety issues will be significant.</p> <p>Emerging condition will deteriorate rapidly due to continued underfunding of reseals. Funding for maintenance needs to increase.</p>
<p>"State of the Assets" in 10 years (value realised)</p> <p>BTS = \$15.6M</p> <p>Comparison of asset condition now v's 10 years (1=new, 5=v.poor)</p> <p>ACR = 65 RR = 15</p>		

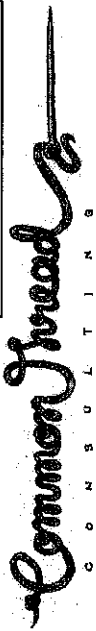
- Resourcing Strategy aligns SAMP with Long Term Financial Plan & Workforce Mgmt. Plan
- Risk Management System integrated with AMS (asset-related risks managed as per RMS) "bring to satisfactory" = high residual risk

- Principal activities to be undertaken by council (AM priorities / objectives) to achieve strategic objectives from CSP ("value realised from assets") within available resources
- Method of assessment to determine if AM objectives have been achieved, and whether these activities have achieved the strategic objectives ("value") in CSP

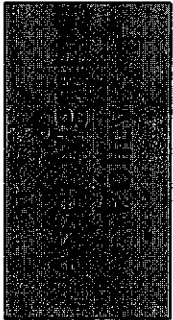
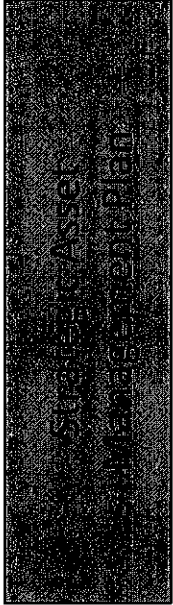
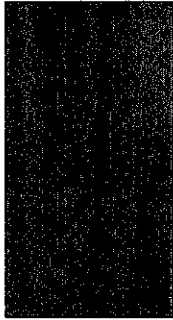
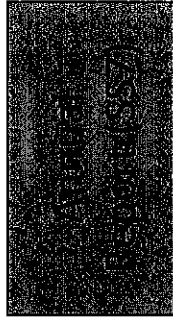
- Reporting on progress implementing the principal activities from DP
- "State of the Assets" currently reported in the same format as the SAMP (Revised) *Fit for the Future* infrastructure measures & standard "facts & figures"

	ACR	RR	EFS	BTS	P	C	L	R
Swimming Pools	65	0	1.5	0				
Pipes		20	0	0				
Libraries & Mtg Public	95	0	0	0				
Toilets	85	150	0	0				
Concrete Bridges	80	0	0	0				
Footpaths & Cycle	85	15	0.1	0				
Sealed Pavement	65	15	1.2	0				
Road Surfacing	55	10	1.0					
Unsealed Roads	35	115						12

* ACR = Asset Consumption Ratio (TRC/NDV)
 RR = Renewal Ratio (\$ / depreciation)
 EFS = Est. funding shortfall
 BTS = Cost to reduce risk of high residual risk assets



Asset Management Documentation



- Consistent with CSP & other policies. Framework for setting AM objectives i.e. CSP defined via "value realised from assets"
- 1. Value = balance of performance (LOS), cost (S/E/E/CL cost not just \$) and risk
- 2. AM priorities (i.e. activities in DP) that realise value from assets determined in AMPs (prioritised based on risk)
- 3. Concerns with ability to realise value over the life of the CSP within funds available in LTFP communicated via dashboard (basis of comm'ny engagement)
- 4. Where CSP includes "aspirational" (i.e. unfunded) infrastr. projects these will be noted as such in CSP
- 5. Commitment to satisfy applicable requirements
- 6. Commitment to continual improvement

- Supports the information summarised in the dashboards regarding strategic objectives in CSP and any concerns with value realised from assets
- Particular focus is on AM objectives i.e. priority activities in DP to realise value from assets (i.e. activities, resources, timescales required) within funds available from LTFP (planning / review) and implementation (delivery) of AMPs
- Specifically applies council's Risk Management System to assets
- High residual risk assets are included in the cost to bring to satisfactory

URLOGAL SHIRE COUNCIL
Sealed road pavements 650km of roads
"we have safe roads that meet the needs of all of our community"

<p>Affordable Level of Service</p> <p>Why there are moderate concerns</p> <ul style="list-style-type: none"> • Activities to address performance of very poor pavements, prioritise on risk • Activities to prevent premature failure of pavements (pothole patching, table drain maintenance) • Activities to manage risk (inspections, repairs, signage) 	<p>Minimising Life Cycle Cost</p> <p>Why there are few concerns</p> <p>Why there are few concerns</p>	<p>Acceptable Risk</p> <p>\$1.5M OPEX \$0.5M CAPEX</p>
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State of the Assets in 10 years (value realised)
 BTS = \$0
 AM Priorities Delivery Program (4 year Budget) EFS = \$1.2M
 "State of the Assets" in 10 years (value realised)
 BTS = \$15.6M
 Comparison of asset condition now v's 10 years (1=new, 5=v. poor)
 ACR = 65
 RR = 15

Lots of potholes, esp. after rain. Premature failure due to no reseals. Road surface issues will be significant. Emerging issues: condition will deteriorate rapidly due to continued underfunding of reseals. Funding for maintenance needs to increase.

	ACR	RR	EFS	BTS	P	C	R
Swimming Pools	65	0	1.5	0			
Stormwater Pipes	70	20	0	0			
Libraries & Mig Public	95	0	0	0			
Toilets	85	150	0	0			
Concrete Bridges	80	0	0	0			
Footpaths & Cycle	85	15	0.1	0			
Sealed Pavement Road	65	15	1.2	0			
Unsealed Roads	55	10	1.0				
Bridges	35	115					12

- Risk Management System identification, assessment and management of risks

Appendix 3: Aligning NAMS Templates to Infrastructure Dashboards

"State of the Assets" Now:	Performance	Cost	Risk
	Community Level of Service (table 3.4) Known service deficiencies (table 5.1.2)	Technical Level of Service (table 3.5 i.e. funding in scenario 2 v's 3: is it a big gap?)	Critical risks: what's the residual? (table 5.2) Managing the risks (section 1)
AM Objectives & Priorities (for funding in Long Term Financial Plan) Estimated funding shortfall \$XM. Difference between current performance and desired for optimum lifecycle cost in table 3.5.	Summary of key points arising from: <ul style="list-style-type: none"> • what we will do (section 1) • service objectives / activity measure process (table 3.5) • demand management plan (table 4.4) • assets to meet demand (section 4.5) • risk treatment (section 5.2) • operations and maintenance strategies (section 5.3.2) • renewal and replacement strategies and ranking criteria (section 5.4.2) • selection criteria and capital investment strategies (section 5.5) • disposal plan (section 5.6) 		
"State of the Assets" 10 years	Performance	Cost	Risk
	"What we cannot do" (section 1, 5.7.1) and "service consequences" (section 5.7.2)	Cumulative shortfall in funding (table 6.1.1)	Risk consequences (section 5.7.3)

Current and projected condition profile

Figure 3 (section 5.1.3) provides a good snapshot of current condition. It is very effective when projected condition in 10 years is added, taking account of projected deterioration, acquisition and funded renewal programs.

Note: the Dashboards inform the AMPs

In this scheme, the role of the AMPs is to back up the information dot-pointed against each traffic light, and elaborate on the AM objectives and priorities. Any of the sections not mentioned above would go into these.

The "emerging issues" in the dashboards also provides an opportunity to give an overview that picks up on "the next steps" (from section 1 – executive summary).

LG NSW Cost Shifting Survey 2013/14 Financial Year Summary



	Amount \$
1 Contribution to Fire & rescue NSW	\$435,710.00
2 Contribution to NSW Rural Fire Service	\$370,445.00
2a Contribution to NSW State Emergency Service	\$106,032.00
3 Pensioners rate rebates	\$1,112,830.00
4 Voluntary conservation agreements	\$13,976.00
5 Public Library Operations	\$795,426.00
6 Shortfall in cost recovery for on-site sewerage facilities	\$0.00
7 Shortfall in cost recovery for regulatory functions/services under the Companion Animal Act 1988	\$541,728.00
8 Shortfall in cost recovery for regulatory functions/services under the Contaminated Land Management Act (NSW) 1997	\$17,791.00
9 Shortfall in cost recovery for functions under the Protection of the Environment Operations Act (NSW) 1997	\$8,896.00
10 Shortfall in cost recovery for functions as control authority for noxious weed	\$358,508.00
11 Functions under the Rural Fires Act (NSW) 1997	\$6,022.00
12 Immigration services and citizenship ceremonies	\$7,658.00
13 Shortfall in cost recovery for administering food safety regulations	\$0.00
14 Provision of educational services	\$24,107.00
15 Crime prevention / policing	\$0.00
16 Flood mitigation program	\$106,421.00
17 Transfer of responsibilities for roads under RMS road reclassification reviews	\$0.00
18 Medical services	\$0.00
19 Road safety	\$66,134.00
20 Community and human services	\$322,894.00
21 Waste Levy	\$382,270.00
22 Sewerage treatment system licence fee	\$14,850.00
23 Waste management site licence fee	\$3,200.00
24 Taking away of revenue from crown reserve land under council management	\$0.00
25 Shortfall in cost recovery for processing of development applications	\$443,190.00
Total Cost Shifting Estimate	<u>\$5,138,088.00</u>
Total income from continuing operations before capital amounts in 2013/14	\$135,882,000.00
Cost Shifting as percentage of operating income	3.78%

From: Sascha Moege [no-reply@wufoo.com]
Sent: Friday, 22 May 2015 12:27:24 PM
To: Brett Dart
Subject: LGNSW Cost Shifting Survey

Thank you for completing LGNSW's cost shifting survey.

Please find your data entries below.

LGNSW Cost Shifting Survey

Council *	Coffs Harbour City Council
Name of officer completing the survey *	Brett Dart
Position *	Program Support Coordinator
Telephone number *	02 66484282
Email address *	brett.dart@chcc.nsw.gov.au
Total income from continuing operations before capital amounts in 2013/14 in \$ (Total income from continuing operations less grants and contributions provided for capital purposes, less profit from disposal of assets, and less profit from interests in joint ventures & associates as shown in the income statement of council's financial statements). *	135882000
1. Contribution to Fire and Rescue NSW Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services. *	435,710
2. Contribution to NSW Rural Fire Service Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services. *	370,445
2a. Contribution to NSW State Emergency Service Please only include the relevant amount of the emergency service levy invoice from the Ministry for Police and Emergency Services. *	106,032

3. Pensioners rates rebates 1,112,830
 Net cost in \$ incurred due to mandatory pensioners rebates for rates and charges (total amount of mandatory concession minus state reimbursement). Please do not include in your calculation rebates for water supply and sewerage charges as these charges are subject to a separate fund and cost can be recovered across all users.

NSW is the only state that requires councils to fund approximately half the cost of mandatory pensioner concessions (ss575-584 of the Local Government Act (NSW) 1993). *

4. Voluntary conservation agreements 13,976
 Net cost in \$ incurred due to rate exemptions as a result of voluntary conservation agreements.

