

ASHFIELD COUNCIL

ORDINARY MEETING

**SUPPLEMENTARY AGENDA
25 NOVEMBER 2014**

MAYORAL MINUTE

MM31/2014 - FIT FOR THE FUTURE RESEARCH.

MAYORAL MINUTE

FIT FOR THE FUTURE RESEARCH

Ashfield Council holds a strong and consistent position of "no forced amalgamations."

We believe that we are 'Fit For the Future' on any fair and objective criteria. Our services are recognised as models of leading practice and, by the State Government's own TCorp (NSW Treasury Corporations) assessment, Ashfield is in a sound financial position.

We have already resolved to develop a community engagement strategy to seek feedback from our community on this issue.

We need to collect and exchange information with other councils in the region to ensure that we can properly assess the potential outcomes of any mergers on our Council and community.

Through the attached MoU, the six effected Councils will work to ensure we have all the information needed to model the options available to each Council and inform our next steps.

We have called on the Premier to undertake a referendum to establish community views on the issue of amalgamations at the next state election. The Premier has referred our request to the Minister for Local Government but as yet we have had no response.

ATTACHMENTS

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|---------------------|--|---------|
| Attachment 1 | MEMORANDUM OF UNDERSTANDING ('MOU') for the FIT FOR THE FUTURE PROGRAM | 6 Pages |
| Attachment 2 | SSROC Proposal for A Council of Mayors Model | 4 Pages |

RECOMMENDATION

That Council sign the attached Memorandum of Understanding (MoU) and contribute \$20k toward business case analysis and \$10k towards community education and information, in line with our six neighbouring Councils.



COUNCILLOR L MCKENNA OAM
Mayor

Draft – November 2014

**MEMORANDUM OF UNDERSTANDING (“MOU”) for the FIT FOR THE
FUTURE PROGRAM**

Dated2014

BETWEEN

ASHFIELD COUNCIL of 260 Liverpool Road Ashfield, New South Wales
 (“Ashfield”)

AND

BURWOOD COUNCIL of 1-17 Elsie Street, Burwood, New South Wales
 (“Burwood”)

AND

CITY OF CANADA BAY of 1A Marlborough St Drummoyne, New South Wales
 (“Canada Bay”)

AND

LEICHHARDT COUNCIL of 7-15 Wetherill Street, Leichhardt, New South Wales
 (“Leichhardt”)

AND

MARRICKVILLE COUNCIL of 2-14 Fisher Street, Petersham, New South Wales
 (“Marrickville”)

AND

STRATHFIELD COUNCIL of 65 Homebush Road Strathfield, New South Wales
 (“Strathfield”)

BACKGROUND

On Wednesday 10 September 2014 the State Government released its response to the final recommendations of the Independent Local Government Review Panel (Revitalising *Local Government* April 2014) and the Local Government Acts Taskforce. In doing so, the State Government also announced funding up to \$1 billion for local government in NSW to assist councils implement the Government supported recommendations.

The NSW Government has packaged their response under the banner of ‘Fit for the Future’ (FFF)

For details see <http://www.fitforthefuture.nsw.gov.au/>

The government's focus is supporting voluntary mergers, including a reduction of the Sydney metropolitan councils from 41 to 18. The government response signals strongly that Sydney Metropolitan Councils, and in particular the inner and eastern councils, will need to address the Panel recommendations for mergers, citing increased 'scale and capacity' (i.e. size) as key components to ensuring financial sustainability and more effective metropolitan governance.

The current State Government proposal is the creation of a new Sydney-Central Metropolitan Council through the merger of Ashfield ; Burwood; Canada Bay; Leichhardt; Marrickville and Strathfield Councils - resulting in a new inner city council of almost 350,000 people.

Apart from the reform funding, the State Government announced it will also:

- Introduce a new streamlined Local Government Act from 2016/17 that cuts red tape and puts Integrated Planning and Reporting as the nucleus of council activities
- Provide a State government borrowing facility for more cost effective council loans
- Introduce a new role for the Auditor General to oversee financial management of councils
- Introduce minimum two-year terms for Mayors
- Introduce greater powers for the community if they want a directly elected Mayor
- Introduce clearer roles for Mayors, Councillors and General Managers
- Provide councils who are deemed 'Fit for the Future' with additional planning powers
- Review of the current rating system providing councils who are deemed 'Fit for the Future' with easier access to Special Rate Variations

All NSW Councils (excluding those in the Far West) have been requested to undertake a self-assessment, then prepare a road map to become 'Fit for the Future' and submit it to the State Government by 30 June 2015.

A series of templates were released on 31 October 2014 to assist Councils in undertaking the self assessment.

The submission, in turn, will be assessed by an independent panel and those councils who are subsequently deemed by the Government as being 'Fit for the Future' will be given access to reform funding, improved State borrowing facilities, reduced red tape and extra planning powers.

The criteria to be applied to the self assessment process are:

1. Financial sustainability
2. Effectively managing infrastructure and delivering services for communities
3. Efficiency – value for money
4. Scale & Capacity – to engage effectively across community, industry and government

Councils must first demonstrate how they meet the scale and capacity criteria, with the Government supporting the Panel's recommendations that in our region, this can only be achieved by merging with our 6 councils (or some similar merger).

The Government expects that council amalgamations will formally commence in October 2015, transitional governance arrangements put in place (i.e. local transition committees comprising the Mayor and 1 councillor from each council plus the General Managers) and mergers completed by September 2016 in time for the next local government elections.

All six Inner West Councils proposed by the State Government for amalgamation have agreed to opening discussion on responding to the Fit for the Future program (note that Strathfield Council have resolved not to make a submission on the Fit for the Future program).

PURPOSE

The purpose of this MOU is to:

- i) Formalise the alliance between the six councils to support and facilitate a robust response to the State Government Fit for the Future Program; or in the event that 1 or more councils choose not to respond to the Program, provide those councils with reliable data on the likely outcomes of the mergers on their communities
- ii) Facilitate opportunities for mutual exchange and collaboration between the councils through:
 - Shared modelling of the merger options to identify the likely social, environmental, financial and governance outcomes on the respective councils and their communities; thereby enabling each council to prepare their business cases
 - Each Council to establish an internal Fit for the Future working party tasked with sharing and collating relevant information between councils
 - An integrated community engagement program to actively inform our communities about the State Government reform agenda and its implications for the respective local government areas
- iii. Thereafter enable respective councils to respond and/or engage further with their communities as best suits their particular circumstances.

DURATION OF MOU

This MOU commences upon execution and will continue until 30 June 2015. Should the need arise for Councils to continue operating under an alliance arrangement following the 30 June 2015 deadline, a new MOU will be developed with new terms of reference.

ROLES, RESPONSIBILITIES OF EACH COUNCIL

The Councils agree to work collaboratively to:

1. Facilitate the shared modelling of the merger options based upon

- Financial sustainability including identification of the likely merger costs and impact on rates
- Infrastructure and service delivery
- Scale and Capacity
- Effectiveness and efficiency
- Analysis of the social impacts particularly as they relate to representation and communities of interest.

(Note that Strathfield Council support a stand alone option only)

In turn leading to development of a business case analysis (providing enough information to allow the councils to understand the likely advantages and disadvantages of each option) for :

- Amalgamation of Ashfield, Burwood, Canada Bay, Leichhardt , Marrickville & Strathfield as proposed by the Panel and supported by the State Government
- Alternative amalgamation options eg with reduced number of councils
- The JO option ie the SSROC “Council of Mayors” model previously submitted to the State Government – **see attachment**
- Each option compared to the Status Quo (as the baseline) and a view reached as to whether each option performs better, worse or no different to the Government self assessment criteria

(Note that Strathfield Council have excluded the concept of JO's and only support a stand alone option)

2. Develop an integrated community education and information program providing consistent messaging across the region, tailored however appropriately to meet the individual circumstances of each of the six councils.

This could, for example, include a shared web platform under the “saveourlocalarea.com” banner.

The Councils will each provide appropriate monetary and in-kind support to assist in the achievement of the above. Wherever possible, Councils agree to utilise modelling already developed by SSROC or other studies conducted in the recent past by Councils or other entities.

SUGGESTED MONETARY CONTRIBUTIONS

1. Shared modelling of the merger options to develop a business case analysis for each council – in the range of \$15,000 to \$20,000 each (i.e. a budget between \$90,000 and \$120,000 in total)
2. An integrated community education and information program – in the range of \$5,000 to \$10,000 each (i.e. \$30,000 to \$60,000 in total)

Contributions from each of the six councils will finalised upon selection of the successful consultants and payable on formal engagement of the successful consultants.