Pursuant to section 555 of the Local Government Act (NSW) 1993, land (or the proportion of the landholding) that is subject to a voluntary conservation agreement between the landowner and the relevant NSW Minister (environment portfolio) under section 69 of the National Parks and Wildlife Act (NSW) 1974 is exempt from all council rates. *

5. Public library operations 795,426
 Cost in \$ representing the proportion of operational expenditure that was not funded by the State Government but would have been funded had the original funding arrangement of a State Government subsidy of half the amount expended by council on the operation of libraries been applied (i.e. shortfall between actual State Government subsidies (prescribed amount pursuant to s13(4)(b) Library Act (NSW) 1939 and the regulation) and the subsidy council would have been eligible for pursuant to s13(4)(a) Library Act (NSW) 1939 (the original funding arrangement of a state subsidy of half the amount expended by council on the operation of libraries from rate income).

Do not include capital expenditure. Do not enter the total operational expenditure for libraries. Please explain if your figure is larger than half the expenses from continuing operations for public libraries in

special schedule 1 of your financial statements. *

6. Shortfall in cost recovery for on-site 0
sewerage facilities

Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Please only include necessary costs that cannot be recovered as a result of regulatory constraints. Do not include capital expenditure.

Councils are required to regulate the installation, approve and monitor the operation and keep a register of all on-site sewage management systems (Local Government Act (NSW) 1993). *

7. Shortfall in cost recovery for 541,728
regulatory functions/services under

the Companion Animal Act (NSW) 1998
Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure.

Councils' role was expanded from a pure enforcement role to a regulatory body with functions including preparation of companion animal management plan, operation of lifetime registration system, separation of cats and dogs, maintaining facilities, enforcement, and the collection of fees for the Department of Local Government which returns only a small proportion of those fees to Local Government. *

8. Shortfall in cost recovery for 17,791
regulatory functions/services under

the Contaminated Land Management Act (NSW) 1997
Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure.

Councils are required to respond to contaminated land issues, undertake the administration, registration and mapping of contaminated sites not regulated by the NSW Environment Protection Authority, develop policies, and consider contamination in land-use planning processes. *

9. Shortfall in cost recovery for functions under the Protection of the Environment Operations Act (NSW) 1997 8,896

Cost in \$ of regulatory services/functions less any revenue related to them (fees, state government payments/subsidies).

Councils are required to administer the licensing system and enforce protective regulation (issuing of environmental notices, prosecution of environmental offences, undertaking of environmental audits) in relation to all non-scheduled activities not regulated by the NSW Environment Protection Authority. *

10. Shortfall in cost recovery for functions as control authority for noxious weed 358,508

Cost in \$ of regulatory services/functions less any revenue related to them (fees, state government payments/subsidies; e.g. grants from the NSW Department of Primary Industries) or cost in \$ of net contributions to other authorities for reasonably necessary regulation of noxious weeds on land other than council land and council managed Crown land. Do not include cost of other environmental weeds control or general bushland care. Do not include capital expenditure.

Councils are required to regulate noxious weeds pursuant to the Noxious Weeds Act (NSW) 1993 and s183 of the Local Government Act (NSW) 1993. *

11. Functions under the Rural Fires Act (NSW) 1997 6,022

Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Do not include capital expenditure. Please do not include the contributions to the Rural Fire Service and NSW Fire Brigade covered in questions 1 and 2.

Councils are required to administer and remedy complaints about fire hazards on council property, and to map and administer bushfire prone land (e.g. asset protection work, fire trails). Please include net cost of assistance provided to the Rural Fire

Service to fight bushfires declared under s44 of the Rural Fires Act (NSW) 1997 on any land within the council area. *

12. Immigration services and citizenship ceremonies	7,658
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Cost in \$ of providing these services less any revenue related to them (fees, state government payments/subsidies). *

13. Shortfall in cost recovery for administering food safety regulation	0
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Cost in \$ of services/functions less any revenue related to them (fees, state government payments/subsidies). Please only include necessary costs that cannot be recovered as a result of regulatory constraints.

Councils are required to undertake registration and inspection of food and food premises under the Food Act (NSW) 2003. *

14. Provision of educational services	24,107
---------------------------------------	--------

Net cost in \$ of providing educational services due to the State Government's withdrawal from providing educational services that should be state government responsibility (e.g. sporting facilities used by public schools, education programs, classes for disadvantaged children in youth centres, but not child care as such). Do not include capital expenditure.

Please do not include council education programs the state government would not be responsible for (e.g. waste and sustainability education).

Where facilities are used by other governments (e.g. public schools) please estimate the proportion of operation and maintenance cost allocated to the use by the other level of government (not the total cost of operating the facility). *

15. Crime prevention/policing	0
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Net cost in \$ of crime prevention/policing services in public spaces necessary because of insufficient services by other levels of government (e.g. CCTV surveillance, security patrols, crime prevention

programs).

Please note that this only applies to crime prevention or policing activities that should have been undertaken by the state government (e.g. police). It should not include council activities to protect community from other risks (e.g. surfer and swimmer injuries (beach patrols), safety at council events, or security of council facilities). Do not include capital expenditure. *

16. Flood Mitigation program 106,421

Cost in \$ representing the proportion of expenditure that was not funded by other levels of government but would have been funded had the original funding arrangement been applied (originally the Australian Government and State Government provided 80% of the required funds; whereas now the Australian Government provides one third and the State Government is required to provide another one third, and the rest has to be made up by council). Please estimate shortfall in actual funding from other levels of government in comparison with what council would have obtained under the original funding arrangement.

Please only include activities that are eligible for or receive funding from other levels of government under the flood mitigation program. Please include in your calculation funding for infrastructure projects. *

17. Transfer of responsibilities for roads under RMS road reclassification reviews Not applicable

Net cost (only operational) in \$ associated with all roads inherited due to reclassification of regionally important roads as local roads or state-important roads as regional or even local roads (since the significant reclassifications in the early 1990s). This is supposed to measure the ongoing maintenance cost associated with all roads so transferred since the 1990s – not about the cost associated with transfers in any one year. Please deduct any compensation associated with a reclassification.

*

18. Medical services Not applicable
Net cost in \$ of providing medical

services necessary because of insufficient services by other levels of government (e.g. retaining general practitioners, nurses and dentists; aboriginal and other medical services required by the community). Do not include capital expenditure. *

19. Road safety 66,134

Net cost in \$ of road safety officer/road safety program necessary due to the NSW Government's (RMS) withdrawal of funding or cost of net contribution to other authorities that provide such officer/program. Do not include capital expenditure. *

20. Community and human services 322,894

Net cost in \$ of all programs necessary to the community where other levels of government have initiated the program and initially provided adequate funds but now provide inadequate funds or have withdrawn completely; e.g. State Government contribution do not increase in line with these actual costs (e.g. employment cost); i.e. the shortfall between adequate and actual funding for such programs that were initiated by other levels of government. Do not include capital expenditure.

Community and human services include children service program, aged and disabled care programs, community development/liaison programs, youth development programs, aboriginal community programs, cultural development programs etc. *

21. Waste levy Not applicable

Cost in \$ of paying levy to the State Government dependant on the amount of waste produced by council less any amounts recovered through meeting waste performance criteria (section 88 of the Protection of the Environment Operations Act (NSW) 1997 and Protection of the Environment Operations (Waste) Regulations (NSW) 2005).

The waste levy applies to the Sydney metropolitan area; the Illawarra, Hunter and Central Coast area (extended regulated area); and the area including the Blue Mountains, Wollondilly and local government

areas along the coast north of Port Stephens to the Queensland border (regional regulated area).

Please provide estimate of net costs with respect to the 2013/14-scheme with a levy of \$107.80 per tonne (Sydney metro), \$107.80 (extended regulated area), and \$53.70 (regional regulated area). *

22. Sewerage treatment system license fee 14,850

Cost in \$ of license fee, load based and administrative, to be paid to State Government in relation to sewer effluent discharge.

Councils are required to pay this fee as polluter under the Protection of the Environment Operations Act (NSW) 1997. *

23. Waste management site license fee 3,200

Cost in \$ of license fee (administrative fee, no load based fee) to be paid to State Government.

Councils are required to pay this fee council as polluter under the Protection of the Environment Operations Act (NSW) 1997. *

24. Taking away of revenue from crown reserve land under council management Not applicable

Cost in \$ associated with the NSW Government taking over allowable revenue raising activities on council managed crown reserve land or with requirements to transfer revenue from council managed crown reserve land to the State Government. Please note that this does not represent the total net cost of managing (maintaining) crown lands.

Please do not include in your calculations transfers associated with the caravan park levy.

Under the Crown Land Act (NSW) 1989, councils have full responsibility to maintain crown reserves under council management and are expected to subsidise shortfalls in maintenance cost from general revenue. This is considered appropriate as the benefits from crown reserves under council management generally accrue to the local community. However, as a result,

councils should also be entitled to any current or potential revenue from crown reserves that is required to cover maintenance and improvement cost (e.g. revenue from refreshment facilities, telecommunication facilities). Any action by the State Government to limit revenue raising capacity or require the transfer revenue to the State Government are considered cost shifting.

Please do not include in your calculation any surplus revenue over and above the total amount of maintenance and improvement cost for all of your crown reserve land. *

25. Shortfall in cost recovery for processing of development applications	443,190
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Cost in \$ of processing development applications under the Environmental Planning and Assessment Act (NSW) 1979 and associated regulations less any revenue related to this function (e.g. development application fees, state government payments/subsidies).

Please estimate the amount of costs of processing development applications that cannot be recovered through development application fees or any other related income. Please include costs associated with services by other agencies (e.g. initial fire safety reports from the NSW Fire Brigades, s144 of the Environmental Planning and Assessment Regulation (NSW) 2000). *



Proposed North Coast Joint Organisation
C/- Coffs Harbour City Council
Locked Bag 155
COFFS HARBOUR NSW 2450

15 October 2014

Mr Keith Baxter
Leader Innovation
Office of Local Government
Locked Bag 3015
NOWRA NSW 2541

Email: keith.baxter@olg.nsw.gov.au

Dear Sir

Expression of Interest – North Coast Joint Organisation Pilot

The Councils of the North Coast, namely Clarence Valley Council, Coffs Harbour City Council, Bellingen Shire Council and Nambucca Shire Council, warmly welcome the opportunity to submit an expression of interest for a North Coast Joint Organisation Pilot. Even before the Minister's announcement of the Fit for the Future package, the member Councils had resolved to consider a pilot joint organisation. This was in direct response to the NSW Independent Local Government Review Panel's Final Report and recognition that joint organisation provided an ideal approach to assist our Councils improve their operational and financial sustainability.

The proactive approach taken by our Councils illustrates the enthusiasm we all share for a pilot in our region bringing benefits to our communities, organisations and relationships with the State Government.

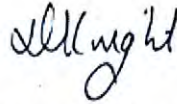
Our expression of interest demonstrates a strong history of cooperation within and outside the region. We have also worked together to build on our shared experience in proposing a work plan with five key initiatives. Not only do these satisfy the pilot Joint Organisation criteria; one key initiative extends the pilot to pursue alternate service delivery models. This in our view provides a compelling case for a North Coast Joint Organisation Pilot.

We look forward to the Minister's favourable consideration of our submission.