PROJECT MANAGEMENT

A Steering Committee comprising the General Managers of each of the six councils and their nominated FFF working party member will operate to:

- Develop the requisite Expression of Interest documents, identify a panel of suitably qualified consultants, seek fee submissions from suitably qualified consultants for the shared modelling merger option ; as well as the development and facilitation of an integrated community education and information program
- Short list, interview, select and approve the respective successful consultants
- Monitor and evaluate progress of the project plans
- Approve and monitor the expenditure of funds (Leichhardt Council agrees to manage the monetary contributions of each council in order to issue progress payments when and as approved by the Steering Committee)
- Respond to critical issues management and coordinate any media and publicity demands arising from this council alliance with their respective Mayors
- Determine suitable secretarial support to manage correspondence amongst Steering Committee members, set and circulate agendas, and take and circulate minutes

TIMING

1. Seek selective Expressions of Interest submissions from suitably qualified consultants (minimum of 3 for each project) for the shared business case modelling and integrated community engagement

program once a decision has been formalised by each Council at their next available Council meeting.

2. Successful consultants appointed by the end of December 2014 (TBC, see point 1 above)
3. Shared business case modelling outcomes to be completed for submission to the Steering Committee by no later than the end of January 2015 (TBC) and thereafter presentation to the Mayors and General Managers by early to mid-February 2015
(Note that Strathfield Council have excluded the concept of JO's and only support a stand alone option)
4. Community engagement program framework and action plan developed and submitted to the Steering Committee no later than mid-January 2015, presented to the Mayors and General Managers by no later than mid February 2015, with program commencement due no later than the end of February 2015.

Ashfield Council

Burwood Council

City of Canada Bay

Leichhardt Council

Marrickville Council

Strathfield Council

Appendix – SSROC ‘Council of Mayors’ proposal

Annexure 1.

SSROC Proposal for A Council of Mayors Model

Introduction

Southern Sydney Regional Organisation of Councils (SSROC) is an association of sixteen Councils formed for mutual benefit through collaboration and cooperation. Collectively, the group extends across an area covering more than 600 square kilometres, with a population in excess of 1.4 million people. Member Councils deliver and maintain in excess of \$20 billion of local infrastructure and other assets. Key state and national infrastructure is located within our geographical area, including the City of Sydney, Sydney Airport, Port Botany, the M4 and M5 as well as major health (Prince of Wales hospital) and education centres (University of NSW and UTS). The SSROC region forms a critical part of the economy of the state and the nation.

The strength of SSROC reflects the enthusiasm of its member Councils for working together to achieve common objectives, whilst maintaining the independence of each to address its own local issues. SSROC has succeeded in delivering real benefits to Councils over more than 25 years.

In SSROC's original submission to the Panel it was highlighted that *"Nowhere in the various analyses mentioned in this report, is there a conclusion that larger Councils provide better or more efficient and effective Local government. The comparative analysis in relation to infrastructure management across Australia does not support the contention that those States that have gone through an amalgamation process are in some way in a better position in relation to financial sustainability or infrastructure management. It is acknowledged that in some instances smaller Councils do face issues acquiring skilled resources and technology. However, SSROC's experience suggests this can be overcome by a cooperative regional approach."*

It is SSROC's view therefore, that if fundamental change to local government in NSW is being considered, the amalgamation "position" should not simply be identified as a solution. It may ultimately be a result that flows from a major structural overhaul, but it does not seem logical that it is identified as a solution without exploring other potential structural change options. Perhaps an analysis of new potential regional service delivery and shared service models should be undertaken first, then the results potentially achievable in each of the four "attributes" as described in Table 2, could be compared to amalgamations. All that Table 2 does at the moment is compare existing arrangements.

The panel highlights on page 28 that it *"will formulate proposals for amalgamations and/or new regional entities and expanded shared services to build strategic capacity and sustainability throughout NSW."* It appears that from this statement, and other comments about amalgamations not necessarily being the best solution for rural Councils, that amalgamations are seen as the solution for the Sydney Councils and *new regional entities and expanded shared services* are viewed as the regional and rural solution. Why can it not be a solution in both contexts?

A Proposed New Regional Structure

This proposal has been developed in conjunction with SSROC member Councils and proposes a model for regional collaboration that will ultimately require legislative change.