Yours faithfully



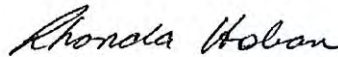
Cr Richie Williamson
Mayor
Clarence Valley Council



Cr Denise Knight
Mayor
Coffs Harbour City Council



Cr Mark Troy
Mayor
Bellingen Shire Council



Cr Rhonda Hoban
Mayor
Nambucca Shire Council

Copy to: The Hon. Paul Toole, MP
Minister for Local Government
Level 33 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Expression of Interest Pilot Joint Organisation

North Coast Region:

Clarence Valley Council

Coffs Harbour City Council

Bellingen Shire Council

Nambucca Shire Council



Selection Criteria

Criteria 1: Boundaries

The proposed pilot North Coast Joint Organisation comprises the Councils of Clarence Valley, Coffs Harbour City, Bellingen Shire and Nambucca Shire. This aligns with the North Coast region boundary as identified in the Fit For The Future roadmap for Joint Organisations. This area also nests within the broader State strategic regional boundaries identified in the North Coast Regional Growth and Infrastructure Plan.



Criteria 2: Statement of Intent

The success of Joint Organisations will be measured by how well they help to achieve important outcomes for communities in regional NSW and this aim is mirrored in our commitment to our local communities. The opportunity to work collaboratively with all stakeholders to design Joint Organisations will allow the North Coast group of Councils to contribute to achieving positive outcomes for our collective communities.

Of paramount importance to our member Councils is the achievement of financial and operational sustainability. Whilst we all see value in achieving a collaborative voice for our communities around strategic regional issues/planning, it is imperative that we are able to demonstrate strong value outcomes to our respective communities. This means that assessing opportunities for economies of scale, regional efficiency gains and capacity building will be front of mind during our pilot deliberations.

The member Councils can demonstrate an excellent track record of collaboration both with each other and with other levels of government. Our expression of interest in the Pilot demonstrates our commitment to further expanding and enhancing these relationships.

The members Councils have demonstrated support for the concept and keen interest in participation in the pilot of Joint Organisations through submissions to the Local Government Review Panel.

The North Coast grouping of Councils proposed brings together Councils that sit within the footprint of two ROCs at the present time. This enhances the ability of this grouping as a pilot as it will allow exploration of the interplay between the functions of ROCs and Joint Organisations and how this will play out over the course of the Pilot process.

The work plan that is proposed (see criteria 5) allows exploration of strategic planning, intergovernmental collaboration and regional advocacy as potential functions of Joint Organisations. The work plan also importantly includes the exploration of other functions that may have merit in producing efficiencies, economies of scale etc. These issues will be of benefit to other regional Joint Organisations once they are rolled out.

Principles that underpin the North Coast JO

- Strong collaboration between member Councils and also with State Government;
- Achieving a regional voice;
- Willingness to reach consensus in decision making;
- A driving desire to support member Councils in achieving financial and operational sustainability;
- Value for money for our respective communities

Criteria 3: Commitment From Member Councils

The member Councils expressing interest in piloting the Joint Organisation model are able to formally demonstrate their commitment to participation in the pilot process. Further the member Councils can demonstrate a level of support for proposed purpose and core functions of Joint Organisations and the pilot process. Evidence of this support is provided by in the form of resolutions of Clarence Valley, Coffs Harbour City, Bellingen Shire and Nambucca Shire Councils.

Clarence Valley Council

18/03/2014

COUNCIL RESOLUTION – 12.002/14

(Crs Williamson/Howe)

That

1. Council acknowledges the report prepared by the NSW Independent Local Government Review Panel titled "Revitalising Local Government" (October 2013);
2. The Division of Local Government be advised that Clarence Valley Council supports the report in principle and looks forward to further considering its various aspects when/if the government adopts the proposals and detail as to the implementation and application of the same are known;
3. Council agrees to the concept of the Joint Organisation and the inclusion of Clarence Valley as part of the North Coast Joint Organisation and that this be expressed to the Division of Local Government as part of Council's submission; and
4. Clarence Valley Council be a willing participant as a pilot Joint Organisation should it be identified by the Division of Local Government as a suitable candidate.

Coffs Harbour City Council

27/03/2014

GM14/11 REVITALISING LOCAL GOVERNMENT – FINAL REPORT ON THE NSW INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL, OCTOBER 2013

The objective of this report is to formally report to Council the release of the Final Report of the NSW Independent Local Government Review Panel (ILGRP) – Revitalising Local Government (October 2013) and to suggest that Council make a submission to the NSW Government in this matter.

RESOLVED (Cowling/Sultana) that

1. Council authorise the preparation of a submission to the NSW Division of Local Government, Department of Premier and Cabinet with regard to the Final Report of the NSW Independent Local Government Review Panel entitled "Revitalising Local Government";
2. The submission authorised in 1. above be framed such that it follows the thrust of the comments contained within the Table set out in the report;
3. At a regional level at the current time, Coffs Harbour City Council continue dialogue with MIDROC and also with the Councils of Nambucca, Bellingen and Clarence Valley with a view to ensuring that our service delivery to our communities is as effective and efficient as possible; and
4. The Minister for Local Government be advised of the discussions currently being held between the Councils of Bellingen, Nambucca, Clarence Valley and Coffs Harbour regarding the potential for a Joint Organisation, canvassing the option of this process being considered for a pilot and flagging the potential for a meeting between the Councils and the Minister.
5. A copy of the submission in point one be sent to all Councillors.

Bellingen Shire Council

26/03/2014 07.004/14

RESOLVED (Cr Troy /Cr Klipin)

1. That Council provide a submission to the Office of Local Government that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel as outlined in this report with the following addition at Item 26: In all councils where the Councillors elect the Mayor, it should be mandated that voters should be given a choice between popularly elected Mayors and Mayors elected by the Council.
2. That at a regional level, Bellingen Shire Council continue dialog with MIDROC and also with the Councils of Clarence Valley, Coffs Harbour and Nambucca, as outlined in this report with a view to ensuring that service delivery to our communities is as effective and efficient as possible.
3. That Council endorse the principles discussed by the Councils of Clarence Valley, Coffs Harbour and Nambucca in terms of the potential establishment of the North Coast Joint Organisation, as follows:
 - a) That there is in principle agreement to exploring the form and structure of a JO for our region, as identified in the report released by the Independent Local Government Review Panel in January 2014.
 - b) That a discussion be held between the four General Managers to prepare a strategic way forward.
 - c) That this be the basis for further discussions and a gathering to be held between Mayors Deputy Mayors, General Managers, Deputy General Managers/Directors (with details to be confirmed) to flesh out the form of an in principle agreement as a basis for an arrangement in relation to a Joint Organisation.
 - d) That a Memorandum of Understanding be developed on the basis of the process outlined at points (b) and (c) above.
 - e) That a letter to the Minister for Local Government be prepared outlining the discussions currently being held between the four councils in relation to this matter, canvassing the option of this process being considered for a pilot and flagging the potential for a meeting between the Councils and the Minister.
 - f) That a report be prepared for presentation to each of the councils outlining the issue of JO's and the initial response from the four councils as outlined above.
- 4 That further reports be provided to Council in terms of progress at a regional level.

Nambucca Shire Council

27/03/14

ITEM 9.2 SF894 270314 "Revitalising Local Government" - Final
Report of the NSW Independent Local Government Review Panel October 2013

159/14 **RESOLVED:** (Finlayson/Ainsworth)

That Council advise the Division of Local Government that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel subject to the member councils of the North Coast Joint Organisation having input into the regional functions to be allocated to the Joint Organisation.

25/09/2014

ITEM 9.13 SF894 250914 "Fit for the Future Reforms" - Proposed
Pilot North Coast Joint Organisation

466/14 **RESOLVED:** (Ainsworth/Finlayson)

That Council agree to participate in a pilot North Coast Joint Organisation and note its preference for the pilot Joint Organisation to have as its priority the improvement of the financial sustainability of its constituent councils.

Criteria 4: Evidence of Collaboration

The member Councils of the proposed North Coast Joint Organisation have a proven track record in regard to collaborative engagement. This collaboration between the councils extends to other levels of government. Examples of this collaboration are provided hereunder:

Clarence Valley and Coffs Harbour Regional Water Supply Scheme

The \$180 million Regional Water Supply Project, which involves linking the Clarence Valley and Coffs Harbour water supplies to meet the forecast demand for water in the region up to and beyond 2030.

Both Councils are responsible through the regional water supply strategy for providing an affordable, secure and environmentally sustainable bulk water supply to meet the needs of the Clarence Valley and Coffs Harbour Region.

The population of the Clarence Valley and Coffs Harbour region which will be served by the water supply is expected to more than double in the next 50 years, from 95,000 to approximately 220,000 persons.

The regional water supply strategy ensures the demands on our natural resources are carefully managed to protect our environment and at the same time provide the services to support the people in our developing area. A key feature is to making sure our natural river systems are protected by not taking water out of them during low flows.

The strategy secures a reliable bulk water supply for the region extending from Iluka to Sawtell. It has two key elements: a \$180 million bulk water supply project, coupled with a regional water efficiency program. The size of the Shannon Creek storage has been designed with the Water Efficiency Strategy factored in, extending the life of the dam beyond 2046.

Regional Water Supply Project

- 30,000 megalitre Shannon Creek Dam, approximately 9km west of Coutts Crossing.
- 90 km of underground pipelines linking the Nymboida River with the new Shannon Creek Dam, the existing Rushforth Road reservoir at South Grafton and Karangi dam near Coffs Harbour.

Regional Water Efficiency Program

- Extending the life of the dam to at least 2046
- Incentives and pricing policies, common regulatory measures, cooperative regional approach, heightened community awareness which support efficient, environmentally sound water use
- Using a range of cost effective and environmentally appropriate alternative water sources such as recycling water and rainwater tanks.
- Effective and efficient management of water supply systems

The Regional Water Supply strategy has been recognised with numerous Australian and International Awards, including:



MEDIA RELEASE
Coffs Harbour City Council
and
Clarence Valley Council

FOR RELEASE: 29 JUNE 2010

**Clarence Valley Coffs Harbour Regional Water Supply Strategy
recognised by major international award**

The Clarence Valley Coffs Harbour Regional Water Supply (CVCHWS) Strategy has won a Project Innovation Award from the *International Water Association* - the top international water industry body.

"The Project Innovation Awards honour excellence and innovation in the global water industry and the award demonstrates that the Clarence Valley Coffs Harbour Regional Water Supply Strategy ranks amongst the world's best," said Coffs Harbour Mayor, Councillor Keith Rhoades.

"It is very pleasing that a regional NSW project has received international recognition", added Clarence Valley Council Mayor, Councillor Richie Williamson. "The Regional Water Supply project has provided a fabulous outcome for both Councils and our funding partner, the NSW State Government."

The CVCHRWS Strategy, the centrepiece of which is the 30,000-megalitre Shannon Creek Dam, was completed on-time and \$3 million under budget. **The strategy was developed as a partnership between Clarence Valley Council, Coffs Harbour City Council and the NSW State Government** to provide a sustainable, secure water resource for the region's growing population.

The strategy comprises a "non-build" element (the Regional Water Efficiency Program) and a "build" element (the CVCHRWS Project), designed to meet both future population growth and environmental flow requirements. Completion of the strategy removes the reliance of both communities on river extraction and provides future drought security.

The \$180 million CVCHWS Project linked the existing water supply schemes serving Coffs Harbour and the Clarence Valley with 90km of pipeline, and constructed an off-creek dam at Shannon Creek.

The project provides a high level of drought security and enables improved protection of the two rivers from which water is extracted. Design and construction Project Management was undertaken by NSW Public Works, with the dam component constructed by Leighton Contractors Pty Ltd.

The project features many innovations in planning, design and construction to address environmental and engineering issues, including designing the dam to be "transparent" to catchment inflows up to the 1 in 2 year event, ensuring the design allows for future expansion of the dam, and the first NSW use of an "Early Contractor Involvement" (ECI) process during procurement. Plus there were numerous construction innovations which, as well as providing functional benefits, gave cost savings of €0.60 million. The project also developed an innovative construction safety culture program and provided compensatory habitat to mitigate environmental impacts.

The Strategy provides an outstanding example of successful delivery of a large construction project on time and \$3million under budget, through an effective partnership of government agencies, local government, contractors and the community. Clarence Valley Council and Coffs Harbour City Council are very proud of the international recognition of the CVCHRWS project, which demonstrates that projects in rural NSW can be world-beaters.

Coffs Coast Waste Services

Coffs Coast Waste Services is a regional partnership between Coffs Harbour City Council, Bellingen Shire Council, Nambucca Shire Council and Handybin Waste Services for the collection of household waste on the Coffs Coast. Coffs Coast Waste service currently provides 43,309 domestic waste collection services across the partner council areas.

The three Councils Bellingen Shire, Coffs Harbour City and Nambucca Shire commenced discussions on regional cooperation in waste management as early as 2002. Coffs Harbour City Council resolved in April 2002 to liaise with Bellingen and Nambucca Shire Councils to pursue regional waste management opportunities. This resulted in the current 'Collection Services for Coffs Coast Regional Waste Services', the 'Agreement for Processing of Waste at the Coffs Harbour Resource Recovery Facility and for Associated Purposes' and the 'Coffs Harbour Regional Resource Recovery Project'.

The Biomass Facility processes source separated organic and mixed residual domestic waste as well as separated commercial and industrial wastes to recover principally the organic fraction as well as other resources such as recyclable metals, rigid plastics and glass. The organic process produces composts, and soil enriching products. The facility reduces disposal of waste to landfill, increases resource recovery, and should reduce the environmental impacts of sending waste to landfill. It introduces more sustainable waste management practices to the Mid North Coast.

The partnership of the three councils has resulted in achievement of an 86 per cent recycling recovery rate which is the highest in NSW. This achievement supports the aims of the Waste Less, Recycle More initiative of the NSW Environmental Protection Agency.

In addition, the three Councils are members of the North sub region of the Midwaste Regional Waste Forum which consists of eight councils. The forum develops Regional Resource Recovery Strategies with funding support from the State Government.

MIDROC initiatives:

Bellingen Shire, Coffs Harbour City and Nambucca Shire are members of the MIDROC organisation of Councils and whilst this association has been active for some ten years or so, in the last four years a number of initiatives have seen the Association achieve outcomes for its members. Whilst Clarence Valley has not been a formal member of MIDROC, it can be seen from other initiatives above that the Councils in the region covered by the North Coast Joint Organisation see the benefit in working together toward common goals.

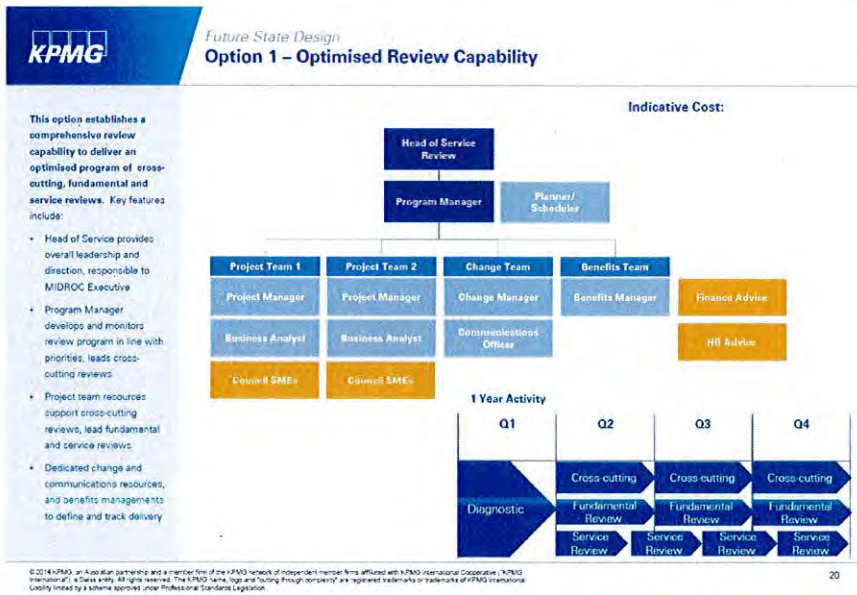
Examples of initiatives achieved within the MIDROC banner include:

- KPMG Report – Optimising Service Delivery / Designing a Service Review Capability

Recently, MIDROC engaged the services of KPMG to undertake an assessment of:

1. The cost of developing a unit to undertake ongoing service efficiency reviews over a 10 year period;
2. The likely benefit that would be generated; and
3. The areas that would derive significant benefits from undergoing a regional service review.

An indication of the type of outcome that is being achieved from this project can be found in the diagram below:



- Human Resources Professional Group - Regional Training and eLearning Initiative

The HR Professional Group has developed a number of training packages that are capable of being delivered across the various councils within the Region, thus producing efficiencies in training delivery and building capacity within the region. The group is also sharing training expertise, policies, procedures and is developing a Regional Learning and Development Plan.

In addition, the group has undertaken regional procurement of a Learning Management System to deliver and share priority content as well as standardised training resources which has resulted in savings of up to \$60,000 per annum over a four year period for each participating council.

The HR Group is one of around 10 subgroups that operate across the MIDROC region with other examples including waste, planning, Information Technology, Geographical Information Systems, Work Health & Safety etc.

- Media campaigns

From time to time, there are issues within each of our respective local government areas that have commonality across the region (e.g. elections, woodsmoke reduction campaigns, local government awareness). Where these issues are identified, the MIDROC association takes the responsibility for the delivery of these media campaigns on a regional basis, thus creating efficiencies and consistency in message delivery across the region.

Clarence Regional Library Service

Bellingen Shire and Clarence Valley Councils work collaboratively around the provision of a library service to their communities. The Executive Office of the Clarence Regional Library Service is based at the Clarence Valley Library in Grafton, with services being coordinated and delivered to the member Councils.

This service brings efficiencies to the member Councils and arguably enables some of the smaller council members and their communities to enjoy a quality service that they would otherwise struggle to provide in their own right.

Criteria 5: Work Program

1. Regional alliance of local government water utilities at a high level focussing on service and infrastructure planning as opposed to service delivery.

Status / planned actions :

Existing strong partnership between Clarence Valley, Coffs Harbour City Council and the State government will support the progression of this body of work.

Supports potential function of JO: Regional Strategic Planning and Prioritisation

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 2.3
Coffs Harbour City Council- 2030 Plan Objective LE4
Shire of Bellingen 2030 Community Strategic Plan- Living Environment
Nambucca Valley 2030 Community Strategic Plan Objective 11.1

Aligned to Regional Action Plans / Regional Growth Plans

Far North Coast Regional Strategy- Water & Energy Resources
Mid North Coast Regional Strategy- Water & Energy Resources
Mid North Coast Regional Action Plan Priority 7
Northern Rivers Regional Action Plan Priority 7
May feed into North Coast Regional Growth & Action Plans

Links to State Government Plans

NSW Office of Water Strategic Plan 2013-2015
NSW 2021 Goals 21 & 22

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Office of Environment & Heritage, Office of Water, Local Water Authorities

What would success look like?

Likely outcomes to be achieved from this project:

- The development of a regional water supply and reticulation strategy moving the region to a drought proof scenario (arguably already achieved for Clarence, Coffs Harbour and Nambucca)
- Improved drinking water quality to meet guidelines and various other strategies
- Better utilisation of skilled resources across the region
- Shared knowledge and capability aimed at improving infrastructure, work practices and collective outcomes

Criteria 5: Work Program - continued

2. Strategic regional and sub-regional planning framework

Status / planned actions:

The actions associated with this initiative would need to be developed in the early stages of the project with the assistance of an appropriate facilitator.

Potential function of JO: Regional Strategic Planning

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.1
Coffs Harbour City Council- 2030 Plan Objective LC3
Shire of Bellingen 2030 Community Strategic Plan- Civic Leadership
Nambucca Valley 2030 Community Strategic Plan Objective

Aligned to Regional Action Plans / Regional Growth Plans

Far North Coast Regional Strategy
Mid North Coast Regional Strategy
May feed into North Coast Regional Growth Plan & Action Plan

Link to State Plan

NSW 2021 Goal 29

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Department of Planning and Environment

What would success look like?

Likely outcomes to be achieved from this project:

- The development of a stronger regional approach to our strategic community planning framework.
- An enhanced approach to land use planning frameworks from a regional perspective.
- Knowledge and information sharing
- Collaboration on regional planning for key initiatives
- Improved integration achieving better place making outcomes for our region and its communities

Criteria 5: Work Program - continued

3. Strategic waste management

Status / planned actions :

Workshops held in 2011 and more recently in September 2014 to progress regional solutions. Preparation of a regional strategy and a collaborative model are action items that can be progressed through the JO pilot.

Links to potential function of JO: Regional Strategic Planning & Intergovernmental Collaboration.

Aligned with member Council Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024- Objective 4.4
Coffs Harbour City Council- 2030 Plan- Objective LE4
Shire of Bellingen 2030 Community Strategic Plan- Living Environment
Nambucca Valley 2030 Community Strategic Plan Objective 7.1

Aligned to Regional Action Plans / Regional Growth Plans

Far North Coast Regional Strategy
Mid North Coast Regional Strategy
Mid North Coast Regional Action Plan Priority 7
Northern Rivers Regional Action Plan Priority 7
May feed into North Coast Regional Growth Plan & Action Plan

Link to State Plans

NSW 2021 Goal 22 & 23

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Environment Protection Authority & other Regional Councils.

What success will look like?

Likely outcomes to be achieved from this project:

- An enhanced regional approach and strategy to deal with waste management within our region.
- Knowledge and information sharing
- Collaboration on key outcomes identified in the strategy
- Better utilisation and demand management of landfill sites
- Improved environmental outcomes
- Further reduction of waste material to landfill

Criteria 5: Work Program - continued

4. Regional voice- intergovernmental relations and regional advocacy

Status / planned actions:

The actions associated with this initiative would need to be developed in the early stages of the project with the assistance of an appropriate facilitator.

Links to potential function of JO: Intergovernmental collaboration and regional advocacy

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.1
Coffs Harbour City Council- 2030 Plan Objective LC3
Shire of Bellingen 2030 Community Strategic Plan- Civic Leadership
Nambucca Valley 2030 Community Strategic Plan Objective

Aligned to Regional Action Plans / Regional Growth Plans

Far North Coast Regional Strategy- Economic Development & Employment Growth
Mid North Coast Regional Strategy- Economic Development & Employment Growth
Mid North Coast Regional Action Plan
May feed into North Coast Regional Growth Plan

Link to State Plan

NSW 2021 Goals 32

Collaboration with:

Regional Coordinator Department of Premier & Cabinet and relevant state government departments and agencies.

What would success look like?

Likely outcomes to be achieved from this project:

- Shared understanding, one voice
- Improved inter-government relations. The proposed North Coast JO will create the framework for this outcome, and our success will be influenced by the commitment of State Agencies to work with the proposed North Coast JO.
- Improved outcomes for our communities
- Stronger recognition of priority issues for our region

Criteria 5: Work Program - continued

5. Develop a framework to ensure a consistent basis to evaluate the potential for shared service provision. Review activities for the delivery of 'back office' services.

Status / planned activities:

This work objective will support financial sustainability objectives by exploring opportunities to improve efficiency, utilise economies of scale and build capacity.

Facilitated discussions on the options available for alternate service delivery models within our region, such as:

- Shared services;
- Alliances;
- Centres of Excellence; and
- Outsourcing.

Whilst the member Councils of the North Coast JO understand that the Fit for the Future Joint Organisations model suggests that "Regional Service Delivery" option may not be an initial focus, we believe that this elements is essential to assist the member Councils in their endeavours to achieve financial and operational sustainability.

Link to potential function of JO: Regional Service Delivery

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.2
Coffs Harbour City Council- 2030 Plan Objective LC3
Shire of Bellingen 2030 Community Strategic Plan- Civic Leadership
Nambucca Valley 2030 Community Strategic Plan Objective 1.2

Aligned with Regional Action Plans / Regional Growth Plans

Far North Coast Regional Strategy
Mid North Coast Regional Strategy
May feed into North Coast Regional Growth Plan

Link to State Plans

NSW 2021 Goal 3
Fit for the Future: financial sustainability, efficiency & scale and capacity.

Collaboration with: Member councils

What would success look like?

Desired outcomes to be achieved from this project:

- Member Councils moving toward financial and operational sustainability
- Improved service delivery outcomes for our communities

Criteria 6: Operations matters including Entity and Executive Officer

The Pilot process will facilitate the exploration of structures to support Joint Organisations to achieve democratic representation and their agreed outcomes.

In the interim, the North Coast member Councils propose that a section 355 Committee with a minimum term be established for the purpose of the Pilot process. Legal advice and /or direction from the Office of Local Government may be required to ensure that the Committee provides an appropriate structure for the operation of the Pilot Joint Organisation.

The following actions are planned to progress the establishment of a section 355 Committee:

- Develop a model structure
- Develop terms of reference and delegations
- Develop a meeting charter based on the Code of Meeting Practice
- Report to member Councils

It is absolutely essential that the members of the North Coast Joint Organisation turn their minds early in the process to the development of a framework that can be utilised to monitor progress of the Work Plan and establish critical measures of success. In developing this framework, it is suggested that SMART (Specific, Measurable, Achievable, Relevant and Timely) principles should be applied to the development of this framework.

Engaging appropriate external resources as necessary may assist in achievement of the monitoring and measure regime. It should be noted that from time to time it may also be necessary to engage relevant external expertise to assist in the delivery of the Work Plan, e.g. service reviews on areas nominated for regional service delivery.

The option of secondment or employment of an Executive Officer would need to be considered further. Under the provisions of a section 355 Committee, one of the delegating Councils may need to assume responsibility for the employment of the Executive Officer.

The selection criteria for the Executive Officer would need to include demonstrated high level skills in managing critical relationships. The role would assist the Joint Organisation to facilitate intergovernmental cooperation.

In conclusion, it needs to be stressed that one of the higher priority outcomes/principles that needs to be delivered as part of the North Coast Joint Organisation outcomes is assistance to its member Councils in the achievement of financial and operational sustainability. It is also imperative that the North Coast Joint Organisation structure reflect this goal.



Circular Details	Circular No 14-30 / Date 12 November 2014 / A399226
Previous Circular	14-24 and 14-23
Who should read this	Councillors / General Managers / ROCs
Contact	Innovation Team / 02 4428 4100 / olg@olg.nsw.gov.au
Action required	For information

Announcement of Joint Organisation Pilots

What's new or changing

- The Minister for Local Government has announced the regional groupings of councils that will assist the NSW Government to pilot Joint Organisations, a key component of the Fit for the Future package to strengthen local government.
- The five groups of councils that will pilot Joint Organisations throughout 2015 are: the Central West, Hunter, Illawarra, Namoi and Riverina regions.

What this will mean for your council

- All councils outside of Greater Sydney will be a member of a Joint Organisation from September 2016.
- The pilots will ensure a robust yet flexible Joint Organisation model is developed through collaboration between the State Government and local councils, and inform the approach to implementation.

Key points

- Eleven applications, covering 14 regions, were received from across regional NSW.
- Given the strong interest in participating in a pilot expressed by councils, as well as the high quality of the applications, the Government will consider the possibility of initiating further pilots prior to the proposed State-wide roll out in 2016.
- The pilots will commence shortly, with a series of workshops to help initiate the process.

Where to go for further information

- Further information about Joint Organisations and the pilot process is available in the publication, [*Joint Organisations: A roadmap for intergovernmental collaboration in NSW*](#), available at: www.fitforthefuture.nsw.gov.au.



Steve Orr
Acting Chief Executive
Office of Local Government

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E olg@olg.nsw.gov.au W www.olg.nsw.gov.au ABN 44 913 630 046

COFFS HARBOUR CITY COUNCIL



Our Ref: 5440956

23 December 2014

Mr Keith Baxter
Leader of Innovation
Office of Local Government
Locked Bag 3015
NOWRA NSW 2541

By Email: keith.baxter@olg.nsw.gov.au

Dear Keith

Re: Pilot Joint Organisations

I refer to the recent Expression of Interest (Eoi) process surrounding the establishment of Pilot Joint Organisations. Coffs Harbour City Council, on behalf of Clarence, Bellingen, Nambucca and itself, submitted an Expression of Interest to have a pilot process conducted around a proposed North Coast Joint Organisation.

It is clear that the Pilot North Coast Joint Organisation Eoi was not successful. Whilst I am not able to identify the exact source, I did read following the announcement of the successful pilot joint organisations, that the unsuccessful applicants would be consulted with a view to providing feedback as to the reason that their particular applications had not been successful. To date, I am not aware of any formal or informal advice being provided to the membered Councils of the proposed North Coast Joint Organisation.

It will be appreciated if you could arrange for some form of feedback to be provided, thus enabling the member Councils of the proposed North Coast Joint Organisation to be informed and make decisions as to the best way forward at this point in time.

I look forward to your response at the earliest opportunity.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Steve McGrath', is written over a white background.

Steve McGrath
General Manager

- Communications to: The General Manager, Locked Bag 155, Coffs Harbour 2450 • Administration Building, 2 Castle Street, Coffs Harbour • Tel: (02) 6648 4000
- Fax: (02) 6648 4199 • ABN 79 126 214 487
- Email: coffs.council@chcc.nsw.gov.au
- Website: www.coffsharbour.nsw.gov.au



Office of
Local Government

5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541

Our Reference: A408814
Your Reference: 5440956
Contact: Erin Hale
Phone: 02 4428 4100

Mr Steve McGrath
General Manager
Coffs Harbour City Council
Locked Bag 155
COFFS HARBOUR NSW 2450

Dear Mr McGrath

Thank you for your letter of 23 December 2014 to the Office of Local Government about the North Coast Joint Organisation Pilot EOI and your request for feedback.

I advise that the response to the EOI to pilot JOs was very positive with 11 applications of a high standard being submitted.

Applications for the Joint Organisation (JO) pilot were assessed across the six (6) criterion that the EOI had to address, and further consideration was given to the diversity of the proposals to ensure JOs are tested in a range of situations and to help build the most appropriate and flexible model possible.

I commend the North Coast councils for meeting to discuss and submit an EOI for the JO pilot. However the pilots that were chosen could demonstrate a stronger history of working collaboratively as a region and were successful on that basis.

Due to the high calibre of EOIs and the level of interest in JOs, the Office of Local Government will, in the latter half of 2015, consider initiating further pilots, before the commencement of JOs from September 2016.

In the meantime I would urge North Coast to continue to work collaboratively as a region on the strategic priorities and shared services identified in the EOI.

Thank you for your interest in this important initiative.

Yours sincerely

Keith Baxter
Manager Innovation
Office of Local Government

25/2/15



COFFS HARBOUR CITY COUNCIL



Our Ref: 5548132

30 March 2015

The Hon. Paul Toole, MP
Minister for Local Government
GPO Box 5341
SYDNEY NSW 2001

Dear Minister

The Councils of the proposed North Coast Joint Organisation would like to make you aware of their continued interest in a North Coast Joint Organisation. In respect of the recent Pilot Joint Organisation EoI process I provide a copy of an updated EoI as submitted to the Office of Local Government for your information.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S McGrath', is written over a light blue background.

Steve McGrath
General Manager

Att.



Proposed North Coast Joint Organisation
C/- Coffs Harbour City Council
Locked Bag 155
COFFS HARBOUR NSW 2450

30 March 2015

Mr Keith Baxter
Leader Innovation
Office of Local Government
Locked Bag 3015
NOWRA NSW 2541

Email: keith.baxter@olg.nsw.gov.au

Dear Sir

Expression of Interest – North Coast Joint Organisation

I refer to correspondence with regard to the Joint Organisation Pilot process, in particular my most recent correspondence dated 23 December 2014 seeking feedback as to the reason/s that the proposed North Coast Joint Organisation Pilot Eol had been unsuccessful. I note your response dated 25 February 2015 in this regard.

The Mayors and General Managers of Clarence Valley, Coffs Harbour City, Bellingen and Nambucca Councils met on 22 December 2014 and 5 March 2015 to discuss our collective way forward in light of the current decisions in respect of the Pilot Joint Organisations (JO's) in regional NSW.

With the knowledge that pilot JO's have been approved for the Central West, Hunter, Illawarra, Namoi and Riverina regions and acknowledging that there were probably a number of other worthy Expressions of Interest considered by the Office of Local Government and the Minister, it would be an understatement to suggest that there was collective disappointment, regarding the announcement, conveyed at our meeting on 22 December 2014.

In summary, the approved Pilot JO's represent three inland regions and two regions based on the large population bases provided by Wollongong and Newcastle and their surrounding areas.

Of interest and disappointment to the Mayors and General Managers of our proposed JO is the fact that the approved pilot JO's do not represent truly regional coastal areas of NSW that are experiencing high growth; particular demographic make-up associated with high growth coastal areas; ageing population; coastal management issues as a result of climate change; and a prevalence of storm related natural disasters. Whether we like it or not, the proposed North Coast JO has all of those features, whilst we do not believe that the currently approved pilot JO's possess those particular unique characteristics.

We understand that the Office of Local Government and the Minister for Local Government have expressed a view that it may be beneficial to extend the pilot JO network further given the interest that was shown in the initial round of applications. The Councils of the North Coast, namely Clarence Valley Council, Coffs Harbour City Council, Bellingen Shire Council and Nambucca Shire Council, are still extremely interested in seeking a pilot JO for our North Coast Councils. We strongly believe that this would provide an opportunity for the final adopted Joint Organisation framework to more adequately reflect the types of issues and problems that exist State wide.

The proactive approach taken thus far by our Councils illustrates the enthusiasm we all share for a pilot in our region bringing benefits to our communities, organisations and relationships with the State Government.

Our earlier, and this, expression of interest demonstrates a strong history of cooperation within and outside the region. We have also worked together to build on our shared experience in proposing a revised work plan that now has six key initiatives. Not only do we believe that this work plan satisfies the Joint Organisation criteria; one key initiative extends the pilot to pursue alternate service delivery models; whilst a further key initiative looks to explore a common problem across the State in how we value our infrastructure etc. This in our view still provides a compelling case for a State Government supported North Coast Joint Organisation.

We look forward to the Minister's favourable consideration of our further submission.

Yours faithfully



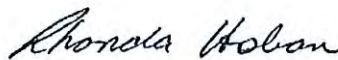
Cr Richie Williamson
Mayor
Clarence Valley Council



Cr Denise Knight
Mayor
Coffs Harbour City Council



Cr Mark Troy
Mayor
Bellingen Shire Council



Cr Rhonda Hoban
Mayor
Nambucca Shire Council

Copy to: The Hon. Paul Toole, MP
Minister for Local Government
GPO Box 5341
SYDNEY NSW 2001

Expression of Interest

North Coast Joint Organisation

Clarence Valley Council

Coffs Harbour City Council

Bellingen Shire Council

Nambucca Shire Council

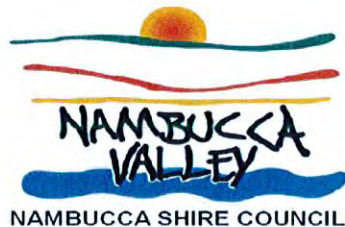


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1. Boundaries

The proposed North Coast Joint Organisation comprises the Councils of Clarence Valley, Coffs Harbour City, Bellingen Shire and Nambucca Shire. This aligns with the North Coast region boundary as identified in the Fit For The Future roadmap for Joint Organisations. This area also nests within the broader State strategic regional boundaries identified in the North Coast Regional Growth and Infrastructure Plan.



2. Statement of Intent

The success of Joint Organisations will be measured by how well they help to achieve important outcomes for communities in regional NSW and this aim is mirrored in the commitment of the four North Coast Councils to our local communities. The opportunity to work collaboratively with all stakeholders to design Joint Organisations will allow the North Coast group of Councils to contribute to achieving positive outcomes for our collective communities.

Of paramount importance to our member Councils is the achievement of financial and operational sustainability. Whilst we all see value in achieving a collaborative voice for our communities around strategic regional issues/planning, it is imperative that we are able to demonstrate strong value outcomes to our respective communities. This means that assessing opportunities for economies of scale, regional efficiency gains and capacity building will be front of mind during our all of our deliberations.

The member Councils can demonstrate an excellent track record of collaboration both with each other and with other levels of government. Our recent expression of interest in the Pilot process, and this renewed expression of interest, demonstrates our commitment to further expanding and enhancing these relationships.

The member Councils have demonstrated support for the concept and keen interest in participation in a Joint Organisation, despite not being chosen as a Pilot, through submissions to the Local Government Review Panel.

The North Coast grouping of Councils proposed brings together Councils that sit within the footprint of two ROCs at the present time. This enhances the ability of this grouping as it will allow exploration of the interplay between the functions of ROCs and Joint Organisations and how this will play out over the course of the State Governments existing Pilot process.

The work plan that is proposed (see criteria 5) allows exploration of strategic planning, intergovernmental collaboration and regional advocacy as potential functions of Joint Organisations. The work plan also importantly includes the exploration of other functions that may have merit in producing efficiencies, economies of scale etc. These issues will be of benefit to other regional Joint Organisations once they are rolled out.

Principles that underpin the North Coast JO

- Strong collaboration between member Councils and also with State Government;
- Achieving a regional voice;
- Willingness to reach consensus in decision making;
- A driving desire to support member Councils in achieving financial and operational sustainability;
- Value for money for our respective communities

3. Commitment from Member Councils

The member Councils expressing interest in the Joint Organisation model are able to formally demonstrate their commitment to participation. Further, the member Councils can demonstrate a level of support for proposed purpose and core functions of Joint Organisations processes.

Evidence of this support is provided in the form of resolutions of Clarence Valley, Coffs Harbour City, Bellingen Shire and Nambucca Shire Councils, as detailed hereunder.

3.1 Clarence Valley Council

COUNCIL RESOLUTION – 12.002/14 18/03/2014
(Crs Williamson/Howe)

That:

1. Council acknowledges the report prepared by the NSW Independent Local Government Review Panel titled "Revitalising Local Government" (October 2013);
2. The Division of Local Government be advised that Clarence Valley Council supports the report in principle and looks forward to further considering its various aspects when/if the government adopts the proposals and detail as to the implementation and application of the same are known;
3. Council agrees to the concept of the Joint Organisation and the inclusion of Clarence Valley as part of the North Coast Joint Organisation and that this be expressed to the Division of Local Government as part of Council's submission; and
4. Clarence Valley Council be a willing participant as a pilot Joint Organisation should it be identified by the Division of Local Government as a suitable candidate.

3.2 Coffs Harbour City Council

GM14/11 REVITALISING LOCAL GOVERNMENT – FINAL REPORT ON THE NSW
INDEPENDENT LOCAL GOVERNMENT REVIEW PANEL, OCTOBER 2013, 27/03/2014
71 **RESOLVED** (Cowling/Sultana) that

1. Council authorise the preparation of a submission to the NSW Division of Local Government, Department of Premier and Cabinet with regard to the Final Report of the NSW Independent Local Government Review Panel entitled "Revitalising Local Government";
2. The submission authorised in 1. above be framed such that it follows the thrust of the comments contained within the Table set out in the report;
3. At a regional level at the current time, Coffs Harbour City Council continue dialogue with MIDROC and also with the Councils of Nambucca, Bellingen and Clarence Valley with a view to ensuring that our service delivery to our communities is as effective and efficient as possible; and
4. The Minister for Local Government be advised of the discussions currently being held between the Councils of Bellingen, Nambucca, Clarence Valley and Coffs Harbour regarding the potential for a Joint Organisation, canvassing the option of this process being considered for a pilot and flagging the potential for a meeting between the Councils and the Minister.
5. A copy of the submission in point one be sent to all Councillors.

3.3 Bellingen Shire Council

RESOLVED (Cr Troy /Cr Klipin)

07.004/14

26/03/2014

1. That Council provide a submission to the Office of Local Government that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel as outlined in this report with the following addition at Item 26: In all councils where the Councillors elect the Mayor, it should be mandated that voters should be given a choice between popularly elected Mayors and Mayors elected by the Council.
2. That at a regional level, Bellingen Shire Council continue dialog with MIDROC and also with the Councils of Clarence Valley, Coffs Harbour and Nambucca, as outlined in this report with a view to ensuring that service delivery to our communities is as effective and efficient as possible.
3. That Council endorse the principles discussed by the Councils of Clarence Valley, Coffs Harbour and Nambucca in terms of the potential establishment of the North Coast Joint Organisation, as follows:
 - a) That there is in principle agreement to exploring the form and structure of a JO for our region, as identified in the report released by the Independent Local Government Review Panel in January 2014.
 - b) That a discussion be held between the four General Managers to prepare a strategic way forward.
 - c) That this be the basis for further discussions and a gathering to be held between Mayors Deputy Mayors, General Managers, Deputy General Managers/Directors (with details to be confirmed) to flesh out the form of an in principle agreement as a basis for an arrangement in relation to a Joint Organisation.
 - d) That a Memorandum of Understanding be developed on the basis of the process outlined at points (b) and (c) above.
 - e) That a letter to the Minister for Local Government be prepared outlining the discussions currently being held between the four councils in relation to this matter, canvassing the option of this process being considered for a pilot and flagging the potential for a meeting between the Councils and the Minister.
 - f) That a report be prepared for presentation to each of the councils outlining the issue of JO's and the initial response from the four councils as outlined above.
4. That further reports be provided to Council in terms of progress at a regional level.

3.4 Nambucca Shire Council

ITEM 9.2	SF894	270314	"Revitalising Local Government" - Final Report of the NSW Independent Local Government Review Panel October 2013,	27/03/2014
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159/14 **RESOLVED:** (Finlayson/Ainsworth)

That Council advise the Division of Local Government that it is broadly supportive of the recommendations of the Final Report of the NSW Independent Local Government Review Panel subject to the member councils of the North Coast Joint Organisation having input into the regional functions to be allocated to the Joint Organisation

ITEM 9.13	SF894	250914	"Fit for the Future Reforms" - Proposed Pilot North Coast Joint Organisation,	25/09/2014
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466/14 **RESOLVED:** (Ainsworth/Finlayson)

That Council agree to participate in a pilot North Coast Joint Organisation and note its preference for the pilot Joint Organisation to have as its priority the improvement of the financial sustainability of its constituent councils.

4. Evidence of Collaboration

The member Councils of the proposed North Coast Joint Organisation have a proven track record in regard to collaborative engagement. This collaboration between the councils extends to other levels of government. Examples of this collaboration are provided hereunder:

4.1 Clarence Valley and Coffs Harbour Regional Water Supply Scheme

The \$180 million Regional Water Supply Project, which involves linking the Clarence Valley and Coffs Harbour water supplies to meet the forecast demand for water in the region up to and beyond 2030.

Both Councils are responsible through the regional water supply strategy for providing an affordable, secure and environmentally sustainable bulk water supply to meet the needs of the Clarence Valley and Coffs Harbour Region.

The population of the Clarence Valley and Coffs Harbour region which will be served by the water supply is expected to more than double in the next 50 years, from 95,000 to approximately 220,000 persons.

The regional water supply strategy ensures the demands on our natural resources are carefully managed to protect our environment and at the same time provide the services to support the people in our developing area. A key feature is to making sure our natural river systems are protected by not taking water out of them during low flows.

The strategy secures a reliable bulk water supply for the region extending from Iluka to Sawtell. It has two key elements: a \$180 million bulk water supply project, coupled with a regional water efficiency program. The size of the Shannon Creek storage has been designed with the Water Efficiency Strategy factored in, extending the life of the dam beyond 2046.

Regional Water Supply Project

- 30,000 megalitre Shannon Creek Dam, approximately 9km west of Coutts Crossing.
- 90 km of underground pipelines linking the Nymboida River with the new Shannon Creek Dam, the existing Rushforth Road reservoir at South Grafton and Karangi dam near Coffs Harbour.

Regional Water Efficiency Program

- Extending the life of the dam to at least 2046
- Incentives and pricing policies, common regulatory measures, cooperative regional approach, heightened community awareness which support efficient, environmentally sound water use
- Using a range of cost effective and environmentally appropriate alternative water sources such as recycling water and rainwater tanks.
- Effective and efficient management of water supply systems

The Regional Water Supply strategy has been recognised with numerous Australian and International Awards, including:



MEDIA RELEASE

Coffs Harbour City Council and Clarence Valley Council

FOR RELEASE: 29 JUNE 2010

Clarence Valley Coffs Harbour Regional Water Supply Strategy recognised by major international award

The Clarence Valley Coffs Harbour Regional Water Supply (CVCHWS) Strategy has won a Project Innovation Award from the *International Water Association* - the top international water industry body.

"The Project Innovation Awards honour excellence and innovation in the global water industry and the award demonstrates that the Clarence Valley Coffs Harbour Regional Water Supply Strategy ranks amongst the world's best," said Coffs Harbour Mayor, Councillor Keith Rhoades.

"It is very pleasing that a regional NSW project has received international recognition", added Clarence Valley Council Mayor, Councillor Richie Williamson. "The Regional Water Supply project has provided a fabulous outcome for both Councils and our funding partner, the NSW State Government."

The CVCHRWS Strategy, the centrepiece of which is the 30,000-megalitre Shannon Creek Dam, was completed on-time and \$3 million under budget. **The strategy was developed as a partnership between Clarence Valley Council, Coffs Harbour City Council and the NSW State Government** to provide a sustainable, secure water resource for the region's growing population.

The strategy comprises a "non-build" element (the Regional Water Efficiency Program) and a "build" element (the CVCHRWS Project), designed to meet both future population growth and environmental flow requirements. Completion of the strategy removes the reliance of both communities on river extraction and provides future drought security.

The \$180 million CVCHWS Project linked the existing water supply schemes serving Coffs Harbour and the Clarence Valley with 90km of pipeline, and constructed an off-creek dam at Shannon Creek.

The project provides a high level of drought security and enables improved protection of the two rivers from which water is extracted. Design and construction Project Management was undertaken by NSW Public Works, with the dam component constructed by Leighton Contractors Pty Ltd.

The project features many innovations in planning, design and construction to address environmental and engineering issues, including designing the dam to be "transparent" to catchment inflows up to the 1 in 2 year event, ensuring the design allows for future expansion of the dam, and the first NSW use of an "Early Contractor Involvement" (ECI) process during procurement. Plus there were numerous construction innovations which, as well as providing functional benefits, gave cost savings of \$0.60 million. The project also developed an innovative construction safety culture program and provided compensatory habitat to mitigate environmental impacts.

The Strategy provides an outstanding example of successful delivery of a large construction project on time and \$3million under budget, through an effective partnership of government agencies, local government, contractors and the community. Clarence Valley Council and Coffs Harbour City Council are very proud of the international recognition of the CVCHRWS project, which demonstrates that projects in rural NSW can be world-beaters.

4.2 Coffs Coast Waste Services

Coffs Coast Waste Services is a regional partnership between Coffs Harbour City Council, Bellingen Shire Council, Nambucca Shire Council and Handybin Waste Services for the collection of household waste on the Coffs Coast. Coffs Coast Waste service currently provides 43,309 domestic waste collection services across the partner council areas.

The three Councils Bellingen Shire, Coffs Harbour City and Nambucca Shire commenced discussions on regional cooperation in waste management as early as 2002. Coffs Harbour City Council resolved in April 2002 to liaise with Bellingen and Nambucca Shire Councils to pursue regional waste management opportunities. This resulted in the current 'Collection Services for Coffs Coast Regional Waste Services', the 'Agreement for Processing of Waste at the Coffs Harbour Resource Recovery Facility and for Associated Purposes' and the 'Coffs Harbour Regional Resource Recovery Project'.

The Biomass Facility processes source separated organic and mixed residual domestic waste as well as separated commercial and industrial wastes to recover principally the organic fraction as well as other resources such as recyclable metals, rigid plastics and glass. The organic process produces composts, and soil enriching products. The facility reduces disposal of waste to landfill, increases resource recovery, and should reduce the environmental impacts of sending waste to landfill. It introduces more sustainable waste management practices to the Mid North Coast.

The partnership of the three councils has resulted in achievement of an 86 per cent recycling recovery rate which is the highest in NSW. This achievement supports the aims of the Waste Less, Recycle More initiative of the NSW Environmental Protection Agency.

In addition, the three Councils are members of the North sub region of the Midwest Regional Waste Forum which consists of eight councils. The forum develops Regional Resource Recovery Strategies with funding support from the State Government.

4.3 MIDROC Initiatives

Bellingen Shire, Coffs Harbour City and Nambucca Shire are members of the MIDROC organisation of Councils and whilst this association has been active for some ten years or so, in the last four years a number of initiatives have seen the Association achieve outcomes for its members. Whilst Clarence Valley has not been a formal member of MIDROC, it can be seen from other initiatives above that the Councils in the region covered by the North Coast Joint Organisation see the benefit in working together toward common goals.

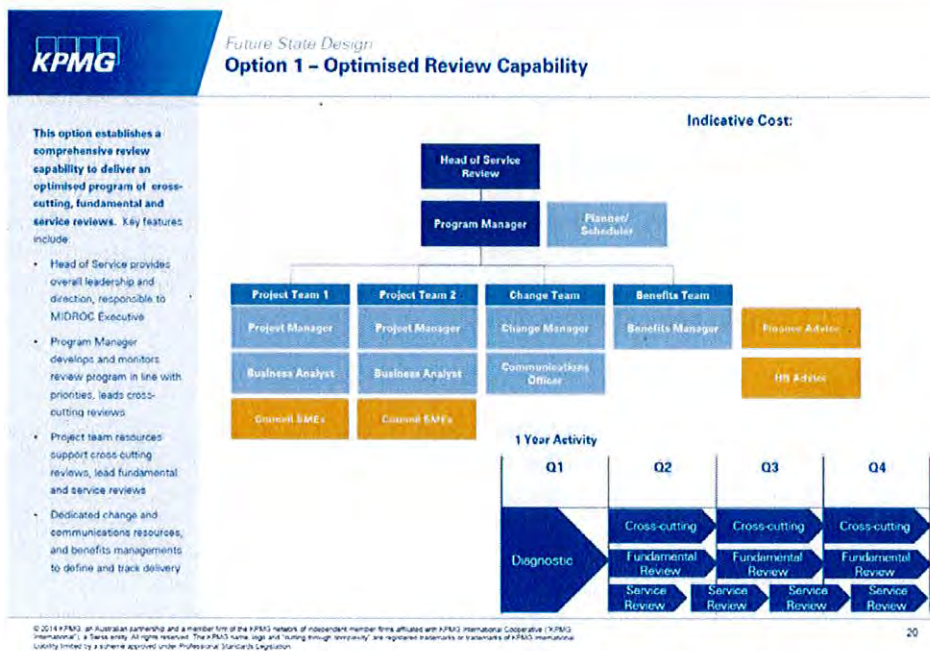
Examples of initiatives achieved within the MIDROC banner include:

- KPMG Report – Optimising Service Delivery / Designing a Service Review Capability

Recently, MIDROC engaged the services of KPMG to undertake an assessment of:

1. The cost of developing a unit to undertake ongoing service efficiency reviews over a 10 year period;
2. The likely benefit that would be generated; and
3. The areas that would derive significant benefits from undergoing a regional service review.

An indication of the type of outcome that is being achieved from this project can be found in the diagram below:



- Strategic Alliance Sub-Groups within MIDROC
 - Asset Management
 - Customer Service
 - Developer Contributions
 - Geographical Information Systems
 - Human Resources
 - Information Technology
 - Integrated Planning & Reporting
 - Mid-Waste
 - Planning
 - Procurement
 - Risk Management
 - Work Health & Safety

- Human Resources Strategic Alliance Group - Regional Training and eLearning Initiative

As an example of the achievements derived from the Strategic Alliance Sub-Groups, the HR Professional Group has developed a number of training packages that are capable of being delivered across the various councils within the Region, thus producing efficiencies in training delivery and building capacity within the region. The group is also sharing training expertise, policies, procedures and is developing a Regional Learning and Development Plan.

In addition, the group has undertaken regional procurement of a Learning Management System to deliver and share priority content as well as standardised training resources which has resulted in savings of up to \$60,000 per annum over a four year period for each participating council.

- Media campaigns

From time to time, there are issues within each of our respective local government areas that have commonality across the region (e.g. elections, woodsmoke reduction campaigns, local government awareness). Where these issues are identified, the MIDROC association takes the responsibility for the delivery of these media campaigns on a regional basis, thus creating efficiencies and consistency in message delivery across the region.

4.4 Clarence Regional Library Service

Bellingen Shire and Clarence Valley Councils work collaboratively around the provision of a library service to their communities. The Executive Office of the Clarence Regional Library Service is based at the Clarence Valley Library in Grafton, with services being coordinated and delivered to the member Councils.

This service brings efficiencies to the member Councils and arguably enables some of the smaller council members and their communities to enjoy a quality service that they would otherwise struggle to provide in their own right.

4.5 Regional Sporting Activities/Events

The C.ex Coffs Harbour Internal Stadium is located in Coffs Harbour and forms part of the greater Coffs Harbour Sport and Leisure Park. These facilities play host to a range of sporting and other events annually, providing a significant boost to the regional economy. Whilst the Stadium and Leisure Park are located in Coffs Harbour, the benefits of such a facility are felt right across the region.

Not only do the communities of Bellingen, Nambucca and Clarence Valley have the opportunity to attend events at the Stadium as either participants or spectators, the large numbers of visitors to Coffs Harbour for these events often means that the utilisation of accommodation and other facilities is sought out across the wider region, thus ensuring that the economic benefits are enjoyed much more widely than the Coffs Harbour LGA alone.

The diversity of sporting events hosted at the Stadium and Leisure Park precinct include:

- National Touch Football Championships
- National Junior Football Championships
- National Junior Oztag Championships (held most recently in February 2015, with approx. 3,000 participants plus their families, resulting in some 8,000 to 10,000 visitors looking for accommodation over 4 to 5 nights from Macksville in the south to Grafton etc in the north)
- World Touch Football Championships due to be held in April 2015

In addition to the type of events mentioned above, Coffs Harbour and its facilities often play host to a range of other events such as:

- The World Rally Championship (round 10 of the event based in Coffs Harbour, using forest roads and facilities from Grafton in the north to Bowraville in the south)
- NAB Challenge Cup (pre-season AFL competition)
- NRL Trial games (pre-season)
- Offshore Superboat championships
- And many more

The simple fact that these type of events are held in and around Coffs Harbour means that the broader community within the region has an opportunity to observe and participate in world class events within close proximity to their homes. The Councils of Clarence Valley, Coffs Harbour City, Nambucca and Bellingen Shires are renowned for working together to ensure that not only do these type of sporting events and activities keep coming back to our region, but also that our communities have as much opportunity as possible to enjoy the benefits that are derived from these type of events.

5. Work Program

5.1 Regional Alliance of Local Government Water Utilities at a high level focussing on service and infrastructure planning as opposed to service delivery.

Status / planned actions:

Existing strong partnership between Clarence Valley, Coffs Harbour City Council and the State government will support the progression of this body of work.

Supports potential function of JO:

Regional Strategic Planning and Prioritisation

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 2.3

Coffs Harbour City Council- 2030 Plan Objective LE4

Shire of Bellingen 2030 Community Strategic Plan- Living Environment

Nambucca Valley 2030 Community Strategic Plan Objective 11.1

Aligned to Regional Action Plans / Regional Growth Plans:

Far North Coast Regional Strategy- Water & Energy Resources

Mid North Coast Regional Strategy- Water & Energy Resources

Mid North Coast Regional Action Plan Priority 7

Northern Rivers Regional Action Plan Priority 7

May feed into North Coast Regional Growth & Action Plans

Links to State Government Plans:

NSW Office of Water Strategic Plan 2013-2015

NSW 2021 Goals 21 & 22

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Office of Environment & Heritage, Office of Water, Local Water Authorities

What would success look like?

Likely outcomes to be achieved from this project:

- The development of a regional water supply and reticulation strategy moving the region to a drought proof scenario (arguably already achieved for Clarence, Coffs Harbour and Nambucca)
- Improved drinking water quality to meet guidelines and various other strategies
- Better utilisation of skilled resources across the region
- Shared knowledge and capability aimed at improving infrastructure, work practices and collective outcomes

5.2 Strategic Regional and Sub-Regional Planning Framework

Status / planned actions:

The actions associated with this initiative would need to be developed in the early stages of the project with the assistance of an appropriate facilitator.

Potential function of JO:

Regional Strategic Planning

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.1

Coffs Harbour City Council- 2030 Plan Objective LC3

Shire of Bellingen 2030 Community Strategic Plan- Civic Leadership

Nambucca Valley 2030 Community Strategic Plan Objective

Aligned to Regional Action Plans / Regional Growth Plans:

Far North Coast Regional Strategy

Mid North Coast Regional Strategy

May feed into North Coast Regional Growth Plan& Action Plan

Link to State Plan:

NSW 2021 Goal 29

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Department of Planning and Environment

What would success look like?

Likely outcomes to be achieved from this project:

- The development of a stronger regional approach to our strategic community planning framework.
- An enhanced approach to land use planning frameworks from a regional perspective.
- Knowledge and information sharing
- Collaboration on regional planning for key initiatives
- Improved integration achieving better place making outcomes for our region and its communities

5.3 Strategic Waste Management

Status / planned actions:

Workshops held in 2011 and more recently in September 2014 to progress regional solutions. Preparation of a regional strategy and a collaborative model are action items that can be progressed through the JO pilot.

Links to potential function of JO:

Regional Strategic Planning & Intergovernmental Collaboration.

Aligned with member Council Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024- Objective 4.4

Coffs Harbour City Council- 2030 Plan- Objective LE4

Shire of Bellingen 2030 Community Strategic Plan- Living Environment

Nambucca Valley 2030 Community Strategic Plan Objective 7.1

Aligned to Regional Action Plans / Regional Growth Plans:

Far North Coast Regional Strategy

Mid North Coast Regional Strategy

Mid North Coast Regional Action Plan Priority 7

Northern Rivers Regional Action Plan Priority 7

May feed into North Coast Regional Growth Plan & Action Plan

Link to State Plans:

NSW 2021 Goal 22 & 23

Collaboration with:

Regional Coordinator Department of Premier & Cabinet, Environment Protection Authority & other Regional Councils.

What success will look like?

Likely outcomes to be achieved from this project:

- An enhanced regional approach and strategy to deal with waste management within our region.
- Knowledge and information sharing
- Collaboration on key outcomes identified in the strategy
- Better utilisation and demand management of landfill sites
- Improved environmental outcomes
- Further reduction of waste material to landfill

5.4 Regional Voice-Intergovernmental Relations and Regional Advocacy

Status / planned actions:

The actions associated with this initiative would need to be developed in the early stages of the project with the assistance of an appropriate facilitator.

Links to potential function of JO:

Intergovernmental collaboration and regional advocacy

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.1

Coffs Harbour City Council- 2030 Plan Objective LC3

Shire of Bellington 2030 Community Strategic Plan- Civic Leadership

Nambucca Valley 2030 Community Strategic Plan Objective

Aligned to Regional Action Plans / Regional Growth Plans:

Far North Coast Regional Strategy- Economic Development & Employment Growth

Mid North Coast Regional Strategy- Economic Development & Employment Growth

Mid North Coast Regional Action Plan

May feed into North Coast Regional Growth Plan

Link to State Plan:

NSW 2021 Goals 32

Collaboration with:

Regional Coordinator Department of Premier & Cabinet and relevant state government departments and agencies.

What would success look like?

Likely outcomes to be achieved from this project:

- Shared understanding, one voice
- Improved inter-government relations. The proposed North Coast JO will create the framework for this outcome, and our success will be influenced by the commitment of State Agencies to work with the proposed North Coast JO.
- Improved outcomes for our communities
- Stronger recognition of priority issues for our region

5.5 Develop a framework to ensure a consistent basis to evaluate the potential for shared service provision. Review activities for the delivery of 'back office' services.

Status / planned activities:

This work objective will support financial sustainability objectives by exploring opportunities to improve efficiency, utilise economies of scale and build capacity.

Facilitated discussions on the options available for alternate service delivery models within our region, such as:

- Shared services;
- Alliances;
- Centres of Excellence; and
- Outsourcing.

Whilst the member Councils of the North Coast JO understand that the Fit for the Future Joint Organisations model suggests that "Regional Service Delivery" option may not be an initial focus, we believe that this elements is essential to assist the member Councils in their endeavours to achieve financial and operational sustainability.

Link to potential function of JO:

Regional Service Delivery

Aligned with member Councils Strategic Plans:

Clarence Valley Council- Our Community Plan 2015-2024 Objective 5.2

Coffs Harbour City Council- 2030 Plan Objective LC3

Shire of Bellingen 2030 Community Strategic Plan- Civic Leadership

Nambucca Valley 2030 Community Strategic Plan Objective 1.2

Aligned with Regional Action Plans / Regional Growth Plans:

Far North Coast Regional Strategy

Mid North Coast Regional Strategy

May feed into North Coast Regional Growth Plan

Link to State Plans:

NSW 2021 Goal 3

Fit for the Future: financial sustainability, efficiency & scale and capacity.

Collaboration with:

Member councils

What would success look like?

Desired outcomes to be achieved from this project:

- Member Councils moving toward financial and operational sustainability
- Improved service delivery outcomes for our communities

5.6 Regional Infrastructure Planning and Management.

Status / planned activities:

A methodology is being developed to consistently plan for and report on infrastructure assets (condition, levels of service, valuation, backlog and required maintenance).

The project is being keenly watched by many in the sector given inconsistency in reporting is a critical issue to be overcome by the industry as a whole (identified in the 2013 Local Government Infrastructure Audit). This information is subject to audit beginning in 2015/16 and impacts all "fit for the future" criteria apart from own source revenue.

A consistent Asset Management Maturity Assessment is also being undertaken so as to inform a Regional Asset Management Strategy, benchmarking current capacity and identifying opportunities to collaborative on improvement initiatives.

Link to potential function of JO:

Regional Infrastructure Planning and Management

Aligned with member Councils Strategic Plans:

A range of objectives and strategies within:

Clarence Valley Council - Our Community Plan 2015-2024

Coffs Harbour City Council - 2030 Community Strategic Plan

Shire of Bellingen 2030 Community Strategic Plan

Nambucca Valley 2030 Community Strategic Plan

Aligned with Regional Action Plans / Regional Growth Plans:

Mid North Coast Regional Strategy

Northern Rivers Regional Action Plan

Mid North Coast Regional Action Plan

Link to State Plans:

NSW 2021 Goals 10, 19, 21, 27, 30

Collaboration with:

Member councils, other councils in MIDROC, IPWEA, Auditors Association and OLG.

What would success look like?

Councils report consistently on infrastructure in annual financial reports and against "fit for the future" criteria ("talking apples and apples about infrastructure") by applying a methodology that can be replicated by other regions, and state wide.

Asset Management capacity is assessed consistently between councils so as to identify opportunities to improve and collaborate. Improvement actions are endorsed and resourced by councils, with staff held accountable for delivery.

Opportunities to improve infrastructure-related service delivery (disseminating best practice, sharing resources, etc.) are identified and implemented.

6 Operations matters including Entity and Executive Officer

The Pilot process will facilitate the exploration of structures to support Joint Organisations to achieve democratic representation and their agreed outcomes.

In the interim, the North Coast member Councils propose that a section 355 Committee with a minimum term be established for the purpose of our Pilot process. Legal advice and /or direction from the Office of Local Government may be required to ensure that the Committee provides an appropriate structure for the operation of the North Coast Joint Organisation.

The following actions are planned to progress the establishment of a section 355 Committee:

- Develop a model structure
- Develop a Charter
- Develop terms of reference and delegations
- Develop a meeting charter based on the Code of Meeting Practice
- Identify regional stakeholders
- Identify and agree on regional strategic priorities
- Develop a prioritised Action Plan
- Report to member Councils

It is absolutely essential that the members of the North Coast Joint Organisation turn their minds early in the process to the development of a framework that can be utilised to monitor progress of the Work Plan and establish critical measures of success. In developing this framework, it is suggested that SMART (Specific, Measurable, Achievable, Relevant and Timely) principles should be applied to the development of this framework.

Engaging appropriate external resources as necessary may assist in achievement of the monitoring and measurement regime. It should be noted that from time to time it may also be necessary to engage relevant external expertise to assist in the delivery of the Work Plan, e.g. service reviews on areas nominated for regional service delivery.

The option of secondment or employment of an Executive Officer would need to be considered further. Under the provisions of a section 355 Committee, one of the delegating Councils may need to assume responsibility for the employment of the Executive Officer.

The selection criteria for the Executive Officer would need to include demonstrated high level skills in managing critical relationships. The role would assist the Joint Organisation to facilitate intergovernmental cooperation.

In conclusion, it needs to be stressed that one of the higher priority outcomes/principles that needs to be delivered as part of the North Coast Joint Organisation outcomes is assistance to its member Councils in the achievement of financial and operational sustainability. It is also imperative that the North Coast Joint Organisation structure reflect this goal.



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Clr Densie Knight
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Coffs Harbour City Council
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2450

30 APR 2015

Dear Clr Knight

Thank you for your letter of 30 March 2015 to the Manager Innovation of the Office of Local Government, Keith Baxter and your submission of a North Coast Joint Organisation (JO) Expression of Interest.

I would like to acknowledge the commitment of the North Coast region to effective regional collaboration and understand the collective disappointment of the Mayors in relation to the initial North Coast JO Expression of Interest.

As the Office has previously advised General Manager, Coffs Harbour City Council Steve McGrath, there was significant interest in the pilot program and the EOIs were of a high calibre. Following a merit based assessment process involving the Office of Local Government, Local Government NSW, Department of Premier and Cabinet and Department of Planning and Environment, the strongest five EOIs were selected for the pilot process by the Minister for Local Government.

I also note that among the five pilot regions that were chosen there is significant diversity in terms of both operating environment and regional priorities which will ensure JOs are tested in a variety of settings to determine a robust model.

The NSW Government will consider in the latter half of 2015 the possibility of initiating further pilots. Councils will be advised if an additional round of pilots is to commence. In the meantime, the Office of Local Government is making information on the JO pilot process available at www.fitforthefuture.nsw.gov.au. I have written to each of the Mayors signatory to the revised EOI submission.

I thank you for your interest in and support of this important initiative.

Yours sincerely


Steve Orr
Deputy Chief Executive
Office of Local Government