The proposal involves a new structure and governance framework for SSROC to complement the proposed model with participating SSROC member Councils acting in accordance with the new framework.

It is proposed that SSROC be a pilot program for a regional model for service delivery and advocacy. The model, as a pilot, does not involve the dissolution of SSROC as an entity. It will continue to operate side by side with the new model. The success of the pilot program, and the necessary legislative change that will need to follow, will determine whether the pilot model ultimately replaces the existing SSROC.

SSROC has previously promoted the idea that its current structure works well and should be used as a model with the following legislative changes:

- Inclusion of "gateway" provision in the Associations Act which allows the scope for the "carve out" of ROCs to remove restrictions against trading or securing pecuniary gain for its members;
- LGA amendments to allow ROCs to call and award tenders and to apply and receive grants; and
- Removal of limitations to incorporate.

However, based on the Gooding Davies paper "Options to Enhance Regional Collaboration amongst Councils in NSW: the Role of Regional Organisations of Councils" and SSROC's experiences, it is apparent that neither the current structure of ROCs, nor their existing capacities, would be appropriate to deliver the outcomes required. SSROC believes that one option could involve taking the best from the options for regional collaboration highlighted in Gooding's paper.

The proposal utilises much of the analysis contained in the Gooding Davies paper and sets out the broad framework in simple terms under the key features "headings" utilised in that paper. The proposal closely reflects the Council of Mayors model described by Gooding and Davies with some important amendments including the option to include commercial/technical experts on the Council of Mayors and on the general managers' group as advisors. There is also the clear distinction made between the advocacy arm of the organisation and the shared services/commercial operations arm. It is also highlighted that a mechanism is required to allow the Board to agree to operate trading concerns without restrictive covenants.

The proposed model builds on the outstanding success of SSROC in improving the strategic capacity of the region as a whole. Examples of that success include the street lighting improvement program, waste management strategies including alternative waste treatment and regional procurement strategies. These examples show what can be achieved simply through voluntary collaboration, despite the lack of structure and the legal impediments. The model proposed builds on this success without pushing towards a consolidation solution, which at best has questionable benefits. SSROC can assist in further raising the strategic capacity of local government across the region, if provided with the opportunity.

The Model

Objective:	This is a model aimed at increasing the strategic capacity of Councils by delivering a range of services on a shared basis enabled by a new appropriate legislative framework.
Key Features	
Baseline assumptions	Increased emphasis on the role of mayors and a strategic focus by councils with greater emphasis on regional collaboration A model that will assist greatly in improving the strategic capacity of participating Councils.
Key organisation	An organisation based on SSROC membership (possible name change)
Legislation	Requires enabling legislation that establishes a requirement for participation regional activities. There is a need to have a mandated set of core functions and objectives. Councils can delegate any function in addition to mandated activities. Capacity to operate trading concerns required.
Incorporation options	A Council of Mayors model with a Mayor/delegate of each council.
Governance	A delegate from each Council with options to access independent, commercially focused people with the appropriate skills and expertise to act in an advisory capacity.
Participation	Councils currently in SSROC are invited to participate. Participation in regional collaboration and shared services required as part of this involvement
Structure	Structure to contain: <ul style="list-style-type: none"> • A Regional Entity to oversee broad direction, advocacy and strategic planning with options to include independent, commercial/technical focused people with the appropriate skills and expertise to act in an advisory capacity. • A General Managers Shared Services group to oversee development of shared services, joint procurement and other operational activities with the option to access commercial/technical people with the appropriate skills and expertise to assist in the development of operational companies. • A regional entity administration
Shared Services	Councils are required to delegate a range of shared services to the regional entity. The range of services to be determined (don't focus on "back of office" only). The responsibilities of the two entities would include: <ul style="list-style-type: none"> • Regional Entity provide strategic direction and implementation of shared services framework • Service delivery units including companies reporting to the regional entity.

eg Staff Training; Procurement; project management; industrial relations.

This should not preclude the option of member Councils providing services to other member Councils on a demand driven basis.

Compulsory for market contestability of all shared services each 4 years

Employment Staff employed in providing core council functions as part of a regional entity, are to be employed under the Local Government (State) Award.

Government Relations Relevant government agencies required to consult collaborate in developing regional plans and to harmonise regional boundaries that work not based on governments existing boundaries

A pictorial summary of the proposal is shown below:

