

BERRIGAN SHIRE COUNCIL	
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10th April 2015

Mr. Rowan Perkins
 General Manager
 Berrigan Shire Council
 PO Box 137
 Berrigan NSW 2712

Dear Mr Perkins,

Letter of Engagement - Statutory Audit of Berrigan Shire Council for the Year Ended 30 June 2015

Auditing standards require that we establish the terms of our engagement as Council's auditor and accordingly we submit to you our Letter of Engagement effective for the current year. We set out below the basis on which we act as Council's auditor and the respective areas of responsibility for both Council and ourselves. This letter does not involve any change in our duties as auditors and is in accordance with your audit tender specification and our tender submission.

An Audit Strategy will be developed following completion of our planning work. It will set out specific matters relevant to the audit for each year, the engagement team, timetable, and further details of the scope of our services. This Letter of Engagement and the Audit Strategy outline the terms of our engagement.

Responsibilities of the Councillors

As Councillors, you are responsible for:

- ensuring the Council keeps accounting records in accordance with the requirements of the Local Government Act 1993 (as amended) and which at any time disclose with reasonable accuracy the financial position of the Council;
- establishing and maintaining an internal control structure;
- preparing a financial report (including adequate disclosure) which presents fairly the Council's operating result and financial position and is in accordance with Council's accounting and other records. The financial report must be prepared in accordance with the *Local Government Act 1993* (as amended) and the regulations made there under, Australian Accounting Standards and professional pronouncements, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual regulations;
- enabling us access, on an unrestricted basis, to all the records, information and explanations we consider necessary in connection with the audit.

Responsibilities of the auditors

We have a statutory responsibility to:

- form an opinion and report on whether the financial report presented to us by Council:
 - is presented in accordance with the requirements of Chapter 13 part 3 Division 2 of the Act
 - is consistent with Council's accounting records
 - presents fairly the Council's financial position and the results of its operations .
- form an opinion on whether all information relevant to the conduct of the audit has been obtained.
- state whether any material deficiencies in the accounting records or financial reports have come to light during the course of the audit .
- prepare a report on the conduct of the audit containing such comments, statements and recommendations as we consider appropriate.

Our audit responsibilities do not extend to the budget figures contained in the financial reports nor to the Special Schedules which are attached to the financial reports.

We are also required to report to the Office of Local Government (the Office) instances where we have reasonable grounds to believe that a contravention of the Act has occurred and where it has not or will not be adequately dealt with in the audit report or by bringing it to the attention of the Council.

Scope of the Statutory Audit

Our Statutory Audit of the annual financial report will be conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and evaluation of accounting policies and significant accounting estimates. These procedures will be undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the Act so as to present a view which is consistent with our understanding of the Council's financial position, and performance, represented by the results of its operations and its cash flows.

We will obtain an understanding of the accounting system and the internal control structure to the extent necessary to consider their adequacy as a basis for the preparation of the financial report. This understanding will enable us to establish whether sufficient accounting records have been maintained.

The nature and extent of our audit procedures will vary according to our assessment of the Council's accounting system and, where we place reliance on it, the internal control structure. Our audit approach will be documented in an audit plan which may be amended on the basis of the matters identified during the course of the audit. Accordingly as the circumstances dictate we may amend our scope, visit different locations from the prior year, rotate our audit emphasis and propose matters of special emphasis.

Other documents accompanying the audited financial report

Generally accepted auditing standards require that we read any annual report and or other documents that contain our audit opinion. The purpose of this procedure is to consider whether other information in these documents, including the manner of its presentation, is materially inconsistent with information appearing in the audited financial report or concise financial report. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

Detection of fraud, error and noncompliance with laws and regulations

The Councillors are responsible for safeguarding the Council's assets and for the prevention and detection of fraud, error and non-compliance with regulatory requirements. Our audit procedures are designed to provide reasonable assurance of detecting errors or irregularities, including fraud and other illegal acts, which are material to the financial report. There is an unavoidable risk that audits planned and executed in accordance with Australian Auditing Standards may not detect a material error or irregularity, particularly where there has been concealment through collusion, forgery and other illegal acts. There are inherent limitations in performing an audit - for example, audits are based on selective testing of the information being examined -therefore errors and irregularities may not be detected and as a result, our audit can only provide reasonable – not absolute - assurance that the financial report is free of material misstatement.

Management representation letter

We will seek written confirmation from the Councillors or senior management in respect of representations made to us in connection with the audit or review of the financial report.

Management reporting

At the conclusion of our work we may issue a report containing matters we consider appropriate to bring to the attention of management and the Councillors. If any such report deals with internal controls, it cannot contain all matters that a full review of internal controls may identify, as our audit work is primarily conducted to allow us to express an opinion on the financial report.

This report may not be provided to a third party without our written consent. We may, at our discretion, grant or withhold our consent or grant it subject to conditions, including an acknowledgement by a recipient that the report is not prepared with the interests of anyone other than you in mind and that we accept no duty or responsibility to any other party.

Other audit related services

From time to time you may request that we also provide other audit related services. The specific scope of these other audit related services may be subject to a separate engagement letter, depending on the nature and extent of the services requested, and will be performed in accordance with the terms of the engagement contract unless otherwise agreed.

Quality of service

It is our desire to provide you with a high quality service to meet your needs. If you believe that our service to you could be improved, or if you are dissatisfied with any aspect of our service, please raise the matter immediately with the engagement leader. This will enable us to ensure that your concerns are dealt with promptly and appropriately.

One of the many considerations in the design of our audit strategy is to develop an efficient audit approach and, where appropriate, we will discuss with management ways in which they can assist us in conducting the audit in an efficient manner.

Fees and Expenses

The audit fees are based on our tender proposal and indexed at the agreed indexation factor. The adjustments in the fees will be communicated to you annually through the Letter of Engagement.

Annual Fee for Audit Engagement \$20,600 (plus GST)

These fees are based on the time required by the individuals assigned to the engagement. The fee includes allowance for any out-of-pocket expenses. Fees will be billed on a progressive basis as the audit work is undertaken, as follows:

Billing Phase	Requirements	Percentage of Fee
Interim Stage	Completion of interim visit & deliverables	30%
Final Stage	Completion of final visit	50%
Completion	Audit Sign-Off and completion of all deliverables	20%

In the event that unforeseen changes in the scope of our audit have arisen, we will agree with you the action that needs to be taken. This could include you re-directing certain of your staffs' efforts to deal with the issues or requesting us to provide assistance in some agreed manner.

Similarly, should we identify significant issues or changes to the scope of our audit at any other point during the course of the engagement; we will discuss the required action with you as soon as practical. You can be assured that we will not expect to be reimbursed for any additional costs unless we have discussed it with you beforehand.

Any assistance with accounting or other support services will be charged at our normal hourly rates, after first agreeing with you an estimate of those fees. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

Applicable Law

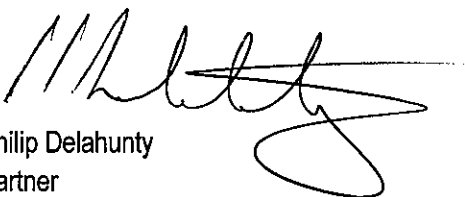
This engagement letter will be governed by the law of New South Wales and each of us submits to the non-exclusive jurisdiction on the courts of that place.

Acknowledgement of terms

Please acknowledge your agreement to the scope and terms of our engagement as set out in this by signing the copy of this letter in the space provided and returning it to us.

If you would like to discuss any aspect of our engagement further, please contact me on (03) 5445 4200 or at phild@rsdadvisors.com.au.

Yours faithfully



Philip Delahunty
Partner
RSD Chartered Accountants

Client Acceptance

The terms of this engagement are accepted by _____
(name of signatory) on behalf of the Council including any related entities for which RSD Chartered Accountants
is appointed as auditor who represents that he/she is authorised to accept these terms on its/their behalf.

.....
Signed

.....
Position

.....
Date



Quarterly Management Report

Deliver Program Review

Q3, 2014/2015




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Reading this report

The traffic light review format provides a visual update on the status of Council's Annual Operational Plan and Council's progress toward full implementation of its 4-year Delivery Program. It should be read in accordance with the following key:

Key





				
Complete	On Target	Not on Target	Past Due	No Status / Deferred

Additional information in the Delivery Program and Operational Plan Performance Review and Progress Report includes:


1. A Year to Date (YTD) assessment by the responsible Council Officer of progress toward completion and or the achievement of the set target
2. Comments from the Responsible Council Officer highlighting service achievements and or the challenges relevant to the Council operation and action being reported and its status.

Sustainable Natural and Built Landscapes

Support sustainable use of our natural resources and built landscapes



DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
1.1.1	Coordinate strategic land-use planning and effective development assessment and control	1.1.1.1	Create a Development Control Plan (DCP) to support the Local Environment Plan	Development Manager	DCP contains detailed provisions and guidelines to give effect to aims and objectives of LEP in facilitating permissible development	100%		
1.1.1	Coordinate strategic land-use planning and effective development assessment and control	1.1.1.2	Develop land-use strategy	Development Manager	Land-use strategy is developed	100%		
1.1.1	Coordinate strategic land-use planning and effective development assessment and control	1.1.1.3	Process and approve / refuse development applications in accordance with relevant legislation, codes and policies	Development Manager	Effective and timely assessment of development applications	75%		
1.1.2	Enhance the visual amenity, heritage and liveability of our communities	1.1.2.1	Continue Annual Heritage Grants Program	Development Manager	Enhancement of the conservation value of heritage items	70%		Approved projects due to be completed end of April - report and acquittal after this date

Quarterly Review March | 2015

DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
1.1.2	Enhance the visual amenity, heritage and liveability of our communities	1.1.2.2	Commence rolling program of works – town entrances	Director Technical Services	Improved visual amenity and attractiveness of our towns and major town entrances	45%		Final draft of Consultants report prepared. Some trees ordered.





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Retain the diversity and preserve the health of our natural landscapes and wildlife





DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
1.2.1	Partner with community groups and agencies on projects that retain and preserve the health of our natural landscapes and wildlife	1.2.1.1	Contribute to Central Murray County Council	Development Manager	County Council delivery of the Shire's weed eradication and control program/s	75%		
1.2.1	Partner with community groups and agencies on projects that retain and preserve the health of our natural landscapes and wildlife	1.2.1.2	Participation in roadside vegetation enhancement projects	Development Manager	Enhanced bio-diversity in linear reserves	50%		RAMROC RVIP completed. Additional grant from LLS received for Mortons Road - funds received - meeting with LLS representative 14 April 2015 to progress project.

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Connect and protect our communities



DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.1	Develop and implement asset management plans which maintain a balance between improving and maintaining flood levees, stormwater, Council roads, paths and trails	Director Technical Services	Service levels met as set out in adopted Asset Management Plans	50%		Water and Sewer Plans to be reviewed this year
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.2	Design, construct and maintain stormwater systems that safely capture and remove water	Director Technical Services	Service levels met as set out in adopted Storm water Asset Management Plan	75%		Works and Planning progressing to schedule
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.3	Design, construct and maintain flood protection network	Director Technical Services	A flood levee protection network that prevents inundation of Tocumwal and Barooga from recognized flood levels	75%		Works progressing in line with management plan
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.4	Continue remediation Tocumwal Foreshore Levee	Director Technical Services	Remediation works prevents inundation of Tocumwal from recognized flood levels	35%		Still waiting for NSW Public Works audit report

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.5	Maintain the safety of Council roads and walkways	Director Technical Services	Asset Management Plan identified service levels and standards are met	75%		Maintenance works carried out as required in accordance with adopted asset management plan
1.3.1	Coordinate flood levee, Council road network and stormwater asset management and planning	1.3.1.6	Exercise delegated functions Road Act 1993	Director Technical Services	Local roads are managed in accordance with the Act	75%		Delegated functions exercised as required
1.3.2	Manage landfill, recycling and waste disposal	1.3.2.1	Reduce waste in landfill	Environmental Engineer	Develop a local waste management strategy that identifies waste diversion targets and realistic benchmarks	75%		
1.3.2	Manage landfill, recycling and waste disposal	1.3.2.2	Deliver township garbage collection and street cleaning services	Environmental Engineer	Instigate & manage a waste collection contract to ensure garbage collection	75%		





Good Government

Berrigan Shire 2023 objectives and strategies inform Council planning and community led projects






DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
2.1.1	Council operations, partnerships and coordination of resources contribute toward implementation of Berrigan Shire 2023	2.2.1.1	Promote and support the engagement of Shire residents, local business and agencies in the development, implementation and review of Berrigan Shire 2023	Strategic and Social Planning Coordinator	Increase in resident, local business and other agencies participation in opportunistic and targeted engagement	75%		Engagement activities this quarter - completed web-based survey Childrens, Young Persons and Families Strategy - 105 respondents. Conducted 2 focus groups re: survey results with service users and community services 20 attendees. Presented draft Town Plan to Berrigan District Development Association - BDDA rebranded the Town Plan to the Berrigan Community Plan.
2.1.1	Council operations, partnerships and coordination of resources contribute toward implementation of Berrigan Shire 2023	2.2.1.2	Conduct community satisfaction survey January to March 2015	Director Corporate Services	No reduction in resident and business satisfaction rating	100%		Survey complete

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Ensure effective governance by Council of Council operations and reporting

DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
2.2.1	Meet legislative requirements for Council elections, local government and integrated planning and reporting	2.2.2.01	Provide facilities and support including financial to elected Council	General Manager	The leadership skills, experience and knowledge of Councillors is used	75%		Training provided - Fit for Purpose/Integrity Management/Councilor Workshop
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.02	Implement and further develop the Berrigan Shire Integrated Management System	Enterprise Risk Manager	Standardised documentation and review of Council operations	80%		IMS Manual in draft and awaiting further comments from Managers to arrange for release. Further development in Purchasing and Quarry Management procedures required, however will release with those still pending.
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.03	Coordinate Council investments, financial management financial operations and processing	Finance Manager	Effective management of Council investments and finances	75%		
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.04	Delivery responsive customer service	Director Corporate Services	Customers satisfied by Council response	75%		Ongoing

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.05	Manage human resource and workforce development activities through the implementation of the Berrigan Shire's Workforce Development Plan 2013-2017	Director Corporate Services	A workforce with the competencies needed to implement the Shire's 4-year Delivery Program	75%		Ongoing
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.06	Provide information technology and associated support for Council operations in line with Information Technology Action Plan	Finance Manager	Efficient operation of Information Technology Systems supporting other Council Services	75%		
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.07	Coordinate the delivery and management of Shire records and communications	Director Corporate Services	Effective records management system	75%		Records Management may need reviewing, especially Electronic Records
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.08	Maintain and sustainably re-develop existing infrastructure and community assets	Director Corporate Services	Council owned community infrastructure and assets are sustainably maintained and developed	75%		Tocumwal Skate Park funding secured.
2.2.2	Council operations support	2.2.2.09	Coordinate and manage maintenance	Director Technical Services	Ongoing maintenance and renewal	75%		Plant maintained as required. Plant items have been replaced

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
	ethical, transparent and accountable corporate governance		and renewal of Council plant and equipment		of Council plant and equipment			as per the plant replacement program
2.2.2	Council operations support ethical, transparent and accountable corporate governance	2.2.2.10	Coordinate the ongoing review and development of Council and Operational procedures	Director Corporate Services	Regular review and update of Council Policies and associated Operational Procedures	75%		Policy update continuing. Motor vehicle policy next on list.

Supported and Engaged Communities




Create safe, friendly and accessible communities

DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
3.1.1	Build communities that are home to more families and young people	3.1.1.1	Support and promote the healthy development and wellbeing of children and young people	Director Corporate Services	Local projects and programs are established to support and promote the healthy development and wellbeing of children and young people	75%		Youth Week activities programmed for April. Holiday programs underway. Shade installed over playground in Memorial Park, Finley. Funding secured for Tocumwal Skate Park. Preliminary discussions with Tocumwal Foreshore committee about the possibility of a splash park.
3.1.1	Build communities that are home to more families and young people	3.1.1.2	Deliver on behalf of the funder Shire based Early Childhood Intervention Services	Director Corporate Services	Local delivery of Early Childhood Intervention Services	75%		Pre-accreditation work complete - waiting formal assessment on 7 May 2015. New staff member on board.
3.1.1	Build communities that are home to more families and young people	3.1.1.3	Develop Children and Families Strategy	Strategic and Social Planning Coordinator	Local projects and services support the attraction and retention of families and young people	60%		Survey completed - final Strategy likely to be presented to Council June 2015



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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
3.1.2	Facilitate all age healthy lifestyles and ageing in place	3.1.2.1	Provide on behalf of the funder integrated in-home services and support to frail, aged, and disabled residents	Director Corporate Services	Local delivery of Home and Community Care Services	50%		Some delays encountered with transfer to preferred partner.
3.1.2	Facilitate all age healthy lifestyles and ageing in place	3.1.2.2	Implement Liveability and Healthy Ageing Strategy	Strategic and Social Planning Coordinator	Council facilities and services support older residents health, mobility and their economic / social participation in community life	100%		
3.1.2	Facilitate all age healthy lifestyles and ageing in place	3.1.2.3	Provide recreation facilities which support active lifestyle and ageing place	Director Corporate Services	Council recreation facilities support active lifestyle and ageing place	75%		Funding for Tocumwal Skate Park secured.
3.1.3	Strengthen the inclusiveness and accessibility of our community	3.1.3.1	Promote the social and economic wellbeing of Shire residents through social planning and community development activities	Strategic and Social Planning Coordinator	Annual program of social planning and community development activities implemented	70%		Planning commenced for Drug Awareness Forums - scheduled for April and May - Partnership with local Football Clubs. Activities held this quarter included International Womens Day, Seniors Week - partnerships with

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
								Lions Finley, Berrigan and Barooga Sporties & Tocumwal Bowls Club, in addition to preparation for Youth Week / collaboration with Outback Theatre for Young People. Liaised with International Childrens Games Organisers - presentations by athletes to local service clubs.
3.1.4	Coordinate and facilitate the delivery of potable water, public health and safety services	3.1.4.1	Ensure potable water and sewer network is safe and functional	Environmental Engineer	Water and Sewer networks are managed to maximise operational functions	75%		
3.1.4	Coordinate and facilitate the delivery of potable water, public health and safety services	3.1.4.2	Monitor, control and report upon environmental contaminants and public health hazards - water, fire, refuse, buildings and air	Development Manager	Safer and healthier communities	70%		Second round of food premises undertaken - majority of fire safety measures implemented
3.1.4	Coordinate and facilitate the delivery of potable water, public health and safety services	3.1.4.3	Coordinate and facilitate local emergency management committee	Director Technical Services	Committee coordinated and facilitated	100%		All scheduled meetings for this year have been completed

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
3.1.4	Coordinate and facilitate the delivery of potable water, public health and safety services	3.1.4.4	Develop and maintain local cemeteries and associated infrastructure	Director Corporate Services	Cemeteries progressively developed to meet demand. Routine maintenance conducted	75%		Progressing. A review of the Cemeteries Policy will take place before June 2015.
3.1.4	Coordinate and facilitate the delivery of potable water, public health and safety services	3.1.4.9	Control and promote responsible ownership of companion animals	Development Manager	Negative impacts & disturbance caused by companion animals reduced	75%		

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Support community engagement through life-long learning, culture and recreation




DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
3.2.1	Provide opportunities for life-long learning, cultural expression and recreation	3.2.1.01	Coordinate and deliver local library services in accordance with Library Services Strategic Plan 2014 - 2018	Library Manager	A Library Service meeting the needs of its community	50%		International Womens Day - 77 participants Seniors Week - 'Young at Heart' Film Festival Barooga 10th Birthday celebrations Acquisitions: 511 items + 187 eResources
3.2.1	Provide opportunities for life-long learning, cultural expression and recreation	3.2.1.02.2	Implement Council Volunteer Strategy and Action Plan 2012 - 2016	Director Corporate Services	Volunteers engaged and and retained	20%		Council has adopted position on the structure of various committees of management. Staff to work with committees on this
3.2.1	Provide opportunities for life-long learning, cultural expression and recreation	3.2.1.02.3	Lead strategic management of recreation and open space assets and facilities	Director Corporate Services	Strategic management of recreation and open space assets and facilities	75%		New early childhood play area installed at Barooga. New cricket nets to be installed at Berrigan. Netball courts repaired at Berrigan. New shelters installed at Tocumwal netball court.
3.2.1	Provide opportunities for life-long learning, cultural expression and recreation	3.2.1.02.4	In accordance with Asset Management Plans – plan the development and renewal of recreation and open space assets and facilities	Director Corporate Services	Grant opportunities maximised	75%		New early childhood play area installed at Barooga. New cricket nets to be installed at Berrigan. Netball courts repaired at Berrigan. New shelters installed at Tocumwal netball court.

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
3.2.1	Provide opportunities for life-long learning, cultural expression and recreation	3.2.1.3	Financially contribute to and support South West Arts programs and activities	Director Corporate Services	South West Arts delivery of Shire based Arts program/s and activities	75%		Funding provided to SWA. Hosted Faces of the South West exhibition
3.2.2	Facilitate and partner with local communities in the development of township plans	3.2.2.1	Coordinate and align community projects and activities with township plans	Strategic and Social Planning Coordinator	Increased resident engagement in town plan development and implementation	60%		Presented Draft Berrigan Town Plan to BDDA - liaising with Berrigan residents re: establishment of a gym

Diverse and Resilient Business




Invest in local job creation, retention and innovation

DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.1.1	Identify opportunities for strategic investment and job creation	4.1.1.1	Support the development of Agriculture Industry	Economic Development Officer	Diverse and sustainable Agriculture Industry	75%		Now in regular contact with local agriculture R and D group, Riverine Plains. Id data set on Agriculture has been shared with Riverine Plains board and membership.
4.1.1	Identify opportunities for strategic investment and job creation	4.1.1.2	Support collaborative planning, shared resourcing in local industry and promotion of business and development projects	Economic Development Officer	Council facilitation of industry networks / collaborative projects and shared resourcing	75%		MOU with Moira Shire for the digital platform has been signed off.
4.1.1	Identify opportunities for strategic investment and job creation	4.1.1.3	In conjunction with local business and employers develop an innovative industry and local skills retention and employment prospectus	Economic Development Officer	Industry groups, potential employers and local business have relevant information on industries and local skills	75%		Finley High School Career Expo has been developed as an employment skills conference. A prospectus is yet to be developed.

Strengthen and diversify the local economy






DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.2.1	Partner with government and industry to renew and promote the development of the Shire's economic assets	4.2.1.1	Develop and implement Berrigan Shire Economic Development Plan	Economic Development Officer	Economic Development Plan developed	75%		
4.2.1	Partner with government and industry to renew and promote the development of the Shire's economic assets	4.2.1.2	Develop and implement action plan to promote business opportunities, location advantages and competitiveness of Tocumwal Aerodrome and its industrial precinct	Economic Development Officer	Action Plan completed and prospectus developed	75%		Work with the Council committee continues. Facebook promotional page for the aerodrome is regularly updated
4.2.1	Partner with government and industry to renew and promote the development of the Shire's economic assets	4.2.1.3	Lobby NSW Parks for investment in the enhancement of facilities and signage in and around National and Regional Parks	Economic Development Officer	Upgraded signage and facilities National Parks	75%		Work in conjunction NSW Parks has seen new directional signage for Quicks and Ski Beach approved. Signs are financed by NSW Parks and Wildlife and installation is undertaken by Berrigan Shire. Should be completed in 4th quarter

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.2.2	Support local enterprise through economic development initiatives	4.2.2.1	Facilitate the operation of vibrant business support groups within the Shire	Economic Development Officer		75%		Attending Business Group meetings on a regular basis
4.2.3	Engage local business through regular meetings, electronic newsletter, and Council bulletin and media publications	4.2.3.1	Host Business and Environment Awards during business week	Economic Development Officer	Local business is recognised by nominations and Award attendance	75%		Work progressing on the entries and judging of the Business Awards to be held on the 15th of April
4.2.3	Engage local business through regular meetings, electronic newsletter, and Council bulletin and media publications	4.2.3.2	Consider proposal that Council financially support engagement of Executive Officer to assist Chambers / Business groups	Economic Development Officer	Local Chambers and Business groups will have additional resource for recruitment and project management activities	100%		

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Diversify and promote local tourism




DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.3.1	Implement the Berrigan Shire Visitor Events Plan	4.3.1.1	Convene and facilitate the Berrigan Shire Events Coordinating Committee	Economic Development Officer	Strategic support for and allocation of event funding	75%		The marketing program for the Garage Sale Event of the Combined Chambers has been funded
4.3.1	Implement the Berrigan Shire Visitor Events Plan	4.3.1.2	Provide support to event proponents and organisers.	Economic Development Officer	Increase in the number of successful events, proponents and organisers. Increased attendance local events	75%		
4.3.1	Implement the Berrigan Shire Visitor Events Plan	4.3.1.3	Facilitate use of Tocumwal Aerodrome for aviation and other events	Director Technical Services	Maintain the Tocumwal Aerodrome Management Plan and approve events in compliance with same	75%		Aerodrome operating as expected
4.3.2	Partner regional Tourism Boards	4.3.2.1	Maintain membership and benefit of regional tourism boards to increase local visitation and economic activity	Economic Development Officer	Regional and interstate marketing and promotion of Shire's tourism products and services	75%		Continued involvement with the MRTB and renewed liaison with Moira Shire Council
4.3.2	Partner regional Tourism Boards	4.3.2.2	Develop and implement the Berrigan Shire Tourism Strategy and Action Plan 2014 - 2018	Economic Development Officer	Stronger local tourism industry	75%		

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.3.2	Partner regional Tourism Boards	4.3.2.3	Encourage and support local tourism body / operator activities which, foster and promote increased local tourism industry growth and development	Economic Development Officer	Stronger local tourism industry	75%		Accessed social media presentation for Barooga Accommodation Group. Worked with Barooga Golf Resort to participate in MRTB marketing program

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Connect local, regional and national road, rail and aviation infrastructure

DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.4.1	Develop and promote Berrigan Shire regional transport and freight infrastructure	4.4.1.1	Develop design concept, and investment case, to improve traffic entry and egress to, and within precinct, and storage areas, and associated infrastructure at Tocumwal	Economic Development Officer	Increased use of Tocumwal inter-modal facility	100%		Responsible for collating and submitting funding application to Fixing Country Roads Program. Application successful. Focus for the Intermodal will now turn to Rail improvements where applicable.
4.4.1	Develop and promote Berrigan Shire regional transport and freight infrastructure	4.4.1.2	Locate sources of funds for investment into facility	Economic Development Officer	Increased use of Tocumwal inter-modal facility	75%		Fixing County Roads application successful
4.4.1	Develop and promote Berrigan Shire regional transport and freight infrastructure	4.4.1.3	Lobby for upgrade of rail facilities, associated with Tocumwal rail line incl. line to Shepparton and Melbourne Ports	Economic Development Officer	Increased use of Tocumwal inter-modal facility	75%		

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DP Action Code	DP Strategic Objective	Action Code	OP Action	Responsibility	What will be the result?	Progress	Status	Comment
4.4.1	Develop and promote Berrigan Shire regional transport and freight infrastructure	4.4.1.4	Participate actively in efforts to upgrade Newell Highway and Midland Murray Valley highways particularly the Shepparton bypass	Economic Development Officer	Increased use of Tocumwal inter-modal facility	0%		
4.4.1	Develop and promote Berrigan Shire regional transport and freight infrastructure	4.4.1.5	Operate the Tocumwal Aerodrome	Director Technical Services	Operated in accordance with CASA regulations and Tocumwal Aerodrome Management Plan.	75%		Aerodrome operating as expected



**CONTRACT FOR ADMINISTRATION OF ALL ELECTIONS, COUNCIL
POLLS AND CONSTITUTIONAL REFERENDA**

Section 296(3) Local Government Act 1993

between

Berrigan Shire Council

and

the Electoral Commissioner

I V KNIGHT
Crown Solicitor
60-70 Elizabeth Street
SYDNEY NSW 2000
DX 19 SYDNEY
Tel: (02) 9224 5238
Fax: (02) 9224 5244
Ref: 201301535
T08 I V Knight

CONTRACT FOR ADMINISTRATION OF ALL ELECTIONS, COUNCIL POLLS AND CONSTITUTIONAL REFERENDA

This Contract is between the following parties:

Council: Berrigan Shire Council
 56 Chanter Street
 Berrigan NSW 2712

AND

Electoral Commissioner: Mr Colin Barry
 NSW Electoral Commission
 Level 25, 201 Kent Street, Sydney NSW 2000

1. Background and objectives

- 1.1. Section 296(2) of the LG Act provides that a council can enter into an election arrangement (including by contract) with the Electoral Commissioner to administer elections of the council as provided by s. 296 of that Act.
- 1.2. Section 296(3) of the LG Act provides that an election arrangement for the Electoral Commissioner to administer all Elections of a council can be entered into if the council resolves at least 18 months before the next ordinary election of councillors that such arrangement is to be entered into and the arrangement is entered into no later than 15 months before the next ordinary election of councillors.
- 1.3. Section 18 of the LG Act has the effect that s. 296 applies to a Council Poll and a Constitutional Referendum, with such modifications as may be necessary, in the same way as that section applies to an election. Section 296(3) of the LG Act, as applied and modified by section 18, provides that a Council Poll and/or Constitutional Referendum arrangement for the Electoral Commissioner to administer all Council Polls and/or Constitutional Referenda of a council can be entered into if the council resolves at least 18 months before the next ordinary election of councillors that such arrangement is to be entered into and the arrangement is entered into no later than 15 months before the next ordinary election of councillors.
- 1.4. The Council has resolved pursuant to sections 296(2) and (3) of the LG Act (as applied and modified by s. 18 in the case of Council Polls and Constitutional Referenda) to enter into an election arrangement with the Electoral Commissioner for the Electoral Commissioner to administer all Elections, Council Polls and Constitutional Referenda for the Council and to do so by contract.
- 1.5. The Electoral Commissioner is committed to providing Election, Council Poll and Constitutional Referendum services efficiently, economically, fairly, impartially and with integrity.
- 1.6. The Council and the Electoral Commissioner agree that each will endeavour to fulfil the objectives, terms and conditions of this Contract in good faith.

2. Definitions

- 2.1. In this Contract, except where the context otherwise requires:

2016 Ordinary Election means the ordinary election of councillors which is to be held on the second Saturday of September 2016 in accordance with s. 287 of the LG Act, or on such day as ordered by the Minister in accordance with section 288.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in New South Wales; or not subject to the Christmas shut-down period as determined annually by the New South Wales Department of Premier & Cabinet for public sector agencies.

Commencement Date means the commencement date of this Contract as defined in clause 3.

Confidential Information means:

- a) any information exchanged between the parties before, on or after the date of this Contract regarding the business or other affairs of either party that is not publicly available;
- b) this Contract (subject to clause 12)
- c) any information that is marked confidential by either party; and
- d) any information disclosed to, or accessed by, or acquired by, the parties during the course of this Contract that is by its nature confidential.

Constitutional Referendum means a constitutional referendum as referred to in Chapter 4, Part 3, Division 2 of the LG Act.

Contract means this contract and includes any schedules to this contract, as varied from time to time in accordance with this Contract.

Council means the local government council that is specified as a party to this Contract on page 2.

Council Poll means a council poll as referred to in Chapter 4, Part 3, Division 1 of the LG Act.

Election means an election as defined in the Dictionary of the LG Act but does not include the first election for an area after its constitution (see section 296(7) of the LG Act) or an election of the mayor or deputy mayor by the councillors (see section 296(8)).

Electoral Commissioner means the Electoral Commissioner for New South Wales who is appointed under section 21AA of the *Parliamentary Electorates and Elections Act 1912* (NSW).

Force Majeure Event means any event or circumstance beyond a party's control that could not have been reasonably prevented by the party. A Force Majeure Event includes (but is not limited to) acts of God, natural disasters, fire, storm, flood, tempest, acts or threats of war or terrorism and riots.

Intellectual Property Rights means all intellectual and industrial property rights throughout the world, whether created before, on or after the date of execution of this Contract including copyright, trademarks, designs, patents, semiconductor or circuit layout rights, trade, business or company names or other proprietary rights, whether or not registered or registrable and any rights to registration of such rights.

LG Act means the *Local Government Act 1993* (NSW).

Services means those services defined in clause 4.

Service Level Agreement means a service level agreement as referred to in clause 4.

Term means the term of this Contract as defined in clause 3.

Termination Date means the termination date of this Contract as defined in clause 3.

- 2.2. Except where the context otherwise requires:
- (a) the singular includes the plural and vice versa.
 - (b) a reference to a party includes its successors and permitted assigns.
 - (c) a reference to a document includes all amendments or supplements to that document.
 - (d) a reference to a clause, party, schedule or attachment is a reference to a clause, party, schedule or attachment to this Contract.
 - (e) a reference to legislation is a reference to that legislation as amended, consolidated, re-enacted or replaced, and includes any subordinate legislation.
 - (f) where a word or phrase is defined in this Contract, any other grammatical form of the word or phrase has a corresponding meaning.
 - (g) where a party is required to act in good faith in the performance of this Contract, that will be read as a requirement to act:
 - (i) honestly;
 - (ii) reasonably, having regard to the terms of this Contract; and
 - (iii) co-operatively, by doing everything properly and reasonably within the control of that party to perform its or their obligations under this Contract.

3. Term and termination

- 3.1. The parties acknowledge that, in accordance with s. 296(6) of the LG Act:
- a) this Contract can be terminated by the Council or the Electoral Commissioner at any time after the 2016 Ordinary Election by giving written notice of termination; and
 - b) if this Contract is not terminated by either party after the 2016 Ordinary Election, the Contract is automatically terminated 18 months before the ordinary election of councillors that immediately follows the 2016 Ordinary Election.
- 3.2. The parties agree that for the purposes of providing notice of termination in accordance with s. 296(6) of the LG Act, four weeks written notice of termination will constitute reasonable notice and that the notice will specify the date of termination.
- 3.3. This Contract commences on the day that it is signed by the parties (the "Commencement Date"). In the event that this Contract is signed by the parties on different dates, this Contract commences on the date that it is signed by the last party.
- 3.4. This Contract terminates:
- a) on the date of termination specified by a party in a notice issued pursuant to clause 3.2; or
 - b) if no such notice is issued, 18 months before the date of the ordinary election of councillors that immediately follows the 2016 Ordinary Election;
- the "Termination Date".
- 3.5. The duration of this Contract is from the Commencement Date until the Termination Date (the "Term").

- 3.6. Clauses in this Contract dealing with Term and termination, Costs and payment of Costs, indemnity, dispute resolution and any other provision which by its nature should survive expiry, survive the expiry of this Contract.
- 3.7. Upon termination of this Contract, each party must, within 7 days of receiving a request from the other party or as otherwise agreed, return any Confidential Information of the other party and any other material owned by, or licensed to, the other party (including any copies).

4. Services and service levels

Services

- 4.1. The Electoral Commissioner will provide the services of administering all:
 - a) Elections of the Council; and
 - b) Council Polls and Constitutional Referenda of the Council;
 during the Term of this Contract (the "Services").

Service levels for the 2016 Ordinary Election

- 4.2. The parties agree that the Electoral Commissioner will administer the 2016 Ordinary Election in accordance with the service levels specified in Schedule 1 of this Contract.
- 4.3. In the event that a Council Poll and/or a Constitutional Referendum is being held at the same time as the 2016 Ordinary Election, the parties agree that the Electoral Commissioner will administer the 2016 Ordinary Election, together with the Council Poll and/or Constitutional Referendum, in accordance with the services levels specified in Schedule 1 of this Contract.

Service levels for other Elections, Council Polls and/or Constitutional Referenda

- 4.4. The level of services to be provided by the Electoral Commissioner for each Election (other than the 2016 Ordinary Election), Council Poll and Constitutional Referendum (other than a Council Poll and/or Constitutional Referendum that is held at the same time as the 2016 Ordinary Election) will be as specified in a Service Level Agreement. A Service Level Agreement may specify the service levels for more than one of those events.
- 4.5. Prior to the administration of an Election (other than the 2016 Ordinary Election), Council Poll or Constitutional Referendum (other than a Council Poll and/or Constitutional Referendum that is held at the same time as the 2016 Ordinary Election), the parties will in good faith negotiate and agree in writing to the terms of a Service Level Agreement.
- 4.6. The Service Level Agreement forms part of the Contract once agreed to in writing between the Council and the Electoral Commissioner.
- 4.7. The parties agree to use reasonable endeavours to negotiate and agree to a Service Level Agreement in accordance with any timeframe set or agreed to by the Electoral Commissioner.

5. Costs and payment of Costs

Costs for the 2016 Ordinary Election

- 5.1. The parties agree that the costs to be charged and invoiced by the Electoral Commissioner for administering the 2016 Ordinary Election (and the basis on which such costs may be varied) are as specified in Schedule 2 of this Contract.
- 5.2. In the event that a Council Poll and/or a Constitutional Referendum is being held at the same time as the 2016 Ordinary Election, the parties agree that the costs to be charged and invoiced by the Electoral Commissioner for administering the 2016 Ordinary Election, together with the Council Poll and/or Constitutional Referendum,

and the basis on which such costs may be varied are as specified in Schedule 2 of this Contract.

Costs for other Elections, Council Polls and/or Constitutional Referenda

- 5.3. At the same time that a Service Level Agreement is prepared and negotiated in accordance with clause 4.5, the parties must also in good faith negotiate and agree in writing to the costs that will be charged and invoiced by the Electoral Commissioner to administer the relevant Election, Council Poll and/or Constitutional Referendum, ("Costs Agreement"). A Costs Agreement may specify the costs for more than one of those events.
- 5.4. A Costs Agreement may also make provision for the agreed basis on which those Costs may be varied.
- 5.5. A Costs Agreement forms part of the Contract once agreed to in writing between the Council and the Electoral Commissioner.
- 5.6. The parties agree to use reasonable endeavours to negotiate and agree to a Costs Agreement in accordance with any timeframe set or agreed to by the Electoral Commissioner.

Payment of costs

- 5.7. The Council agrees to pay all costs as invoiced by the Electoral Commissioner provided that such costs are as agreed in a Costs Agreement or as agreed in Schedule 2 of this Contract.
- 5.8. The Council must make payment via Electronic Funds Transfer (EFT) to NSW Electoral Commission within 30 days of receipt of each invoice.
- 5.9. The Electoral Commissioner's payment details are as follows:
 - New South Wales Electoral Commission, ABN 94 828 824 124
 - Level 25, 201 Kent Street, SYDNEY NSW 2000
 - Phone (02) 9290 5209 Fax (02) 9290 5991
 - Account Name: NSW Electoral Commission Operating AC
 - Account Details: BSB 032-001, Account 204108

6. Notice of casual vacancy or resolution

- 6.1. The Council agrees to notify the Electoral Commissioner of any event giving rise to a casual vacancy or resolution to conduct a Council Poll or Constitutional Referendum as soon as possible and in any event no later than within 7 days of the event.

Note: clause 285 of the *Local Government (General) Regulation 2005* requires the general manager of the Council to give notice of a casual vacancy to the Electoral Commissioner within 7 days.

7. GST

- 7.1. For the purposes of this clause, a term or expression that is defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (the "GST Act") has the same meaning as in the GST Act.
- 7.2. All amounts payable under this Contract are exclusive of GST unless otherwise stated.
- 7.3. If a party ("Supplier") is or becomes liable to pay GST in connection with any supply made under this Contract and the amount of GST is not included in the amount payable under this Contract:
 - a) the Supplier may add to the price of the supply an amount equal to the GST payable on the supply ("GST Amount");

- b) the other party will pay the Supplier the price for the supply in accordance with this Contract plus the GST Amount.
- 7.4. Any invoice rendered by a party that includes a GST Amount must conform with the requirements for a tax invoice as set out under the GST Act.

8. Failure or voiding of an Election

- 8.1. The parties acknowledge that s. 318 of the LG Act provides (amongst other things) that if an election for a civic office is not held when it is due, fails or is later declared void, the returning officer is to hold another election as if a casual vacancy had occurred in the civic office.
- 8.2. In the event that an Election (including the 2016 Ordinary Election) is not held when it is due or fails or is later declared void as described in s. 318 of the LG Act, the Council agrees to pay all costs as invoiced by the Electoral Commissioner in relation to the administering of the Election.
- 8.3. For the avoidance of doubt, in the event that the 2016 Ordinary Election fails or is later declared void, the parties agree that this Contract can be terminated in accordance with clause 3.

9. Indemnity

Indemnification of the Council

- 9.1. The Electoral Commissioner will indemnify and keep indemnified the Council against liability or loss that may be suffered or incurred by the Council arising directly as a result of, or in connection with, the provision of the Services to the extent that the same is due to any unlawful, wrongful, wilful or negligent act or omission of the Electoral Commissioner and/or a person who is employed to enable the Electoral Commission to exercise its functions.
- 9.2. The Electoral Commissioner's liability to indemnify the Council under clause 9.1 will be reduced proportionally to the extent that any unlawful, wrongful, wilful or negligent act or omission of the Council or an officer, employee, agent or contractor of the Council caused or contributed to the liability or loss.

Indemnification of the Electoral Commissioner

- 9.3. The Council will indemnify and keep indemnified the Electoral Commissioner against:
 - (a) any liability or loss that may be suffered or incurred by the Electoral Commissioner arising directly or indirectly as a result of, or in connection with, the Electoral Commissioner providing the Services; and
 - (b) any liability for legal costs and disbursements on a solicitor-client basis that are incurred by the Electoral Commissioner in circumstances where the Electoral Commissioner is a party to, is subpoenaed or is otherwise required to participate in any court or tribunal proceedings as a result of, or in connection with, the Electoral Commissioner providing the Services.
- 9.4. The indemnity in clause 9.3 will not have operation in circumstances where the liability or loss is due to any unlawful, wrongful, wilful or negligent act or omission of the Electoral Commissioner and/or a person who is employed to enable the Electoral Commission to exercise its functions except to the extent that any unlawful, wrongful, wilful or negligent act or omission of the Council or an officer, employee, agent or contractor of the Council caused or contributed to the liability or loss.

10. Insurance

- 10.1. The Council acknowledges that the Electoral Commissioner is covered by the Treasury Managed Fund ("TMF"), which is a self-insurance scheme in respect of

New South Wales Government departments and agencies. The TMF provides cover worldwide in respect of workers' compensation according to NSW statute and liability including public liability, products liability and professional indemnity.

11. Dispute resolution

- 11.1. The Council and the Electoral Commissioner will attempt to settle any dispute that may arise out of or in connection with this Contract in accordance with this Dispute Resolution clause before resorting to court proceedings.
- 11.2. If the Council or the Electoral Commissioner claims that a dispute has arisen, the claimant must give written notice of the dispute to the other party ("Dispute Notice"). The Dispute Notice must adequately identify and give details of the dispute.
- 11.3. The Council and the Electoral Commissioner agree to continue to perform their obligations under this Contract if there is a dispute between the parties.
- 11.4. Subject to clause 11.5, in the event that a Dispute Notice is served, the dispute resolution process stated will be followed in the order set out below:
 - (a) the representative of the Council and the representative of the Electoral Commissioner as specified in clause 15 will try to resolve the dispute in good faith by direct negotiation within 5 Business Days after the Dispute Notice is served or such other period as may be agreed in writing;
 - (b) if the representatives of the Council and the Electoral Commissioner do not resolve the dispute, the dispute will be referred to the Electoral Commissioner and the General Manager of the Council, or their nominees for that purpose, who will try to resolve the dispute in good faith by direct negotiations within 5 Business Days after it is referred to them or such other period as may be agreed in writing; and
 - (c) if the Electoral Commissioner and the General Manager of the Council do not resolve the dispute, the parties will negotiate in good faith to determine an appropriate form of alternative dispute resolution to resolve the dispute which may include mediation, arbitration or expert determination.
- 11.5. In the event that a dispute relates to the calculation or incurring of legal costs and disbursements on a solicitor-client basis that are incurred by the Electoral Commissioner as referred to in clause 9.3(b) (a "Costs Dispute"), the parties agree that instead of negotiating in accordance with cl. 11.4(c), the parties will:
 - (a) seek the recommendation of the President of the Law Society as to a costs expert who is to make a determination with regard to the Costs Dispute; and
 - (b) appoint the expert recommended by the President of the Law Society to determine the Costs Dispute.

The parties agree that the determination made by such expert will be final and binding.
- 11.6. Nothing in this clause 11 prevents the Council or the Electoral Commissioner from seeking urgent interlocutory relief.

12. Confidentiality

- 12.1. Each party (the "Recipient Party") agrees not to disclose the Confidential Information of the other party (the "Disclosing Party") to any person except:
 - (a) on a confidential basis to the officers, employees, contractors or agents of the Recipient Party who require the information for the purposes of performing this Contract;
 - (b) on a confidential basis to the Recipient Party's legal or professional advisers;
 - (c) with the consent of the Disclosing Party; or

- (d) if required to do so by law (including the *Government Information (Public Access) Act 2009* (NSW)), government policy or in connection with legal proceedings.

13. Intellectual property

- 13.1. The Council acknowledges that it holds no Intellectual Property Rights in relation to any documents or other materials provided to the Council by the Electoral Commissioner, staff employed to enable the Electoral Commission to exercise its functions or any contractors or agents of the Electoral Commissioner or Electoral Commission.

14. Notices

- 14.1. A notice under the Contract must be:
- (a) in writing, directed to the representative of the other party as set out in clause 15; and
 - (b) forwarded to the address, facsimile number or the email address of that representative as set out in clause 15.
- 14.2. A notice under the Contract will be deemed to be received:
- (a) in the case of delivery in person – when delivered to the recipient’s address for service and a signature is received as evidence of delivery;
 - (b) in the case of delivery by post – within 3 Business Days of posting;
 - (c) in the case of delivery by facsimile on a Business Day – at the time of dispatch if the sender receives a transmission report which confirms that the facsimile was sent in its entirety to the facsimile number of the recipient; or
 - (d) in the case of delivery by email on a Business Day – on receipt of confirmation by the sender that the recipient has received the email.

15. Party representatives

- 15.1. The representative on behalf of the Council is:

Name	_____
Position	_____
Address	_____
Direct Dial	_____
Mobile	_____
Facsimile	_____
Email	_____

- 15.2. The representative on behalf of the Electoral Commissioner is:

Name	Linda Franklin
Position	Director Elections
Address	LEVEL 25, 201 KENT STREET, SYDNEY NSW 2000
Direct Dial	02 9290 5218
Mobile	0438 620 684

Facsimile	02 9290 5991
Email	linda.franklin@elections.nsw.gov.au

- 15.3. If the representative on behalf of the Council or the Electoral Commissioner varies, this must be communicated in writing to the other party, which may be by email.

16. Force majeure

- 16.1. Neither party will be liable for any failure to carry out obligations under this Contract if the failure was caused by a Force Majeure Event. If a Force Majeure Event affects a party's performance of this Contract, the party must provide prompt notice of this to the other party and use its best endeavours to overcome the disruption as quickly as possible and resume its obligations under this Contract.

17. Miscellaneous

- 17.1. The Council or the Electoral Commissioner may alter the Contract only by the written agreement of both the Council and the Electoral Commissioner.
- 17.2. No failure or delay by the Electoral Commissioner to enforce any part of this Contract will operate as a waiver of the Council's breach. Any waiver by the Electoral Commissioner of a breach of this Contract must be in writing and will not be construed as a waiver of any further breach of the same or any other provision.
- 17.3. If any provision of this Contract is prohibited, void, voidable, illegal or unenforceable, that part is severed from this Contract and the remainder of the Contract will retain its full force and effect.
- 17.4. This Contract contains the entire agreement between the parties. Any prior arrangements, agreements, representations or undertakings are superseded.
- 17.5. This Contract may be executed in counterparts, which will together constitute one agreement.

Execution

Executed as a contract

SIGNED BY Mr. Rowan Perkins, General
Manager of Berrigan Shire Council
ABN: 53 900 833 102
in the presence of:

.....
Signature of Witness

.....
Signature of General Manager

.....
Print name of Witness

.....
Date

SIGNED BY Colin Barry, Electoral
Commissioner for New South Wales Electoral
Commission in the presence of:

.....
Signature of Witness

.....
Signature of Electoral Commissioner

.....
Print name of Witness

.....
Date

SCHEDULE 1 – Description of service levels for the 2016 Ordinary Election

The parties agree that the Electoral Commissioner will administer the 2016 Ordinary Election in accordance with the service levels specified in table A below, and any changes to Schedule 1 may occur if the parties agree in writing that the change(s) should be made.

A. Election services

	Item	Description
1	Enrolment	<ul style="list-style-type: none"> • Create composite authorised rolls for the area or wards concerned. • Create other electoral roll products as agreed by the Electoral Commissioner in accordance with legislation • Create street lists for the area or wards concerned
2	Data Management	<ul style="list-style-type: none"> • Create and manage databases of: <ul style="list-style-type: none"> ○ Electors ○ Polling places ○ Returning & Pre-poll offices ○ Declared Institution venues ○ Polling place and Returning Office staffing ○ Elector participation projections
3	Election Staffing	<ul style="list-style-type: none"> • Determine polling place & Returning Office staffing requirements • Implement recruitment campaign for NSWEC staff • Employ, manage and pay NSWEC staff • Set up and staff NSWEC EOI helpdesk • Employ Head Office Returning Officer support staff • Training of relevant election staff • Post-election NSWEC staff evaluation
4	Financial Services	<ul style="list-style-type: none"> • Payment of temporary NSWEC election staff • Payment of NSWEC election material suppliers
5	Venue Procurement	<ul style="list-style-type: none"> • Identify, secure and pay for all polling places • Identify, secure and pay for the Returning Office • Identify, secure and pay for all additional pre-poll venues • Identify and contact all Declared Institutions • Employ and pay for all Returning Office security <p>The same number of polling places and to the greatest extent possible the same venues as were used for previous elections will be used.</p> <p>The Returning Officer will appoint the optimum number of staff for each polling place based on the Electoral Commissioner’s polling place staffing model.</p> <p>There will be one (1) pre-poll venue located at the Returning Office. The Electoral Commissioner, in consultation with Council will decide whether any additional pre-poll venue(s) will be required and confirm the arrangements within a reasonable period of time after the procurement of the additional venue(s) have been finalised between the Electoral Commissioner and the landlord(s).</p>

		Where commercial or standalone premises are used as the Returning Office, the Electoral Commissioner will employ overnight security once used ballot papers are live on the premises from election night to conclusion of the count.
6	Postal voting	<ul style="list-style-type: none"> • Managing postal vote applications • Processing and mailing postal vote packs
7	Counting and Results	<ul style="list-style-type: none"> • Employment, training & payment of temporary NSWEC counting staff • Development of count data management system <p>The services do not include the recount of the ballot papers, should one be required.</p>
8	Logistics	<ul style="list-style-type: none"> • Packing and delivery of all office and cardboard material for Returning Office and polling places • Courier service for Returning Office and polling place equipment and other election materials • Supply of hire furniture for Returning Office and polling places • Warehousing services • Mailing & distribution services for election material
9	Media, Communications & Advertising	<p>Statutory advertising</p> <p>The NSWEC is responsible for the accurate placement of a series of statutory advertising messages to support the election.</p> <p>These messages are:</p> <ul style="list-style-type: none"> • Enrolment • Nominations • Notice of election/uncontested election • Results <p>Advertisements must appear at least once in a paper circulating in the Council area within a prescribed timeframe. They may appear more often at Council's discretion.</p> <p>The NSWEC will provide final text for placement by either Council or the NSWEC by agreement.</p> <p>Regardless of the placement arrangement the bills from the newspapers will go directly to Council for payment. The cost of the statutory advertisements is not included in the services.</p> <p>Elector brochure</p> <p>The NSWEC will not be providing an elector brochure option to councils as per the 2012 LGE. Councils who wish to organise their own brochure should discuss options with the NSWEC</p> <p>State-wide campaign</p> <p>The services include a state-wide advertising campaign to support the election through press, radio and online (no television) – includes advertising targeted towards equal access to democracy for electors with disabilities, CALD electors and Aboriginal and Torres Strait Island electors. As part of the state-wide campaign, the NSWEC will create</p>

		<p>and publish educational material on its website and conduct information sessions with special interest groups including:</p> <ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander electors • Electors with disability • Electors from culturally and linguistically diverse communities <p>Where appropriate, the NSWEC will respond to media enquiries concerning the administration of the 2016 Ordinary Election.</p>
10	IT Infrastructure & Applications Support	<ul style="list-style-type: none"> • Provision and installation of equipment in RO offices • Provision and installation of equipment in NSWEC elector enquiry centre • Provision and installation of equipment in NSWEC Head Office • Provision and installation of equipment in NSWEC count centres
11	Call Centres	<ul style="list-style-type: none"> • Recruitment, training and payment of NSWEC call centre staff
12	Ballot Paper Production, Allocation & Distribution	<ul style="list-style-type: none"> • Design, develop & print ballot papers • Create secure copies of ballot papers • Process and secure delivery of ballot papers to Returning Officers <p>The services do not include the production of braille ballot papers, should they be required.</p>
13	Nominations & How-to-Vote	<ul style="list-style-type: none"> • Process candidate nominations • Provide candidate enquiry line • Registration of how-to-vote material • Present Candidate Information Seminars (CIS) <p>Where Council has agreed to receive candidate nominations, Council will provide sufficient staff to be trained by Electoral Commission to receive nominations and forward them onto the Electoral Commission for assessment.</p> <p>One CIS will be conducted by the Electoral Commissioner. The NSWEC will notify Council of the time, date and location of the CIS within a reasonable period of time after those details are determined by the Electoral Commissioner in consultation with Council</p>
14	External Reporting & Evaluation	<ul style="list-style-type: none"> • Develop post-election surveys of election stakeholders • Conduct surveys, undertake analysis, write and distribute post-election reports
15	Virtual Tally Room	<ul style="list-style-type: none"> • Develop, test and support software for VTR
16	Sydney Town Hall (STH)	<p>STH will be used as multi-LGA pre-poll centre:</p> <ul style="list-style-type: none"> • Lease STH • Recruit & train NSWEC staff • Supply all materials & set up STH • Vote issuing & counting operations
17	Election Management	<ul style="list-style-type: none"> • Fee to cover cost of services provided by NSWEC Head Office staff • Based on cents per elector model calculated by independent accounting and audit firm PwC

B. Additional information

1	In order to provide Services efficiently and economically, the Electoral Commissioner may decide that a number of services may be utilised by other local government councils who have resolved to enter into an election arrangement with the Electoral Commissioner.
2	The election method is attendance (face-to-face) voting with the addition of postal and pre-poll voting.
3	The method of voting and type of count is optional preferential with a manual distribution of preferences for a Mayoral election and election of one councillor and proportional representation if two or more councillors are to be elected.

SCHEDULE 2 - Costs and any agreed basis for variation of costs for 2016 Ordinary Election

1. The parties agree that:
 - a) the costs to be charged and invoiced by the Electoral Commissioner for administering the 2016 Ordinary Election are specified in the table below and are based on prices provided by approved suppliers as at the commencement date, and
 - b) the costs in the table below have been prepared on the information available at the time and may vary. However, the Electoral Commissioner will only charge council the actual cost of conducting the election, and
 - c) the Electoral Commissioner may vary such costs if:
 - i. a variation is in accordance with this Contract, or
 - ii. there is any change to the law that impacts on the administration of the Services, or
 - iii. there is any change to the services specified in Schedule 1, or
 - iv. there is any change to an approved supplier or price provided by an approved supplier.
 - d) the Council shall be informed of any material costs variance as soon as practicable.

2016 Council Elections Preliminary Estimate

Berrigan Shire Council

Projects / Deliverables	Amount
<i>Enrolment</i>	793
<i>Data Management</i>	18
<i>Election Staffing</i>	35,477
<i>Financial Services</i>	763
<i>Venue Procurement</i>	2,463
<i>Postal Voting</i>	361
<i>Counting and Results</i>	298
<i>Logistics</i>	3,005
<i>Media, Communications & Advertising</i>	2,473
<i>IT Infrastructure & Application Support</i>	797
<i>Call Centres</i>	896
<i>Ballot Paper Production, Allocation & Distribution</i>	1,141
<i>Nominations & How-to-Vote</i>	185
<i>External Reporting & Evaluation</i>	389
<i>Virtual Tally Room</i>	577
<i>Sydney Town Hall</i>	15
<i>Election Management Fee @ 72 cents per elector</i>	4,096
TOTAL (excluding GST)	53,747
GST	5,375
TOTAL (including GST)	59,122

Assumptions:

All aspects of the election process will be as 2012

RO office will be similar to that used in 2012

LGE 2012 Election Status

Actual Number of Electors LGE 2012

Estimated Number of Electors LGE 2016

Roll growth since 2012 used for affected expenses

CPI growth since 2012 used for non-staff expenses

Wage growth since 2012 used for staff expenses

Contested

5,745

5,689

-1.0%

11.0%

10.4%

Project Ref	Applicant Organisation	Project Name	Project Description	Project Location	State	Commonwealth Funding Approved	Total Project Cost
NSRF000011	Greater Bendigo City Council	Upgrade of Bendigo Airport	The project will construct a new runway to suit aircraft capable of carrying up to 70 passengers, as well as upgrading lighting, taxiways and associated infrastructure at the Bendigo Airport.	Bendigo	VIC	\$5,000,000	\$14,700,000
NSRF000048	Hume City Council	Construction of Craigieburn Water Park	The project involves the construction of a Water Park in Craigieburn, including a 50 metre flexible water space, slides and water play, gym, warm water pool, steam and spa within the Craigieburn Regional Aquatic and Leisure Centre. The project also includes construction of a synthetic athletics track and new pavilion and other recreational facilities within the Open Space and Events Area.	Craigieburn	VIC	\$9,091,825	\$32,500,000
NSRF000082	Devonport City Council	Construction of Stage 1 Living City Project at Devonport	The Living City project will construct a new retail, business/service and waterfront precinct focused on highlighting the Regions tourism, arts, food and services. Stage 1 includes a convention centre and multi-use community building, a food/beverage hub and market square and a two storey car park.	Devonport	TAS	\$9,999,000	\$54,720,000
NSRF000062	Brimbank City Council	Construction of the Western Business and Education Hub in Sunshine	The project will construct a Business and Education Hub providing meeting rooms, teleconference facilities, seminar spaces and a 350 seat auditorium and conference space.	Sunshine	VIC	\$2,500,000	\$6,000,000
NSRF000164	Help Enterprises	Construction of a new Logistics Centre in Acacia Ridge	The construction of the HELP Supply Chain Services Logistics Centre at Acacia Ridge will provide 95 jobs, the majority for people with a disability.	Acacia Ridge	QLD	\$2,475,000	\$4,950,000
NSRF000189	Wellington Shire Council	Redevelopment of the Port of Sale Civic Centre	The project is the redevelopment of the Port of Sale Civic Centre into a cultural hub, incorporating a regional art gallery, public library and visitor information centre.	Sale	VIC	\$4,500,000	\$12,500,000
NSRF000194	Mitchell Shire Council	Seymour Flood Mitigation Project	The Seymour Flood Mitigation Project comprises a 4.3 kilometre levee bank with associated drainage infrastructure to protect the town of Seymour from up to a 1-in-100 year flood from the Goulburn River.	Seymour	VIC	\$2,850,000	\$7,300,000
NSRF000214	Northern Grampians Shire Council	Construction of an Underground Physics Laboratory in Stawell	The project is a ten-year vision for the creation of a world class underground physics laboratory and associated outreach facilities. Stage One includes construction of the Stawell Underground Physics Laboratory (SUPL). Once stage one is operational, opportunities will be harnessed to extend the size and scope of the SUPL and build outreach facilities to host edu-tourism opportunities and educational services.	Stawell	VIC	\$1,750,000	\$3,500,000
NSRF000216	Alpine Shire	Construction of an Alpine Events Centre in Bright	This project will construct an Alpine Events Centre that will deliver a scalable and innovative outdoor events precinct for Bright and the wider region. It will include iconic mountain bike trails, a state-of-the-art events hub, major event facilities and scalable infrastructure to deliver major national and international events.	Bright	VIC	\$1,870,000	\$3,740,000
NSRF000295	Parkes Shire Council	Construction of Wastewater Treatment Plant and a Recycled Water Scheme in Parkes	The project will construct a Recycled Water Scheme for Parkes to provide reliable and robust recycled water for the long term future.	Parkes	NSW	\$8,725,000	\$17,450,000
NSRF000310	Baptcare Ltd	Norlane Community Centre	The project will redevelop a disused school site into the Norlane Community Centre. The Centre will incorporate affordable housing units, a new aged care facility, an Allied Health and General Practitioner clinic, a gym and retail space. The Centre will also include a community hub and landscaped outdoor meeting and play areas to facilitate and encourage community interaction.	Norlane	VIC	\$7,250,000	\$40,512,000
NSRF000344	Coorong District Council	Construction of access and service connections for the SA Motorsport Park	The project is the construction of essential access and service connections to prepare a site for the establishment of SA Motorsport Park at Tailem Bend and includes roadworks, internal access roads and internal services, site reticulation including water and gas supply, power supply, communications connections, storm water and site detention dams and wastewater services.	Tailem Bend	SA	\$7,500,000	\$27,480,000
NSRF000031	Town of Gawler	Development of the Central Business District Hub in Gawler	The project will redevelop the Gawler Town Hall and adjacent Gawler Institute to become a central Hub. The Hub will include a Regional Digital Business Hub, the Regional Gawler Heritage Collection Gallery, a multi-purpose function venue, an Aboriginal Café, a Regional Smart Library and a storehouse for employment and training opportunities for the Work for the Dole program.	Gawler	SA	\$5,600,000	\$12,600,000
NSRF000085	Charters Towers Regional Council	Upgrade to water infrastructure for Charter Towers	The project will upgrade the water infrastructure to provide greater access and a more dependable supply including inter-connection pipeline, refurbishment works on two reservoirs, installation of chlorine boosters and upgrades to the Water Treatment Plant.	Charters Towers	QLD	\$8,690,500	\$17,381,000
NSRF000149	Yarra Ranges Shire Council	Construction of a Multi-Purpose Health Hub for Belgrave	Construction of a Multi-Purpose Health Hub in Belgrave, Victoria. The facility will provide a one stop health hub for the local and surrounding communities. Services will include community health, emergency relief, early years, youth services and aged care service.	Belgrave	VIC	\$3,835,000	\$8,670,000
NSRF000219	City of Albany	Construction of the Albany Visitors Centre	The project will deliver an iconic building that will house a new tourist information hub and showcase for regional produce, involving the co-location of the Albany Visitors Centre and Public Library.	Albany	WA	\$997,500	\$1,995,000
NSRF000238	Horsham Rural City Council	The Grampians Peaks Trail Project	The project will construct a 144km, multi-day walking trail across the length of the Grampians National Park. The project will showcase the beauty and majesty of the Park's natural and cultural landscapes, the Grampians Peak Trail will be one of the great iconic walks of Australia with an estimated visitation of 23,000 people per annum by 2020.	Dunkeld	VIC	\$10,000,000	\$27,000,000
NSRF000254	Abbotsford Convent Foundation	Restoration of the Sacred Heart Building and Abbotsford Convent in Abbotsford	The project will restore the Sacred Heart building at the Abbotsford Convent.	Abbotsford	VIC	\$2,681,625	\$5,363,250

Project Ref	Applicant Organisation	Project Name	Project Description	Project Location	State	Commonwealth Funding Approved	Total Project Cost
NSRF000262	Mareeba Shire Council	Upgrade of Wastewater Treatment Plant in Mareeba	The project will upgrade the wastewater treatment plant in Mareeba to increase its capacity and to meet environmental regulatory standards. ☐	Mareeba	QLD	\$6,000,000	\$15,052,760
NSRF000298	CareWest Incorporated	Redevelopment of CareWest Community Connection Centre in Orange.	Creation of a multipurpose community centre incorporating co-located health and social services for disadvantaged individuals in the region.	Orange	NSW	\$747,000	\$1,495,000
NSRF000442	Dubbo City Council	Upgrade of Cattle Sale Facilities at the Dubbo Regional Livestock Markets	The project will upgrade and expand the cattle sale facilities at the Dubbo Regional Livestock Markets.	Dubbo	NSW	\$3,290,875	\$6,581,750
NSRF000017	Karmai Community Children's Centre Inc	Construction of an Integrated Children's Centre at Korumburra	The project will construct an integrated children's centre to provide childcare, kindergarten and after school care services.	Korumburra	VIC	\$1,600,000	\$5,345,000
NSRF000104	Midcoast County Council	Nabiac Inland Dune Aquifer Supply System Project	The project will complete the Nabiac Inland Dune Aquifer Supply System including upgrade of the Nabiac Water Treatment Plant, the Darawank Reservoir pump station and electrical and telecommunications services linking the components to the existing Manning District Water Supply Scheme.	Nabiac	NSW	\$9,600,000	\$19,200,000
NSRF000148	City of Greater Dandenong	Development of Tatterson Park Sport and Community Hub in Keysborough	A multi-purpose sporting hub will be developed at Tatterson Park to comprise existing infrastructure plus a new Sporting and Community Pavilion and synthetic playing pitch to cater for the growing needs of the south east region of Victoria.	Keysborough	VIC	\$4,865,150	\$9,730,300
NSRF000283	Wingecarribee Shire Council	Moss Vale Enterprise Corridor	The project will upgrade and realign Berrima Road (MR 372), the only B-double, High Mass Limit approved road linking Moss Vale with the Hume Highway. The project will eliminate the existing rail level crossing and replace it with a rail overbridge, and replace the existing T-junction intersection at Berrima Road and Taylor Avenue with a B-triple capacity roundabout. ☐ The project addresses transport and logistical access, capacity, productivity and safety issues represented by the current level rail crossing and T-junction intersection. ☐	Berrima	NSW	\$4,602,596	\$9,205,193
NSRF000410	Dorset Council	Construction of the North-East Rail Trail from Launceston to Scottsdale	The project will construct a 70km multi-use trail along the disused rail corridor from Launceston to Scottsdale.	Lilydale	TAS	\$1,470,000	\$2,942,000
NSRF000190	Shire of Mt Marshall	Redevelopment of the Multipurpose Complex in Bencubbin	Development of the Bencubbin Multipurpose Complex to create a multifunctional sporting and community space in the Wheatbelt region that will support regional sporting events, workshops, functions and commercial activities.	Bencubbin	WA	\$990,000	\$2,760,000
NSRF000430	Maroondah City Council	Construct a Centre for Regional Knowledge and Innovation at Ringwood	The project involves the construction of a new library, learning and cultural centre in the new Ringwood Town Square precinct.	Ringwood	VIC	\$3,000,000	\$7,700,000
NSRF000003	Casey City Council	Construction of a Regional Arts Centre at Narre Warren	The project will construct a Regional Arts Centre, including a theatre, studio space, function centre and regional art gallery.	Narre Warren	VIC	\$10,000,000	\$55,000,000
NSRF000026	Goulburn Mulwaree Council	Construction of a Wastewater Treatment Plant in Goulburn	The project is Stage 1 construction of a new state of the art, 33,000 equivalent persons wastewater treatment plant including a pump station and rising main to distribute reuse water for irrigation and industry, irrigation infrastructure for reuse water at the racecourse and sporting fields, a discharge point to Wollondilly River and overhead standpipes for access to reuse water.	Goulburn	NSW	\$10,000,000	\$40,000,000
NSRF000106	Mount Isa City Council	Upgrade of Stage 2A Sewer Augmentation at Mount Isa	The project will upgrade the Waste Water Reclamation Plant to improve the quality of the treated effluent to meet the current licence conditions as well as 'Class A' standard required for human health protection.	Mount Isa	QLD	\$2,515,000	\$5,030,000
NSRF000171	Wodonga City Council	Upgrade Wodonga City Heart Infrastructure Project	The City Heart Infrastructure Project delivers key public infrastructure for the Wodonga Central Business Area Revitalisation Project, with the construction of public open spaces at Richardson Park and the Promenade, and key connections through the reconstruction of High and South Streets and extension of Havelock Street.	Wodonga	VIC	\$10,000,000	\$20,764,660
NSRF000244	Shire of Serpentine Jarrahdale	Construction and fit-out of commercial kitchen in Byford	Construction and fit-out of a commercial kitchen at the Byford Country Club.	Byford	WA	\$245,000	\$683,100
NSRF000278	Pathfinders Ltd	Upgrade of Youth Accommodation and Support Centre at Armidale and Glen Innes	The project will upgrade two buildings, one in Armidale and one in Glen Innes, into youth accommodation and support facilities.	Armidale	NSW	\$500,000	\$1,058,500
NSRF000394	Cardinia Shire Council	Construction of a Community Hub at Emerald	The project will upgrade and extend the existing two-storey Mechanics Hall to include a new commercial kitchen, space and facilities for University of the Third Age (U3A) and the Men's Shed, new foyer/entry, art display space and local tourism information on the ground floor. The first floor will provide space for 3MDR Community Radio and a versatile meeting space.	Emerald	VIC	\$1,500,000	\$5,697,259
NSRF000422	Gosford City Council	Infrastructure upgrade of the Somersby Industrial Park	Infrastructure upgrade of the Somersby Industrial Park, including construction of new road works, stormwater, sewer and water mains infrastructure.	Somersby	NSW	\$10,000,000	\$28,726,200
NSRF000061	City of Darwin	Construction of Stage 1 of the Parap Leisure and Sports Centre	The Parap Leisure and Sports Centre will provide a modern, integrated aquatic and sporting facility. Stage 1 will include the construction of a 50 metre FINA standard pool and a 25 metre multipurpose pool.	Parap	NT	\$4,483,000	\$8,966,000
NSRF000117	Shire of Moyne	Port Fairy Waterfront Development Project	The project will redevelop the waterfront to provide a vibrant new asset featuring a dedicated space to showcase and sell local and regional produce, a waterfront restaurant, an al fresco area with fresh local seafood and produce outlet.	Port Fairy	VIC	\$1,425,000	\$2,850,000

Project Ref	Applicant Organisation	Project Name	Project Description	Project Location	State	Commonwealth Funding Approved	Total Project Cost
NSRF000154	Corowa Shire Council	Upgrade of the Mulwala Industrial Estate Development	The Mulwala Industrial Estate Development project will upgrade existing infrastructure and extend an industrial estate to enable new business expansion and diversification whilst rectifying major drainage issues.	Mulwala	NSW	\$655,676	\$2,033,740
NSRF000163	Yass Valley Council	Construction of a Water Pipeline in Murrumbateman	The project will construct a 17.5 kilometre, 250mm diameter water supply pipeline from Yass to Murrumbateman. The pipeline will provide Murrumbateman with a safe, secure drinking water supply and allow the growth of residential and commercial development.	Murrumbateman	NSW	\$6,100,000	\$12,200,000
NSRF000186	Naracoorte Lucindale Council	Construction of a Lucindale Road Roundabout in Naracoorte	The proposal will create a B-Double heavy vehicle compliant roundabout on Lucindale Road in a strategic location that services a minimum of four adjoining sites, each of which presents multiple subdivision and development opportunities.	Naracoorte	SA	\$635,000	\$1,270,000
NSRF000196	Tasmanian Association of Police and Citizen Youth Clubs	Redevelopment of the Launceston PCYC Youth Facility in Newstead	Redevelopment of the Launceston Police and Citizens Youth Club Child Care space into a youth-specific, multi-purpose area enabling the development of new programs to assist highly 'at risk' youth. The building is to be named the Youth Operations Centre (YOC) and will be the organisational and service hub for youth.	Newstead	TAS	\$69,956	\$139,913
NSRF000209	Nambucca Shire Council	Construction of Sewerage Infrastructure in South Nambucca	The South Nambucca Sewerage Infrastructure Construction Project will provide for the installation of a sewage disposal system which will create opportunities for residential and commercial development along the Nambucca River, as well as enable the continued operation of two tourism accommodation sites.	Nambucca	NSW	\$241,340	\$482,680
NSRF000239	City of Belmont	Belmont Business Park Transport Infrastructure	The project will upgrade transport infrastructure in and around the Belmont Business Park. The project will help resolve traffic problems, allow for more sustainable public transport and create a more aesthetically pleasing and functional main thoroughfare.	Belmont	WA	\$6,032,485	\$12,064,970
NSRF000285	Burke Shire Council	Construction of a Pontoon Wharf in Burketown	This project will construct a 24 metre long pontoon accessed from the Albert River bank via a marine-grade aluminium gangway.	Burketown	QLD	\$160,000	\$480,000
NSRF000296	City of Playford	Playford Central Business District Infrastructure	Construction of 12 mixed-use allotments within the Playford Central Business District, all of which will be suitable for commercial, retail or residential development. The project will also upgrade the streetscape and function of Playford Boulevard to improve pedestrian and traffic flows and to provide an attractive space for community activities.	Elizabeth	SA	\$2,752,500	\$5,505,000
NSRF000304	Gympie Regional Council	Construction of the Gympie Aquatic Centre	The new aquatic centre will include a 50 metre outdoor regional competition pool; 25 metre heated indoor program pool; 250 square metre zero depth leisure pool; dual water slides; bar par; pool management office space; first aid room; kiosk/cafe; and associated amenities.	Gympie	QLD	\$5,000,000	\$20,000,000
NSRF000385	The Flagstaff Group	Expansion of Commercial Laundry	This project is the expansion of a commercial laundry servicing growth in the aged care industry while providing additional employment and training opportunities for people with disabilities.	Unanderra	NSW	\$857,575	\$1,715,150
NSRF000450	Indigo Shire Council	Upgrade of Recreational Reserve Facilities at Wahgunyah	The project will upgrade facilities at the Wahgunyah Recreation Reserve including upgrading and expansion of the football and netball home and away clubrooms, treasurer and trainer rooms, septic, toilet and shower facilities, new community meeting rooms, a multi-purpose community function centre, car park and entry road.	Wahgunyah	VIC	\$200,000	\$770,000
NSRF000487	Shire of Northam	Construction of an Aboriginal and Environmental Interpretation Centre in Northam	Construction of an Aboriginal and Environmental Interpretation Centre in Northam including an interactive, educational space to recognise the rich Aboriginal and Environmental presence in the area.	Northam	WA	\$2,100,000	\$4,200,000
NSRF000034	Ronald McDonald House South East Queensland Inc	Construction of Ronald McDonald House in South Brisbane	Construction of a new Ronald McDonald House in South Brisbane with 112 accommodation rooms, communal spaces including a kitchen, laundry, dining area, lounge and games room. The facility will also include outdoor recreation and play areas and on site parking.	South Brisbane	QLD	\$5,300,000	\$34,000,000



Independent Pricing and Regulatory Tribunal

Methodology for Assessment of Council Fit for the Future Proposals

Local Government — Consultation Paper
April 2015



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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 25 May 2015.

We would prefer to receive them electronically via our online submission form <www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission>.

You can also send comments by mail to:

Methodology for Assessment of Council Fit for the Future Proposals
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au> as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

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1 Executive Summary

1.1 Introduction

This consultation paper explains our proposed methodology to undertake the role of the Expert Panel in assessing local government Fit for the Future proposals and seeks stakeholder comment.

The NSW Government's Fit for the Future reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need.¹ The NSW Government has been working with local councils since 2011 on this initiative to strengthen the local government sector. The reform process is expected to benefit ratepayers by leading to councils that will be financially sustainable into the future, and more capable of being strategic partners with other levels of government.

The Government has established four criteria it considers are necessary for a council to be considered 'Fit for the Future' (FFTF).² The criteria that characterise a FFTF council have been developed based on the work of Destination 2036, the assessments of the sector by the Independent Local Government Review Panel (ILGRP) and the NSW Treasury Corporation (TCorp),³ as well as input from the local government sector and IPART⁴. These criteria are:

- ▼ scale and capacity to engage effectively across community, industry and government
- ▼ sustainability
- ▼ effectively managing infrastructure and delivering services for communities, and
- ▼ efficiency.

The Government also announced that councils which are assessed as FFTF will have access to a range of benefits, including access to a streamlined rate variation process and a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.⁵

¹ Office of Local Government (OLG), *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 15.

² OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, pp 6-8.

³ OLG, *Preparing your council's Fit for the Future proposal – Templates and Self-Assessment Tool*, November 2014, p 2.

⁴ IPART, *Review of criteria for fit for the future – Final Report*, September 2014.

⁵ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 15.

1.2 Role of IPART as the Expert Panel

The Government asked IPART to perform the role of the independent Expert Panel to assess how council proposals meet the FFTF criteria. Councils are to prepare proposals as to how they will meet the criteria over the medium term (ie, to 2019-20) for submission to us by 30 June 2015. Our role is to ensure a consistent, impartial and balanced assessment of councils' FFTF proposals.

The full terms of reference (ToR) for IPART's role are attached at Appendix A. Box 1.1 provides a summary of the three tasks contained in the ToR:

1. develop a methodology for assessing proposals
2. undertake the assessments of whether each council is FFTF, consistent with the methodology, and
3. provide the Government with a final assessment report by 16 October 2015.

Box 1.1 Panel tasks in Terms of Reference

1. Develop a methodology for assessing Fit for the Future (FFTF) proposals, which must:
 - a) be consistent with the Government's reform agenda for FFTF
 - b) include an assessment of the scale and capacity criterion as a threshold criterion
 - c) include an assessment of the performance against the other FFTF measures that takes into account:
 - i. published guidance materials
 - ii. relative importance of each measure in a council becoming FFTF and the relative robustness of each measure
 - iii. the social and community context and outcomes for each council
 - d) include an assessment of the consultation process undertaken by the council
 - e) consider advice provided by the Ministerial Advisory Group
 - f) identify timescales and approach to consultation
 - g) be published for public consultation for a minimum of 28 days
 - h) be finalised and available to councils no later than the week commencing 1 June 2015.
 2. Undertake an assessment of whether each council is FFTF, consistent with the published methodology, which must:
 - a) operate with consistency, fairness and impartiality
 - b) have an online portal for all councils to submit their FFTF proposals
 - c) publish all councils' proposals and supporting documentation, subject to confidentiality, as soon as practicable after 30 June 2015
 - d) ensure local government knowledge and expertise in the technical assessment of each proposal
 - e) rely on the evidence provided by councils through the online submission process, and additional relevant information
 - f) give councils the opportunity to provide additional information, which may include the opportunity for councils to present in person.
 3. Provide the Minister for Local Government and the Premier by 16 October 2015 with a final report identifying whether or not each council is FFTF and the reasons for this assessment, to be publicly released following Cabinet approval.
-

A temporary part-time Tribunal member, John Comrie, is being appointed for the period of the assessment process. The member will supplement the existing local government expertise and experience of the Tribunal with first-hand local government industry experience.

1.3 Fit for the Future proposals based on scale and capacity

The Government has established the 'scale and capacity' criterion as the threshold criterion for councils.⁶ In making a FFTF proposal, councils must first assess their scale and capacity against the ILGRP's recommendations, and submit one of three types of proposals:

- ▼ **Council Merger Proposal** – for councils that need to undertake structural change by merging with one or more other councils to achieve sufficient scale and capacity.
- ▼ **Council Improvement Proposal** – for councils that currently have sufficient scale and capacity without any structural change.
- ▼ **Rural Council Proposal** – for councils with 'Rural Council Characteristics', (eg, small, declining populations spread over a large area) where mergers may not be feasible, but which need to demonstrate plans and strategies for real change in order to increase their capacity and improve performance against the Fit for the Future criteria.⁷

The Office of Local Government (OLG) has developed templates for councils to use for each proposal type, in addition to other resources and guidance to assist councils in assessing their options and preparing their proposals.⁸

1.4 Addressing the other three criteria

In each application, the council must also demonstrate how it meets the other three FFTF criteria – 'sustainability', 'effective infrastructure and service management' and 'efficiency'.

The Government has established certain measures with benchmarks for each of the FFTF criteria, which a council must report against to show how it meets these criteria. These measures and benchmarks are set out in Table 1.1.

In each of the templates, the council should report its projected performance to 2019-20 against each of the criteria measures. For councils that have proposed some form of structural change (ie, Merger or Rural Council option), the council is asked to report its estimated future performance based on the new structure. For the Rural Council option, the council is also asked to report its past performance (from 2010-11), to help demonstrate how its projected performance would improve under the new, proposed structure.

⁶ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 12.

⁷ OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

⁸ OLG guidance material and templates can be found at the following government website: <http://www.fitforthefuture.nsw.gov.au/preparing-proposal> [accessed 16 April 2015].

Table 1.1 Fit for the Future Criteria and Measures

Criteria and measure	Definition	Benchmark
1. Sustainability		
Operating Performance Ratio	$\frac{\text{Net continuing operating result (excl capital grants and contributions)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$	Greater or equal to break-even average over 3 years
Own Source Revenue Ratio	$\frac{\text{Total continuing operating revenue (excl all grants and contributions)}}{\text{Total continuing operating revenue (incl capital grants and contributions)}}$	Greater than 60% average over 3 years
Building and Asset Renewal Ratio	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	Greater than 100% average over 3 years
2. Effective infrastructure and service management		
Infrastructure Backlog Ratio	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets}}$	Less than 2%
Asset Maintenance Ratio	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	Greater than 100% average over 3 years
Debt Service Ratio	$\frac{\text{Cost of debt service (interest expense and principal repayments)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$	Greater than 0% but less than or equal to 20% average over 3 years
3. Efficiency		
Real Operating Expenditure	$\frac{\text{Operating expenditure}}{\text{Population}}$	A decrease in Real Operating Expenditure per capita over time

Note: WDV = written down value.

Source: OLG, *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, p 15.

1.5 Proposed methodology to assess the proposals

The Government requested that we develop a methodology upon which to assess council FFTF proposals as a first step in fulfilling the role of the Expert Panel.

Our proposed methodology to assess council FFTF proposals includes:

1. How we propose to rate council proposals.

Councils that submit proposals will be rated as either ‘fit’ or ‘not fit’, with reasons given for the assessment. Councils that do not submit a proposal during the submission process cannot be properly assessed and will therefore be ‘deemed not fit’.⁹

2. How we propose to assess the scale and capacity criterion, as the threshold criterion.

All councils must demonstrate that they either currently have, or will have, sufficient scale and capacity with their proposed approach, consistent with the objectives identified by the ILGRP for their region, and the features of strategic capacity in Box 3.1. We will consider first the ILGRP’s *preferred option* for each council regarding scale and capacity and whether the council’s proposed option is *broadly consistent* with this option.

Based on our approach, if the ILGRP recommended a council to stand-alone or undertake structural change, then the council should demonstrate that they first considered making a proposal on this basis. If the ILGRP recommended a merger as the preferred option and the council did not propose one, the council will be assessed as ‘not fit’, unless it presents either:

- a sound argument (eg, using a business case) that demonstrates that the proposed approach is superior to the recommended merger, or
- a merger option *broadly consistent* with the ILGRP recommendation to merge councils (eg, with three rather than four councils), supported by a sound argument, or
- a Rural Council Proposal where the council demonstrates that it first meets the ‘Rural Council Characteristics’ (Box 2.1) and clearly demonstrates how the council plans to achieve real change and improve its capacity.

3. How we propose to assess the three other criteria (Table 1.1), following our assessment of scale and capacity.

We propose to assess a council’s performance using the specific measures and benchmarks, as shown in Table 1.1. In brief, the approach:

- Scales the benchmark in the order of importance as: ‘must meet’ or ‘must demonstrate improvement in’. The scaling applied to each benchmark indicates the importance of councils achieving operational sustainability over the medium term and having plans to improve capital sustainability performance over this same period. A council’s performance against each of the individual benchmarks will inform our overall assessment of whether a council meets the criteria.

⁹ Except for Far West councils that choose not to submit proposals for which no rating will be given.

- Sets timeframes for councils to meet or make improvements towards meeting the benchmarks (ie, within 5 or 10 years).
 - Allows flexibility for councils in meeting the forward benchmarks where there is a Merger or Rural Council Proposal, which may require some short term adjustment to fulfil structural objectives (eg, a temporary increase in asset backlogs in a larger, merged council).
4. **How we will undertake the assessment process, including the timetable, how we will consider information provided by councils through the online portal and other relevant information, and opportunities for council consultation with IPART.**

1.5.1 Other factors that may inform our assessment of FFTF proposals

During our assessment of proposals, we will also consider other factors that may influence our overall assessment of whether a council meets the FFTF criteria, namely:

- ▼ the social and community context of the council
- ▼ the nature and quality of the supporting information, including the rigour by which the ILGRP's preferred options for scale and capacity were explored by the council, and the robustness and consistency of the assumptions underlying the council's forecasts
- ▼ how the council consulted with its community regarding its proposal or alternative options as relevant, and the outcomes from these consultations, and
- ▼ the impact of the council's water utility business on its General Fund performance, where the council also serves a water utility function (this information is requested in the templates).

1.5.2 Summary of the assessment process

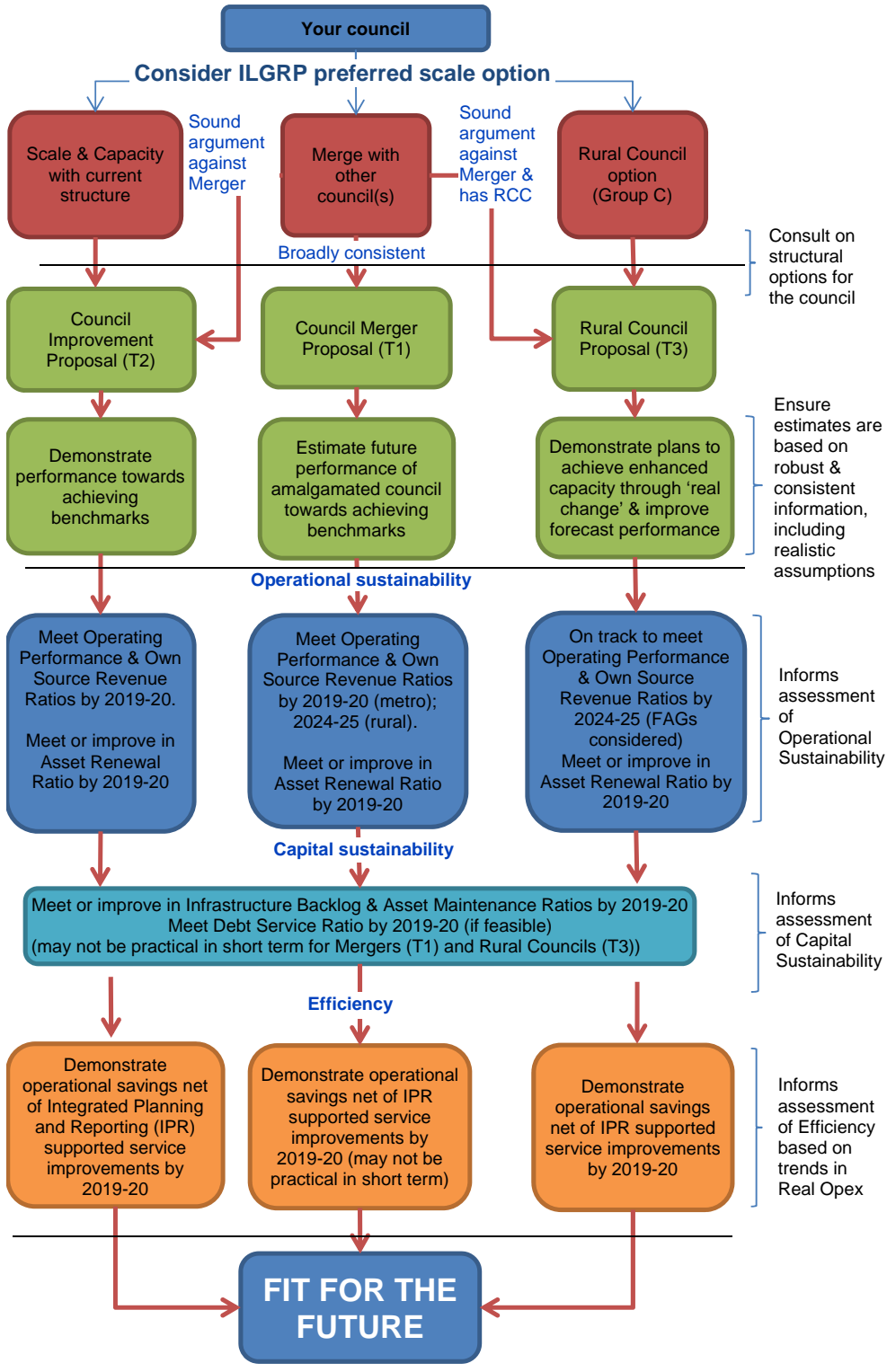
We developed Figure 1.1 to summarise the assessment process for FFTF proposals and the steps a council would need to take to be assessed as FFTF.

This demonstrates that a council should consider the ILGRP's scale and capacity option as the starting point, and how a FFTF council should put forward a proposal broadly consistent with the objectives of the ILGRP for the region, unless there is a sound argument ruling out this option.

1.5.3 Future reporting of FFTF performance

This paper also outlines how a council may report on its progress to becoming FFTF over time. We propose that councils would report performance each year in their Annual Reports, and that the Auditor General would reassess FFTF performance periodically, as part of the new auditing role for the Audit Office of NSW in the sector.

Figure 1.1 Proposed assessment process for councils' FFTF proposals



1.5.4 Submission process for council FFTF proposals

Councils can lodge their FFTF proposals, following the release of the Final Report on the assessment methodology in the week commencing 1 June, by using our dedicated council portal on our website:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Council_Portal.

Proposals are due on 30 June 2015. We will publish additional guidance for councils on how to submit proposals through the online portal on our website.

Once we receive council proposals, we will post non-confidential information on our website as soon as practical. We will also accept public submissions on council FFTF proposals to assist with our assessment during the four weeks after the council deadline, to 31 July, and will post these submissions on our website.¹⁰

During our assessment process, we may seek further information, or meet with certain councils to clarify aspects of their proposals. IPART's officers will also be available to assist councils with enquiries about the submission process before 30 June.

Once we complete our assessment, we will rate all councils and provide our recommendations to the Government by 16 October 2015.

A timetable for the FFTF assessment process, as well as the consultation process on this consultation paper, is in Table 1.2.

¹⁰ Submissions we receive from stakeholders outside a formal submission period may be considered by the Tribunal, but will not be published on our website. We will notify stakeholders through our website about formal submission periods.

Table 1.2 Timeline for FFTF methodology consultation and assessment process

Date	Milestone
Stage 1	Assessment methodology
27 April 2015	Release of Consultation Paper – Assessment Methodology
11 May 2015	Public Forum – Sydney (webcast)
15 May 2015	Public Forum – Dubbo
18 May 2015	Public Forum – Coffs Harbour
21 May 2015	Public Forum – Wagga Wagga
25 May 2015	Close of public submissions on Consultation Paper – Assessment Methodology
w/c 1 June 2015	Release of Final Report – Assessment Methodology
Stage 2	Council FFTF submissions
30 June 2015	FFTF proposals due from councils
31 July 2015	Close of public submissions on council FFTF proposals
Stage 3	IPART assessment Phase
Until end Aug 2015	Request additional information or meet with councils as required
October 2015	Release FFTF decisions to Minister

Note: w/c = week commencing.

1.6 Consultation on the proposed methodology

To consult on the methodology contained in this paper, we will:

- ▼ seek and consider feedback in submissions to the paper, and
- ▼ hold four public hearings across NSW, in Sydney (to be webcast) in early May, and three additional regional meetings shortly after in Dubbo, Coffs Harbour and Wagga Wagga, to provide stakeholders with an opportunity for further input.

We will publish stakeholder submissions on our website soon after the close of submissions. Similarly, transcripts from our public forums and any webcast will also be available from our website.

After our consideration of stakeholder feedback, we will release the final report on the assessment methodology, which we intend to apply when assessing council FFTF proposals, in the week commencing 1 June 2015.

1.6.1 Questions for stakeholder feedback

IPART has developed a series of questions for stakeholders to consider when submitting comments on this consultation paper.

- 1 How should the key elements of strategic capacity influence our assessment of scale and capacity? Are there any improvements we can make to how we propose to assess the scale and capacity criterion, consistent with OLG guidance material? 25
- 2 Which of the 'Rural Council Characteristics' are the most relevant, considering a council must satisfy a majority of the characteristics to be considered a rural council? 25
- 3 Are there any improvements we can make to how we propose to assess the sustainability, infrastructure management and efficiency criteria, consistent with OLG guidance? Are there issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria? 33
- 4 How should councils engage with their communities when preparing FFTF proposals? Are there other factors we should consider to inform our assessment of council consultation? Please explain what these other factors are, and why they are important. 37
- 5 Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals? 38

We also invite stakeholders to comment on any other aspect of the proposed methodology.

2 Fit for the Future reforms

2.1 Background

The Government's objective with the Fit for the Future (FFTF) program is to encourage each council to create its own roadmap of how it will form part of a stronger and more effective local government sector for NSW, and be a sustainable and efficient providers of services to the community.¹¹

The Independent Local Government Review Panel (ILGRP) formulated the options for a revitalised system of local government that will remain sustainable and fit-for-purpose well into the middle of the 21st Century. The ILGRP did not take a "one-size fits all approach" to the sector.¹² Instead, it considered the specific characteristics of a region and where necessary it recommended options for structural or boundary change to achieve the overall objective for an improved sector.

The ILGRP, consistent with a "no-one size fits all approach" recommended a number of options for councils, eg.:

- ▼ amalgamate or merge
- ▼ no change
- ▼ combine as a strong Joint Organisation
- ▼ (stand-alone) council within a Joint Organisation¹³
- ▼ rural council, and
- ▼ joint administration.

We reproduce the ILGRP's recommendations for both non-metropolitan councils (which it divided into groups (from A to G)) and metropolitan councils in Appendices B and C, respectively. In addition, Appendix C shows a map of the ILGRP's preferred merger options for the Sydney metropolitan area.

2.1.1 Benefits from reforming the sector

The FFTF reform process is expected to benefit ratepayers by leading to councils that will be financially sustainable into the future, and capable of being strategic partners with other levels of government.

¹¹ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 5.

¹² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 7.

¹³ This option mainly relates to larger Group G councils. Group F councils have both this option, and a merger option recommended. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 112, 115-116.

The ILGRP identified the “need for councils to shift their focus towards a more strategic view of their operations; to have the ability to respond to the diverse and changing needs of different communities; and to take on new functions or deliver improved services in order to meet those needs.” It suggested “a move to larger, more robust organisations that can generate increased resources through economies of scale and scope, and then ‘plough back’ efficiency gains into infrastructure, services and other benefits for their communities”.¹⁴

The ILGRP also noted that a number of recent studies in NSW, and elsewhere, clearly demonstrate the potential for amalgamations, where properly managed, to generate both efficiencies and increased strategic capacity, ie, economies of scale and scope.^{15,16} In addition, it stated that there is an argument that taxpayers should not be expected to increase grant funding indefinitely to support councils that are unnecessarily small, lack capacity and build excessive costs into the system.¹⁷

2.2 Fit for the Future framework

In response to the ILGRP recommendations, the Government developed a FFTF framework which requires each council to assess its current position and submit a FFTF proposal by 30 June 2015.¹⁸ Figure 2.1 illustrates the FFTF application process. The framework requires councils to submit a proposal based on one of three templates. Figure 2.1 also shows that the choice of template will reflect the council’s proposal as to how it addresses the scale and capacity criterion, as the threshold criterion.

¹⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 32.

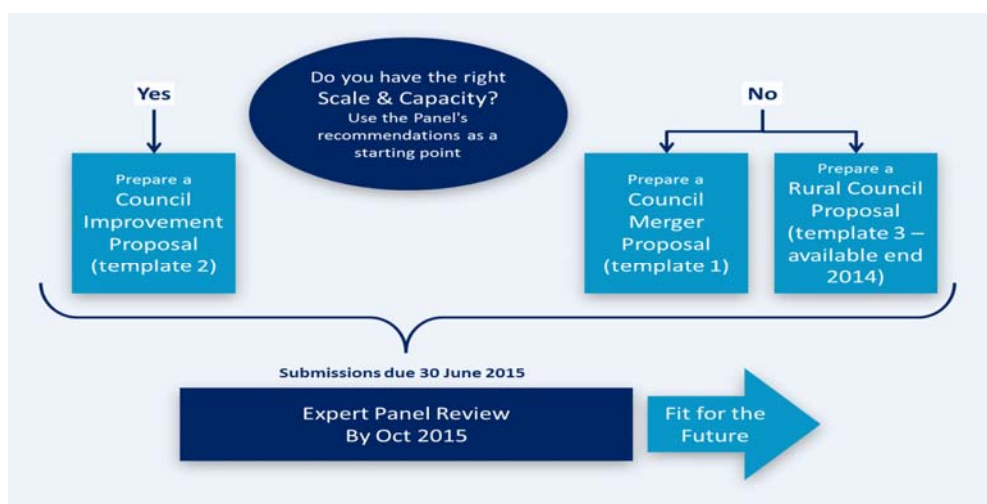
¹⁵ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 73.

¹⁶ Economies of scale refer to when average costs of production decrease as output expands. Economies of scope refer to the situation in which it is less expensive to produce goods jointly than separately. Jeffrey M. Perloff, *Microeconomics*, Pearson International Edition, Fourth Edition, 2007, pp 204, 213.

¹⁷ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 72.

¹⁸ The eight councils in Far Western NSW are not required to, but may nevertheless wish to, submit a proposal pending consultation on establishing a Far West Organisation.

Figure 2.1 Snapshot – Process for Fit for the Future proposals



Source: See for example: OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, p 4.

Each council (or councils jointly) using the ILGRP recommendations as a starting point, is (are) to submit:

- ▼ A **Council Improvement Proposal** (ie, Template 2) if identified as already having scale and capacity.
 - Councils are to address the three other financial criteria to show current (2013-14) and projected (2016-17 to 2019-20) performance against the seven FFTF benchmarks.
- ▼ If identified as without scale and capacity, either:
 - A **Council Merger Proposal** (ie, Template 1) – councils are to show anticipated benefits and costs of a merger and estimate performance against the seven FFTF benchmarks between 2016-17 and 2019-20, or
 - A **Rural Council Proposal** (ie, Template 3) – demonstrating ‘Rural Council Characteristics’ and providing past (2010-11 to 2013-14) and estimated (2016-17 to 2019-20) performance against the seven FFTF benchmarks.
 - The Rural Council Proposal must include the options that the council plans to undertake to increase their capacity and improve performance against the other Fit for the Future criteria, eg, resource sharing, consolidating or outsourcing existing functions.¹⁹

¹⁹ OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

2.3 Council Improvement Proposal

The Council Improvement Proposal template is primarily designed for those councils that can demonstrate that they already have sufficient scale and capacity, as recommended by the ILGRP.

Councils may also submit these proposals if they consider that they can demonstrate a strong case to continue with their current structure, despite a different ILGRP recommendation. In some cases, councils may also choose to submit a Council Improvement Proposal, which incorporates some aspects of structural change in their forward planning (eg, sharing some services or resources with other councils).

Where councils are considered by the ILGRP to already have sufficient scale and capacity, our assessment of these proposals will focus on how the council proposal meets the other criteria to show they are FFTF.

We discuss how we propose to assess the other criteria in section 3.

2.4 Council Merger Proposal

The ILGRP carried out research and consultation on the subject of scale and capacity and determined that there was not a “one-size fits all approach”.²⁰ The Government’s FFTF guidance to councils has also stated that “if the [Independent Local Government Review] Panel recommended a merger for your council, then this should be the first option you consider.”²¹

Merger councils are asked to estimate, as robustly as possible, future performance (2016-17 to 2019-20) for each FFTF financial benchmark as part of the other criteria assessment. However, as the merged council does not exist yet, we understand these estimates are indicative only.

In addition, due to the structural changes required for merged councils, it may not be practical for these councils to meet all of the benchmarks by 2019-20, eg, there may be less funds available for asset spending during the adjustment phase. In section 3.3 we discuss how we propose to consider the overall assessment of merged councils relative to the other criteria. In some cases, we

²⁰ The ILGRP informed its recommendations on scale and capacity (including the merger recommendations) by looking at the unique characteristics of each area – geography, economic and transport flows, communities, interest and local identity. It also considered a list of criteria for a given council area, including sustainability and strategic capacity, efficiency and effectiveness and accommodating population growth, and whether boundary changes would better achieve the criteria. OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing Structure)*, October 2014, p 8, and ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 76.

²¹ OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, p 7.

may accept forecast improvement in a benchmark based on realistic strategies instead of the requirement that council must meet the benchmark within a certain timeframe.

Consistent with OLG guidance, a Council Merger Proposal is to be submitted by one council in the merger group, but must be endorsed by all councils in the group (ie, by formal council resolution). In addition, councils should consult with their communities and staff on the proposal. We discuss how we propose to consider council consultation to inform our assessment of proposals further in section 4.3.

2.5 Rural Council Proposal

The ILGRP recommended the option of creating a new lower cost, largely autonomous 'Rural Council' working within regional Joint Organisations as an alternative to an amalgamation in some rural-remote areas.²² The option aims to reduce the regulatory and compliance burden on these councils with a regional Joint Organisation undertaking selected regional functions.²³

The ILGRP identified a number of possibilities for non-metropolitan councils, with respect to structure.²⁴ The ILGRP allocated non-metropolitan council to a group based on its projected population, size of the rate base and the ability to merge with others (see Table 2.1 for a summary, and Appendix B).²⁵ We note, for example, that in its assessment the ILGRP recommended that:

- ▼ non-metropolitan Group C councils would be suitable to be a rural council, but in nearly every case the possibility of a merger should be properly assessed before being ruled out, and
- ▼ Group B councils have a second option to establish a rural council, with a merger being the first option.²⁶

²² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 71.

²³ Joint Organisations (JO) are currently being piloted in the Central West, Hunter, Illawarra, Namoi and Riverina. Fifteen JOs are to be rolled out in regional areas from September 2016. JOs will be enabled through legislation. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 17.

²⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, see chapter 15, pp 111-122.

²⁵ Group A councils are the eight Far West councils that are, at this stage, not required to submit a proposal, but may wish to do so. The ILGRP recommended the creation of a Far West organisation, pending further consultation with these councils on a lasting solution.

²⁶ According to the ILGRP, Group C councils are those with a projected population of less than 5,000 in 2031 but where a merger may not be realistic. Group B councils have current/projected populations of less than 4,000 but could be readily merged with a neighbour. See ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 112.

Table 2.1 ILGRP options for non-metropolitan councils

ILGRP grouping	Definition	Typical Option
A	Western Region Councils	Joint Administration, Council in Far West region or merge
B	Projected population 2031 below 4,000; High merger potential (2014 referrals to Boundaries Commission)	Merge or rural council in JO
C	Projected population 2031 below 5,000; Low/Medium merger potential (2015-16 referrals to Boundaries Commission)	Rural council in JO or merge
D	Potential merger partners for Group B and C councils (2014-16 referrals to Boundaries Commission)	Merge or council in JO
E	Other potential mergers to consolidate major regional centres (2017 referrals to Boundaries Commission)	Merge or council in JO
F	Current and/or projected population 2031 5,000-10,000 (Review status by 2020)	Council in JO or merge
G	Larger rural and regional councils (excluding Hunter, Central Coast and Illawarra)	Council in JO

Note: JO = Joint Organisation. We have ordered the options based on the ILGRP's preferred option. However, for some groups this ordering may not apply for each council. For specific recommendations see Appendix B where we reproduce the ILGRP's tables.

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, Table 11, pp 114-116.

A council submitting a Rural Council Proposal is required to demonstrate that the majority of the 'Rural Council Characteristics' listed in Box 2.1 apply to its circumstances. In particular, we will be looking at whether the council has a small and static or declining population spread over a large area. Therefore, we propose that, consistent with OLG guidance, a council which does not meet the majority of these characteristics should not complete the Rural Council Proposal, but rather submit either a Merger or Council Improvement Proposal.²⁷

²⁷ Office of Local Government, *Fit for the Future Guidance Material, Completing Template 3: Rural Council Proposal*, January 2015, p 4.

Box 2.1 Rural Council Characteristics (RCC)

1. Small and static or declining population spread over a large area
2. Local economies that are based on agricultural or resource industries
3. High operating costs associated with a dispersed population and limited opportunities for return on investment
4. High importance of retaining local identity, social capital and capacity for service delivery
5. Low rate base and high grant reliance
6. Difficulty in attracting and retaining skilled and experienced staff
7. Challenges in financial sustainability and provision of adequate services and infrastructure
8. Long distance to a major (or sub) regional centre
9. Limited options for mergers.

Source: OLG – *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, pp 11-12. The guidance document indicates that these characteristics were based on the ILGRP report and further consultation with rural councils.

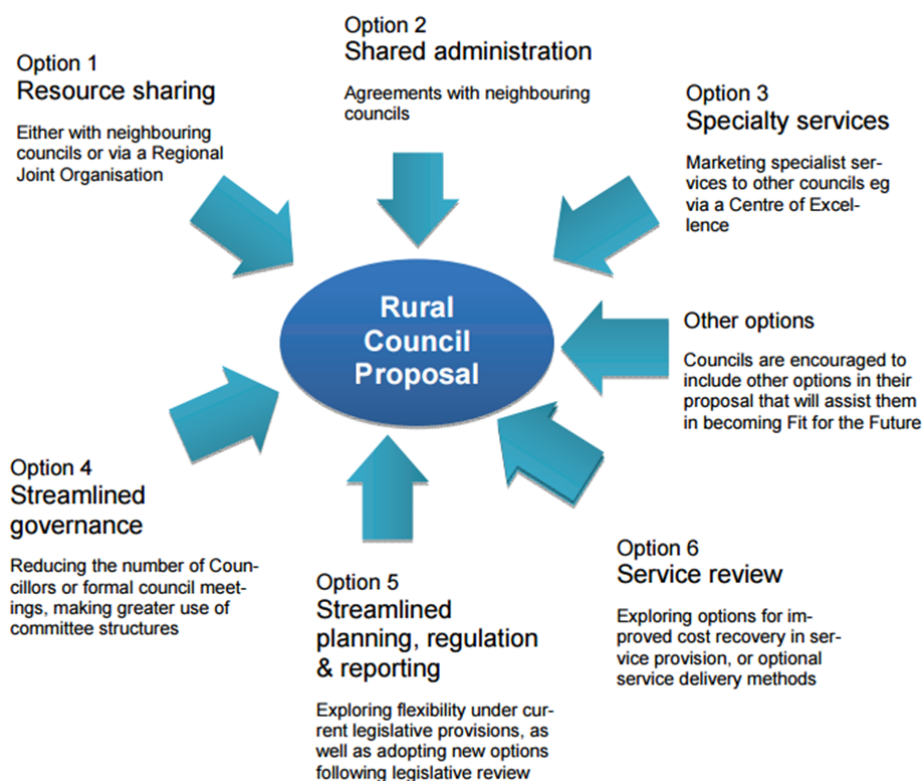
Figure 2.2 shows the possible structural adjustment options previously canvassed by the Government with the local government sector that we propose to take into account when assessing a Rural Council Proposal. We will assess whether a council has demonstrated that it will achieve real change to improve its capacity, and ultimately, its sustainability.²⁸

Councils would not be required to adopt all the options in their proposal, and may identify additional options. However, councils should show us how combining two or more of these alternatives would help them to improve financial sustainability, become effective infrastructure and service managers and efficient, and hence become FTFE.

Rural Councils will also have the option of nominating a project that may be suitable for funding under the NSW Government's Small Councils Innovation Fund scheme, which we will refer to the Fund, as appropriate.²⁹

²⁸ Some of the options would require legislative change to allow councils to utilise their full potential. Other options could be applied under current legislation.

²⁹ An example could be the development of IT systems allowing shared administrative arrangements with a partner council, or the development of a 'centre of excellence' to provide services to other councils in areas such as engineering or contractual management. OLG, *Fit for the Future Rural Council Workshop outcomes*, December 2014, p 8.

Figure 2.2 Rural Council Options

Source: OLG, *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, January 2015, p 18.

3 Proposed assessment methodology

The aim of the FFTF assessment process is to assess councils and their proposed roadmaps on a number of fronts – scale, strategic capacity, sustainability, infrastructure service provision and efficiency. The Government has already established clear objectives and benchmarks for IPART to follow in making these assessments.

Becoming FFTF is a process; it involves councils assessing where they are now and how they can improve, if necessary, to become FFTF. As current circumstances vary between councils, it is reasonable to expect that some will take longer than others to improve their performance. Therefore, while council FFTF proposals provide an opportunity for councils to demonstrate how they meet or plan to meet the criteria, our assessment process will also need to be flexible and consider the overall merits of each council proposal.

In this section, we set out how we propose to assess council FFTF proposals against these criteria using the information provided in the templates discussed in section 2, and any other information we consider relevant.

3.1 Assessment ratings

To determine a rating, we propose to assess councils' proposals as:

- ▼ **Fit** – if the proposal satisfies the four FFTF criteria overall, that is, if the proposal:
 1. First, satisfies the **scale and capacity** criterion. We expect that proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion. Our approach to assessing proposals that do not align with ILGRP preferred options will take account of a number of factors as outlined further in section 3.2.
 2. Second, satisfies overall the other criteria of **sustainability, effective infrastructure and service management**, and **efficiency**. Our proposed assessment methodology for these criteria requires councils to demonstrate how they either meet or seek to improve performance against specific benchmarks, outlined further in section 3.3.
- ▼ **Not Fit** – if the proposal does not satisfy the scale and capacity criterion, or does not satisfy overall the other criteria based on our analysis; this rating which would be accompanied by our explanation and, potentially, a recommendation.
- ▼ **Not assessed, deemed Not Fit** – if a council has not submitted a proposal for us to assess.³⁰

Further, in undertaking our assessments, we propose to also consider other factors which may influence the results of the FFTF criteria, eg, the social and community context of the council, discussed further in section 4.

3.2 Proposed approach to assessing the scale and capacity criterion

Scale and capacity is the threshold criterion for all proposal types. The OLG guidance material specifies that each council must use the ILGRP preferred options as a starting point to assess if it has the appropriate scale and capacity.³¹ The ILGRP's scale and capacity options are based on the key elements of strategic capacity, shown in Box 3.1.

³⁰ Even councils deemed by the ILGRP to have sufficient scale and capacity need to demonstrate that they satisfy the Other Criteria to be considered 'fit'.

³¹ OLG, *Fit for the Future – A roadmap for Stronger, Smarter Councils*, September 2014, p 12.

Box 3.1 Key elements of Strategic Capacity

- ▼ More robust revenue base and increased discretionary spending
- ▼ Scope to undertake new functions and major projects
- ▼ Ability to employ wider range of skilled staff
- ▼ Knowledge, creativity and innovation
- ▼ Advanced skills in strategic planning and policy development
- ▼ Effective regional collaboration
- ▼ Credibility for more effective advocacy
- ▼ Capable partner for State and Federal agencies
- ▼ Resources to cope with complex and unexpected change
- ▼ High quality political and managerial leadership.

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 32.

3.2.1 Proposed approach to assessing scale and capacity

To assess whether a council FFTF proposal satisfies the scale and capacity criterion, we propose to consider:

- ▼ For **Council Improvement** and **Merger Proposals**, if the scale and capacity requirements outlined in Box 3.1 are satisfied, which we consider may include a demonstration of sufficient scale such as:
 - an appropriate minimum population size, or
 - a target number of councils in the metropolitan or regional area, or
 - a future plan of the council to achieve scale in the medium to longer term (eg, Sydney fringe councils).³²
- ▼ For **Rural Council Proposals**:
 - if the majority of rural council characteristics in Box 2.1 are satisfied. A particular emphasis will be on the council demonstrating that:
 - i) it has a small, static or declining population spread over a large area, or
 - ii) there is a long distance to a major (or sub) regional centre, or
 - iii) there are limited options for mergers.
 - if the council has demonstrated plans and strategies for real change to enhance its current capacity to a more sustainable level. In assessing whether this criterion has been met, we will also consider how the new option meets the strategic capacity requirements discussed in Box 3.1 above.

³² ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 99-103.

The ILGRP also discussed the formation of Joint Organisations.³³ Joint Organisations (JOs) allow councils to come together to formulate ideas and priorities for local and State government at a regional level, and also provide scope for shared services. JOs are not intended to create another tier of government, rather councils will remain at the core of the system, and would 'own' and resource the JOs similar to the existing regional organisation of councils, ie, ROCs.³⁴ However, the formation of JOs is expected to occur during the next stage of the FFTF reform process, after other structural change and boundary change has been progressed. The Government has stated that it will support councils to establish 15 JOs in regional NSW from September 2016, following a pilot in four regions to develop the model.³⁵

3.2.2 Consistency with ILGRP preferred options

We propose that all council FFTF proposals that directly align or are *broadly consistent* with ILGRP preferred options on scale and capacity will meet this criterion.³⁶ In assessing whether a proposal is *broadly consistent* with the objectives of the ILGRP preferred option, we will examine:

- ▼ If the council has first considered the ILGRP's preferred option for scale and capacity.
- ▼ If the preferred option is ruled out by the council (based on a sound argument supported by robust information), we will examine whether the council has attempted to adopt an alternative option which is consistent with ILGRP objectives and the features of scale and capacity in Box 3.1.

³³ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 79-91.

³⁴ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 81-83.

³⁵ OLG, *Fit for the Future: A roadmap for stronger, smarter councils*, September 2014, p 10.

³⁶ For clarity, we note that in its final report, the ILGRP bolded its preferred options where more than one structural option is recommended. See ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, Tables 8 and 11.

In addition, we intend to examine the proposal's consistency with the broader regional and state-wide objectives of the ILGRP's preferred option, including economic, transport, regional planning and equity objectives.³⁷ As an example, we will consider the following ILGRP objectives:

- ▼ For Metropolitan areas:
 - create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies
 - establish a more equitable pattern of local government across the metropolitan area, taking into account planned development
 - underpin Sydney's status as a global city
 - support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.³⁸
- ▼ For Regional or rural areas:
 - ensure that local government in these areas remains in place and is 'fit for purpose' and can maintain community life and identity to the maximum possible extent
 - where possible, create a regional centre with the necessary scale and capacity to anchor a Joint Organisation
 - where possible, ensure that there are close functional inter-relationships (eg, 'overspill' development, commuter catchments, service provision) between a regional centre and adjoining council areas, and
 - address 'councils at risk' in regional areas through amalgamations with adjoining areas.³⁹

³⁷ The ILGRP identified the need to reduce compliance costs to the community from dealing with a number of small councils and duplication of services, and for councils to become effective partners with the State. ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 72.

³⁸ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 98-99.

³⁹ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 85 and 92-93.

We propose to assess scale and capacity based on the ILGRP's recommended *preferred option*, as shown in Table 11 of their report (ie, the preferred option is in **bold type**). Where the ILGRP provided multiple options, but did not express a preference, we will assess scale and capacity as follows:

- ▼ All Group C councils are suitable candidates for the new 'Rural Council' option, but according to the ILGRP in nearly every case the possibility of a merger should be properly assessed by the relevant councils before being ruled out.
- ▼ The ILGRP identified Group D councils as potential merger partners with one or more Groups B and C councils. Where the ILGRP did not express a preferred option, but a merger is an option to consider, consistent with our approach to Group C councils, the merger possibility should be explored.
- ▼ Group E councils were identified as having other potential merger options to consolidate major regional centres, and for some councils, the ILGRP preferred option is a merger. Where this is not the case and the option includes to stand-alone in a JO or to merge, the merger option should be explored.
- ▼ Group F councils were identified as having 2031 populations greater than 5,000 and in some cases, these councils may be able to continue as stand-alone councils for many years to come. However, the ILGRP states that most need to consider whether a merger could improve sustainability and build strategic capacity. Therefore, we consider that where a merger option is also identified, it must also be explored.
- ▼ For councils identified as candidates to resource-share as part of a regional JO, but were considered to have scale and capacity without merging or adopting the Rural Council option (eg, most but not all Group G non-metropolitan councils),⁴⁰ the council to stand-alone will be considered the preferred option.

Group A consists of the eight Far West councils to be reviewed separately as part of the establishment of the proposed Western Region Authority.⁴¹ We will consider other options presented by these councils on their merits.

There may be instances where councils may not be able to reach agreements with neighbouring councils on merger options recommended by the ILGRP. In these cases, the council would submit a Council Improvement Proposal or Rural Council Proposal (if it meets the RCC in Box 2.1) to demonstrate how it meets the scale and capacity criterion under an alternative option. In some cases, this may not be possible and may form a reason for a 'not fit' assessment. However, where this occurs, we would identify the other merits of the proposal and what efforts were made by the council to pursue the ILGRP's preferred option.

⁴⁰ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 116.

⁴¹ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 112-116.

Our recommended approach to assessing scale and capacity is summarised in Table 3.1. Our overall assessment of whether the council is FFTF or not is also informed by the council's projected performance against the three other criteria, based on whichever council structure is proposed.

Table 3.1 Proposed approach to assess the scale and capacity criterion

ILGRP preferred option	Our assessment approach
No change	Meets criterion
Merger	<ol style="list-style-type: none"> 1. Meets criterion if same proposal as preferred by the ILGRP. 2. Does not meet criterion if it does not submit the same proposal as preferred by the ILGRP, unless it presents: <ul style="list-style-type: none"> ▼ a sound argument (eg a business case) for 'no structural change' which clearly demonstrates why the option proposed is superior to the merger option and indicative of the features of strategic capacity in Box 3.1, or ▼ a merger option broadly consistent with the objectives of the ILGRP preferred option, supported by a sound argument (eg, a business case) eg, this may include two or three, not a group of four councils preferred by the ILGRP, or ▼ a 'Rural Council Proposal' which satisfies the Rural Council Characteristics developed by OLG, and the council: <ul style="list-style-type: none"> – demonstrates that it considered the merger option but it was not a feasible option to pursue (eg, as supported by a business case) – clearly demonstrates the strategies it plans to undertake to achieve real change, indicative of the features of strategic capacity (as per Box 3.1).
Rural Council Proposal	Meets criterion where the council clearly demonstrates the strategies to enhance its capacity to a more sustainable level.

IPART seeks comments on the following

- 1 How should the key elements of strategic capacity influence our assessment of scale and capacity? Are there any improvements we can make to how we propose to assess the scale and capacity criterion, consistent with OLG guidance material?
- 2 Which of the 'Rural Council Characteristics' are the most relevant, considering a council must satisfy a majority of the characteristics to be considered a rural council?

3.3 Proposed approach to assessment of the other criteria

Following the assessment of scale and capacity, we will assess how council proposals meet the remaining three other criteria, that is:

- ▼ Sustainability (see section 3.3.1).
- ▼ Effective Infrastructure and Service Management (see section 3.3.2).
- ▼ Efficiency (see section 3.3.3).

Our assessment of each of these criteria is based on how councils perform against a set of specific measures and benchmarks. However, we consider these three criteria should be satisfied overall for a council to be considered 'fit'.

We propose to:

1. Scale the benchmarks in order of importance as:
 - a) **'must meet'** where we consider these as key or reasonable benchmarks for councils to meet within a specified timeframe in order to be assessed as fit for the future (FFTF)
 - b) **'must demonstrate improvement in'** where we expect councils, for these benchmarks, to demonstrate a current and/or forecast trend towards meeting the benchmark if it is not feasible to achieve the benchmark within the specified timeframe, and
 - c) **'informs assessment'** – all the benchmarks will inform our assessment of whether a council is FFTF, however, we consider some flexibility is required when considering some benchmarks more than others to take account of particular issues, eg, data integrity issues.
2. Set differential timeframes for councils to meet, or make improvements towards meeting the benchmarks.
3. Provide flexibility for councils in meeting the forward benchmarks where there is a Merger or Rural Council Proposal, which may require some short term adjustment (eg, a temporary increase in asset backlogs).
4. Provide flexibility for Merger Proposal councils since the estimated performance against the benchmarks will be largely assumption-based.

Although our approach allows for some flexibility regarding when councils need to meet benchmarks, we encourage councils to meet all of the benchmarks as early as possible in the future. We will consider the capacity and resources of the council to achieve the benchmarks, as part of our overall assessment.

For a Rural Council proposal the focus is more on the council making a case for adopting a new structure with a solid plan to achieve improvement in the future. In these cases, the information underpinning the forecasts, including the robustness of the plans and the reasonableness of the assumptions, will be particularly important considerations in the assessment process.

Figure 3.1 provides each of the criteria definitions, guidance for each measure and the benchmark against which the measure will be considered. The measures are based on General Fund data.

Figure 3.1 Fit for the Future Criteria, Measures and Benchmarks

Criteria/measure	Definition	Benchmark	OLG Guidance
1. Sustainability			
Operating performance	$\frac{\text{Net continuing operating result}^a \text{ (excl capital grants and contributions)}}{\text{Total continuing operating revenue}^a \text{ (excl capital grants and contributions)}}$	\geq to break-even average over 3 years	<p>All measures, where applicable, should be consistent with the Accounting Code/TCorp measures. The measures should also be based on General Fund data and exclude Water and Sewer Funds.</p> <p>(a) Where applicable, excludes fair value adjustments, reversal of revaluation decrements, net result on sale of assets and net share/loss of interests in joint ventures.</p> <p>(b) Expenditure is deflated by the CPI (for 2009 to 2011) and the Local Government Cost Index (2011 to 2014), as published by IPART.</p> <p>(c) ABS, Regional Population Growth, Australia. The data should be averaged over 2 calendar years, except for 2013-14, where the data for the 2013 calendar year should be used.</p>
Own source revenue	$\frac{\text{Total continuing operating revenue}^a \text{ (excl all grants and contributions)}}{\text{Total continuing operating revenue}^a \text{ (incl capital grants and contributions)}}$	> 60% average over 3 years	
Building and asset renewal	$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$	>100% average over 3 years	
2. Infrastructure and Service Management			
Infrastructure backlog	$\frac{\text{Estimated cost to bring assets to satisfactory condition}}{\text{Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets}}$	< 2%	
Asset maintenance	$\frac{\text{Actual asset maintenance}}{\text{Required asset maintenance}}$	> 100% average over 3 years	
Debt service	$\frac{\text{Cost of debt service (interest expense and principal repayments)}}{\text{Total continuing operating revenue}^a \text{ (excl capital grants and contributions)}}$	0 to 20% average over 3 years	
3. Efficiency			
Real operating expenditure (ROE)^b	$\frac{\text{Operating expenditure}^a}{\text{Population}^c}$	decrease in ROE per capita over time	

Source: OLG, *Completing Template 3: Rural Council Proposal*, January 2015, p 15.

Our proposed approach for assessing performance of specific measures against benchmarks for each of the other criteria, ie, sustainability, effective infrastructure and service management, and efficiency, is set out below.

3.3.1 Sustainability

Sustainability means that councils will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting process. We consider that ensuring councils are financially sustainable, and being able to show this will occur into the future, is fundamental to demonstrating a council is FFTF.

We consider that a council's operating performance ratio provides a key measure of financial sustainability and is a benchmark that FFTF councils should meet. Further, a council's ability to raise its own revenue insulates it from a fall in revenue from sources that are outside its control. External funding that does not eventuate may curtail a council's ability to provide services or invest in required infrastructure. Nevertheless, Financial Assistance Grants (FAGs), as an outside funding source, provide a stable income source for rural councils. Therefore, we will consider the impact of FAGs when assessing the sustainability criteria for rural councils, and in particular, the Own Source Revenue ratio.

Table 3.2 shows three performance measures the Expert Panel will consider in forming a judgement on the sustainability of councils.

Table 3.2 Sustainability criterion – measures and definitions

Measure	Definition
Operating Performance Ratio	Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.
Own Source Revenue	Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.
Building & Infrastructure Asset Renewal Ratio	Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.

Table 3.3 shows the benchmarks and targets we propose to use to consider how the council proposals satisfy each measure for the sustainability criteria. We propose that metropolitan and regional councils **must** be able to meet the proposed benchmarks within five years for operating performance and own source revenue, and at minimum, show improvement for the building and infrastructure renewal measure.

Councils submitting a Rural Council Proposal may not meet these benchmarks given their limited ability to raise revenue, and so our approach requires these councils to show how they **plan to improve** their current performance. Rural councils must demonstrate that they will meet and maintain the benchmark within 10 years (by 2024-25), a projection supported by the current trajectory of their forward estimates.

Where councils submit a merger proposal, the relevant target for each performance measure is determined by whether the merging councils are metropolitan/regional or rural.

Table 3.3 Proposed approach to assess the sustainability criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case ^a
Operating Performance Ratio	Greater than or equal to break-even average over 3 years	Must meet within 5 years	Plan to meet within 10 years	Must meet within 5 years for non-rural councils Plan to meet within 10 years for rural councils
Own Source Revenue	Greater than 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years & consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years & consideration of FAGs for rural councils
Building & Infrastructure Asset Renewal Ratio	Greater than 100% average over 3 years	Meet or improve within 5 years	Meet or improve within 5 years	Meet or improve within 5 years

^a For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

3.3.2 Infrastructure and Service Management

A FFTF council that meets the Infrastructure and Service Management criterion seeks to maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning and Reporting process.

Table 3.4 shows the three performance measures the Government requires to be considered in forming a judgement on infrastructure and service management by councils for the FFTF process.

We will be assessing these performance measures for infrastructure performance and debt in a holistic manner, that is, in the context of the council's overall capital sustainability as reflected by its Asset Management Plan (AMP). In addition, we consider there may be data consistency issues that need to be taken into account when interpreting a council's reported asset renewal, backlog and maintenance performance, as there is no current requirement for this data to be routinely audited.

We consider it is reasonable to expect that a council would meet the debt service ratio benchmark where it is feasible for the council to borrow and this is compatible with the council's AMP. A council that uses debt to finance long-lived infrastructure is efficiently allocating costs between the present generation of ratepayers and future ratepayers, regardless of when the benefits accrue.

Table 3.4 Infrastructure and service management criterion – measures and definitions

Measure	Definition
Infrastructure Backlog Ratio	Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.
Asset Maintenance Ratio	Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.
Debt Service Ratio	Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.

Table 3.5 shows how we propose to assess the three effective infrastructure and service management criteria measures against the benchmarks. As is evident from Table 3.5, a FFTF council **must** meet the Debt Service Ratio measure within five years. The two other measures for this criterion provide more scope for councils to demonstrate **improvement** in the projected performance against the benchmark rather than being required to meet the benchmark.

We should note that the benchmark for the Asset Maintenance Ratio is based on the underlying assumption that previous underspending has occurred, which has resulted in the infrastructure backlog for councils being greater than 2%. This assumption is consistent with TCorp's analysis that one of the major drivers of the Infrastructure backlog is the underspending in the maintenance of assets.⁴² Should a council continuously exceed the Asset Maintenance target by spending more on maintenance than is required (ie, the ratio is >100%), this may also indicate the council is not efficiently managing its assets.

⁴² TCorp, *Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations and Analysis*, April 2013, p 15.

Table 3.5 Proposed approach to assess the infrastructure and service management criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case ^a
Infrastructure Backlog	Less than 2%	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Asset Maintenance	Greater than 100% average over 3 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Debt Service	Greater than 0% and less than or equal to 20% average over 3 years	Meet within 5 years	Meet within 5 years	Meet within 5 years

^a For mergers, we will also consider whether meeting each of the benchmarks is practical in the short term for the new council.

3.3.3 Efficiency

A FFTF council that meets the Efficiency criterion would seek to provide services and deliver infrastructure in a manner that achieves value for money for current and future ratepayers.

Table 3.6 shows that real operating expenditure is the benchmark we will consider when measuring the performance of councils for efficiency. We will consider service levels (consistent with community priorities identified in the Integrated Planning and Reporting (IPR) processes) when assessing a council's efficiency. In addition, we will consider the need for any structural adjustment (such as an amalgamation or merger) in assessing the scale and capacity criterion where efficiency gains are not practical in the short term.

Table 3.6 Efficiency criterion – measures and definitions

Measure	Definition
Real Operating Expenditure	Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

Table 3.7 shows how a council must demonstrate improvement in this measure to satisfy the criterion. Metropolitan, regional, and rural councils that propose to be stand-alone are required to demonstrate that operational savings will be achieved by 2019-20. Some discretion will apply to Merger Proposal councils in the short term as this measure may be affected by the transition to new arrangements that may require additional spending to achieve future efficiencies.

Table 3.7 Proposed approach to assess the efficiency criterion

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
Real operating expenditure per capita	A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Demonstrate operational savings (net of IPR supported service improvements) over 5 years but may not be practical in short term

IPART seeks comments on the following

- Are there any improvements we can make to how we propose to assess the sustainability, infrastructure management and efficiency criteria, consistent with OLG guidance? Are there issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria?

3.4 Proposed FFTF assessment process for councils

Figure 1.1 summarised the assessment process for FFTF proposals from a council's perspective, as discussed in sections 3.1 to 3.3, and the steps a council would need to take to be assessed as FFTF.

3.4.1 FFTF proposal supporting information

We will base our assessment on the information provided in council proposals through the online portal using one of the templates OLG developed,⁴³ and any additional relevant information. This additional information may be provided by the council to support its proposal or may be otherwise gathered by, or provided to, us. Any proposal provided by the council should be supported by a sound argument with relevant documentation. We consider the ToR allows us to assess all information we consider relevant, and to make a judgement on the robustness of the argument, analysis and information used to support any position. Where we consider the position is not sufficiently supported, we may request the council to provide further supporting information.

⁴³ OLG guidance material and templates can be found at the following government website: <http://www.fitforthefuture.nsw.gov.au/preparing-proposal> [accessed 16 April 2015].

Councils may also wish to support their proposals by using information sourced from:

- ▼ NSW TCorp’s Financial Sustainability assessments
- ▼ Integrated Planning and Reporting framework - including community strategic plan (and associated delivery program and operational plan) and resourcing strategy (ie, long term financial plan, workforce management plan and asset management plan)
- ▼ IPART decisions on s 508(2) or s 508A Special Rate Variations.⁴⁴

We consider these information sources may assist councils to support their proposals with robust and consistent data, which will assist us to make a recommendation based on the best available information.

Councils, for all proposal templates, are required to fill in their recent (2013-14) and projected performance (2016-17 to 2019-20) against the seven benchmarks to demonstrate how they are FFTF across the other criteria. In addition, a council lodging a Rural Council Proposal, ie, Template 3, is required to provide the history of its performance against the benchmarks from 2011-12 to 2013-14.

We consider councils should provide as much relevant information or data as is required to support their proposals. Therefore, we consider it would be helpful if a longer time series of data to include 2014-15 and 2015-16 is provided by all councils lodging proposals (no matter the type of proposal). We consider that the additional two years of data would provide us with a better picture of the trend in council performance relative to the benchmarks. The additional two years of data should be available from councils’ annual reporting requirements and could be provided without imposing an unreasonable burden.

3.4.2 The robustness of supporting information used in FFTF proposals

As discussed previously, for example in sections 1.5 and 3.2.2, we consider that a sound argument based on robust information is required to demonstrate the relative merits of alternative proposals.

The proposal templates include performance indicators based on past data and forecasts into the future. In developing businesses cases in support of council proposals, we consider it is important that supporting information and any assumptions underpinning this information are based on robust and consistent data. We will also consider the rigour by which ILGRP preferred options for scale and capacity are explored by the council proposals.

⁴⁴ *Local Government Act 1993* (NSW), see: s 508 - Orders under secs 506 and 507, and s 508A - Special variation over a period of years.

Further, as councils' proposals require time series data for each benchmark, we will factor into our assessment the impact of positive or negative one-off performance issues (or adjustments) in the context of assessing long term trends. To assist us in understanding what these adjustments are and why they occurred, councils should explain the reason for any one-off adjustments, consistent with the guidance in OLG's templates.⁴⁵ As we are considering council sustainability, it is ongoing performance that is important.

4 Other considerations in assessing FFTF proposals

Section 3 explained how we would assess whether a council is FFTF. However, there are additional factors that we will consider in assessing council proposals, as discussed below.

4.1 Social and community context of the council

The ToR ask us to consider the social and community context when assessing council FFTF proposals. This may include the demographics of an area, the community's social and economic needs and the sense of local identity. We consider these factors may be particularly relevant when considering the scale and capacity criterion.

The ILGRP identified that:

- ▼ Local government boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; but instead should facilitate integrated planning, coordinated service delivery, and regional development. We will consider these aspects of a council's proposed scale and capacity as part of our assessment.
- ▼ Mechanisms such as Community Boards and new approaches to place management, community engagement and customer service make it possible to maintain local representation and identity within larger council areas.⁴⁶

Therefore, we will also consider how councils have considered these types of alternative mechanisms before developing proposals premised on the social and community context being an argument against the ILGRP's preferred option.

⁴⁵ For example, see: OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing Structure)*, October 2014, p 11.

⁴⁶ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 73-76.

4.2 Council consultation on FFTF proposals

The ToR ask us to include an assessment of the consultation process undertaken by the council as part of our assessment of council FFTF proposals.

The ILGRP considered that a policy on boundary changes based on evidence-based assessments should include full community consultation.⁴⁷

OLG's FFTF guidance material also identifies how councils may use findings from community consultation to assist in identifying benefits and costs for proposals.⁴⁸ In particular, OLG requires councils to provide evidence on community consultation regarding any proposed merger or new 'rural council' structures.⁴⁹ In addition, evidence should be provided of council resolutions in support of merger proposals.⁵⁰ OLG also suggested that councils exhibit proposals for mergers for at least 28 days as part of their community consultation.⁵¹

We will assess a council's consultation process with reference to the OLG guidance materials. We will also consider how balanced was the information that is provided to the community. That is, whether it promoted only the benefits or only the costs of a particular option, or instead informed the community about both the costs and benefits of one or more options.

We acknowledge that there are different ways that councils may capture community feedback or input, including:

- ▼ exhibiting options or proposals for comment
- ▼ a mail-out to all ratepayers with a reply-paid survey
- ▼ fact sheets and media releases
- ▼ an online survey or a random survey of ratepayers, appropriately stratified to capture the population characteristics of the LGA, and
- ▼ public meetings, listening posts, or resident workshops.

We consider that councils should choose methods that reflect the issues that need to be consulted upon, eg, a Merger Proposal would likely require input from residents in multiple councils regarding the implications of change, whereas a Council Improvement Proposal, where the ILGRP recommended that a council already had sufficient scale and capacity, would require more limited consultation, if any. Generally, the nature and extent of the consultation should be commensurate with the significance of the changes involved in the proposal

⁴⁷ ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 74.

⁴⁸ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 11.

⁴⁹ OLG, *Fit for the Future Guidance material – Completing Template 1: Council Merger Proposal*, October 2014, pp 12-13, and *Fit for the Future Guidance material – Completing Template 3: Rural Council Proposal*, October 2014, p 21.

⁵⁰ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 3.

⁵¹ OLG, *Fit for the Future Guidance material – Template 1: Council Merger Proposal*, October 2014, p 2.

and the possible impacts on the community. We will also consider the resources of the council in assessing consultation.

4.3 The impact of water utility performance

Councils submitting either a Council Improvement or Rural Council proposal are required to separately report on their water utility performance, where these councils provide water and sewer services. All other sections in the templates require councils to report their General Fund performance which excludes the impact of water business funds.⁵²

According to Local Government NSW (LGNSW), the activities of the water business may affect the General Fund, through dividend payments and through internal borrowings between the General and Water Funds. LGNSW also explains how the services of water businesses can contribute to the strategic capacity of a council through economies of scale and scope.⁵³

We will assess scale and capacity against the ILGRP objectives and performance against the benchmarks (see Figure 3.1) based on General Fund data only, but will consider how the performance of the General Fund is affected by the water utility business as part of this assessment, as relevant. As part of this assessment, we will also consider cross-subsidisation issues if they arise, noting that cross-subsidisation between the General and Water and Sewer Funds for a council is unlikely to lead to efficient service provision.

IPART seeks comments on the following

- 4 How should councils engage with their communities when preparing FFTF proposals? Are there other factors we should consider to inform our assessment of council consultation? Please explain what these other factors are, and why they are important.

⁵² For example see, OLG, *Fit for the Future Guidance material – Completing Template 2: Council Improvement Proposal (Existing structure)*, October 2014, p 7. OLG state that cl 206 of the *Local Government (General) Regulation 2005* (NSW) requires councils to maintain a separate Water and Sewer Fund.

⁵³ Local Government NSW, *FFTF – LGNSW Submission: Local Water Utilities*, February 2015, pp 2-4.

5 Monitoring and reporting future FFTF performance

Becoming a FFTF council is a process that will take time, particularly where structural change is proposed. There are also benefits from assessing council performance over time to ensure financial sustainability and effective and efficient service delivery. Therefore, we consider that councils should report against their FFTF proposals and be reassessed in the future.

The Government supported the ILGRP's recommendations to improve auditing practices for the local government sector.⁵⁴ It recognised the potential value in giving the Auditor General oversight of councils' financial audits to improve quality, consistency, timeliness and financial management more generally. OLG expects to implement this new regime following further consultation with the local government sector and legislative change.⁵⁵

To monitor and report future FFTF performance of councils, we propose that:

- ▼ councils would report performance in their Annual Reports, and
- ▼ the Auditor General would reassess performance periodically as part of the Audit Office of NSW's new auditing role in the sector.⁵⁶

IPART seeks comments on the following

- 5 Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals?

⁵⁴ OLG, *NSW Government Response – Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, pp 4, 8-9. Recommendation 3: Place local government audits under the aegis of the Auditor General (5.4), and Recommendation 22: Strengthen requirements for internal and performance auditing as proposed in Box 17 (8.5).

⁵⁵ OLG, *NSW Government Response – Independent Local Government Review Panel recommendation – Local Government Acts Taskforce recommendations*, September 2014, pp 4-8.

⁵⁶ This timeframe assumes changes from the FFTF process will occur from end 2015-16 onwards.



Appendices

A Terms of Reference



Reference: A1172026

Dr Peter J Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear Dr ~~Boxall~~ ^{Peter}

I write to request that the Independent Pricing and Regulatory Tribunal fulfil the role of the Fit for the Future Expert Advisory Panel, and undertake a review of NSW councils' 'fit for the future' proposals in accordance with the attached Terms of Reference.

Should you require further information please contact Mr David Tow, Executive Director of Cities Branch, Department of Premier and Cabinet on (02) 9228 4353 or david.tow@dpc.nsw.gov.au.

Yours sincerely


MIKE BAIRD MP
Premier

Terms of Reference for a review of local council Fit for the Future proposals by an Expert Advisory Panel

I, the Hon Mike Baird MP, Premier of New South Wales, pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* request that the Independent Pricing and Regulatory Tribunal act as the Expert Advisory Panel to review local council Fit for the Future proposals, in accordance with these terms of reference:

Introduction

Based on the recommendations of the Independent Local Government Review Panel (ILGRP), the NSW Government has agreed to an approach to local government reform that seeks to create councils that are strategic and Fit for the Future. A Fit for the Future council is one that:

1. Has the scale and capacity to engage effectively across community, industry and government;
2. Is sustainable;
3. Is efficient;
4. Effectively manages infrastructure and delivers services for communities.

All councils have been called upon to submit a Fit for the Future proposal by 30 June 2015 for assessment by the Expert Advisory Panel (except the eight councils in the Far West, where submitting a proposal is optional).

The Office of Local Government has prepared three templates and associated guidance for the use of councils in making their proposals:

Template 1: Council Merger Proposal – where a group of councils have agreed to merge, broadly consistent with the scale and capacity recommendations of the ILGRP.

Template 2: Council Improvement Proposal – where councils with demonstrated sufficient scale and capacity, using the Panel’s recommendation as a starting point, identify the strategies and actions they will implement to ensure they are Fit for the Future against the sustainability, efficiency, and effective management of infrastructure and services criteria and associated measures and benchmarks.

Template 3: Rural Council Proposal – for councils in Group C of the Panel’s final report i.e. where the option of a Rural Council was presented with no preferred alternative or other small councils that want to adopt the options and can demonstrate they meet the Rural Council Characteristics.

The guidance documents supporting each template explain what is required from councils in preparing their proposal and in demonstrating they are Fit for the Future.

Task

The Expert Advisory Panel (the Panel) will assess the Fit for the Future proposals of NSW councils, and prepare a report to the Minister for Local Government with a recommendation on whether each council is Fit for the Future.

Procedure

The Panel is to:

1. Develop a methodology for assessing Fit for the Future proposals.
The assessment methodology must:
 - a. be consistent with the Government's local government reform agenda, as outlined in the Fit for the Future documentation
 - b. include an assessment of the scale and capacity criteria as a threshold criterion
 - c. include an assessment of the performance against the fit for the future measures and benchmarks, that takes into account:
 - i. the material published in the template guidance
 - ii. the relative importance of each measure in a council becoming Fit for the Future and relative robustness of the measure
 - iii. the social and community context and outcomes for each council
 - d. include an assessment of the consultation process undertaken by the council
 - e. consider advice provided by the Ministerial Advisory Group
 - f. identify timescales and approach to consultation
 - g. be published for public consultation for a minimum of 28 days
 - h. be finalised and made available to councils no later than week commencing 1 June 2015.

2. Undertake an assessment of whether each council is Fit for the Future, consistent with the published methodology.
In undertaking this assessment the Panel must:
 - a. operate with consistency, fairness and impartiality
 - b. have in place an online portal for all councils to submit their Fit for the Future proposals
 - c. publish all proposals and supporting documentation (subject to confidentiality requirements) received from councils online as soon as practicable after 30 June 2015
 - d. ensure local government knowledge and expertise in the technical assessment of each proposal
 - e. rely on the evidence provided by councils through the online submission process, as required by the relevant template and any additional relevant information
 - f. give councils the opportunity to provide additional information. This may include the opportunity for councils to present in person.

3. Provide the Minister for Local Government and the Premier with a final report by 16 October 2015 identifying whether or not each council is Fit for the Future and the reasons for this assessment, to be publicly released following Cabinet approval.

B ILGRP options for Non-Metropolitan Councils

Table 11: Options for Non-Metropolitan Councils

Note: †As projected by DP&I without boundary changes or mergers. ‡As defined in the NIEIR cluster-factor analysis (see references). *Grants as percentage of total revenue in 2011-12: High if >40%, Very High if >50%. ^Based on availability and proximity of a suitable partner. *Councils shown in italics* urgently require a revised long-term asset and financial management plan plus an updated sustainability assessment (see section 15.2).

Council	Popn. 2011	†Popn. 2031	TCorp FSR (Apr 13)	TCorp Outlook (Apr 13)	DLG Inf. Audit (May 13)	‡Rate Base	*Grant Depend-ency	^Merger Potential	Options (preferred options shown in bold where applicable)
Group A: Western Region Councils (see section 16)									
<i>Balranald</i>	2,361	1,700	Weak	Negative	Weak	Low	Very High	Low	Joint administration or merger with Wentworth
<i>Bourke</i>	3,085	2,300	Weak	Negative	Weak	Low	High	Medium	Rural Council; joint administration or merger with Brewarrina
<i>Brewarrina</i>	1,895	1,700	Weak	Negative	Weak	Low	Very High	Medium	Joint administration or merger with Bourke
<i>Broken Hill</i>	19,150	15,100	Very Weak	Neutral	Weak		High	Low	Council in Far West region
<i>Central Darling</i>	2,108	1,800	Very Weak	Negative	Weak	Low	Very High	Low	Unincorporated with Community Boards
<i>Cobar</i>	4,931	4,800	Weak	Negative	Very Weak	Low	High	Low	Council in Far West region (review by 2020)
<i>Walgett</i>	6,860	5,900	Moderate	Negative	Moderate	Low	Very High	Medium	Council in Far West region (review by 2020)
<i>Wentworth</i>	6,787	7,000	Weak	Negative	Weak	Low	High	Low	Council; joint administration or merger with Balranald
Group B: Projected 2031 population below 4,000; 'High' merger potential (2014 referrals to Boundaries Commission)									
<i>Bombala</i>	2,458	2,000	Moderate	Neutral	Moderate	Low	High	High	Merge with Cooma-M and Snowy R or Rural Council in South East JO
<i>Boorowa</i>	2,469	2,700	Moderate	Negative	Strong	Low	Very High	High	Merge with Harden and Young or Rural Council in Tablelands JO
<i>Conargo</i>	1,585	1,800	Sound	Neutral	Strong	Low	Very High	High	Merge with Deniliquin and Murray or Rural Council in Mid-Murray JO
<i>Gundagai</i>	3,753	3,400	Moderate	Negative	Distressed	Low	Very High	High	Merge with Tumut or Rural Council in Riverina CC
<i>Harden</i>	3,680	3,600	Moderate	Negative	Strong	Low	Very High	High	Merge with Boorowa and Young or Rural Council in Tablelands JO
<i>Jerilderie</i>	1,534	1,200	Moderate	Negative	Weak	Low	Very High	High	Merge with Berrigan or Rural Council in Mid-Murray JO
<i>Murrumbidgee</i>	2,338	1,700	Moderate	Neutral	Not avail.	Low	High	High	Merge with Griffith or rural Council in Murrumbidgee JO
<i>Urana</i>	1,180	800	Weak	Neutral	Very weak	Low	Very High	High	Merge with Corowa or Rural Council in Upper Murray JO
<i>Walcha</i>	3,122	2,800	Weak	Negative	Distressed			High	Merge with Uralla or Rural Council in New England JO
Group C: Projected 2031 population below 5,000; 'Low' or 'Medium' merger potential (2015-16 referrals to Boundaries Commission)									
<i>Bogan</i>	3,020	2,600	Moderate	Neutral	Moderate	Low	Very High	Medium	Rural Council in Orana JO or merge with Warren
<i>Carrathool</i>	2,668	2,100	Weak	Neutral	Weak	Low	Very High	Medium	Rural Council in Murrumbidgee JO or merge with Griffith
<i>Coolamon</i>	4,213	4,200	Sound	Negative	Very weak	Low	Very High	Medium	Rural Council in Riverina JO or merge with Bland and/or Temora
<i>Coonamble</i>	4,274	3,100	Sound	Negative	Moderate	Low	High	Medium	Rural Council in Orana JO or merge with Gilgandra
<i>Gilgandra</i>	4,534	4,100	Weak	Neutral	Weak	Low	High	Medium	Rural Council in Orana JO or merge with Coonamble
<i>Hay</i>	3,097	2,100	Moderate	Negative	Moderate	Low	Very High	Low	Rural Council in Murrumbidgee JO
<i>Lockhart</i>	3,082	2,900	Sound	Neutral	Moderate	Low	Very High	Medium	Rural Council in Riverina JO or merge with Wagga Wagga
<i>Tumbarumba</i>	3,440	3,200	Strong	Negative	Very Strong	Low	Very High	Medium	Rural Council in Riverina JO or merge with Tumut/Gundagai

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 114-116.

<i>Wakool</i>	4,080	3,400	Weak	Negative	Moderate	Low	Very High	Medium	Rural Council in Mid-Murray JO or merge with Murray/Conargo/D'quin
<i>Warren</i>	2,877	2,100	Moderate	Neutral	Distressed	Low	High	Medium	Rural Council in Orana JO or merge with Bogan
<i>Weddin</i>	3,734	3,500	Moderate	Negative	Weak	Low	Very High	Medium	Rural Council in Central West JO or merge with Forbes or Cowra
Group D: Potential merger partners for Groups B and C councils (2014-16 referrals to Boundaries Commission)									
<i>Berrigan</i>	8,282	9,300	Moderate	Neutral	Strong	Low	High	High	Council in Mid-Murray JO or merge with Jerilderie
<i>Bland</i>	6,018	5,500	Weak	Neutral	Strong		Very High	Medium	Council in Riverina JO or merge with Coolamon and/or Temora
<i>Cooma-Monaro</i>	10,086	10,800	Weak	Neutral	Weak			High	Council in South East JO or merge with Bombala and Snowy River
<i>Corowa</i>	11,302	13,400	Moderate	Negative	Strong			High	Council in Upper Murray JO or merge with Urana
<i>Cowra</i>	12,526	11,700	Sound	Negative	Very Weak			Medium	Council in Central West JO or merge with Weddin
<i>Deniliquin</i>	7,317	5,700	Moderate	Negative	Weak	Low		High	Council in Mid-Murray JO or merge with Conargo/Murray and Wakool
<i>Griffith</i>	25,292	20,200	Sound	Negative	Moderate			High	Council in Murrumbidgee JO or merge with Murrumbidgee
<i>Murray</i>	7,159	10,900	Moderate	Neutral	Moderate		High	High	Council in Mid-Murray JO or merge with D'quin/Conargo and Wakool
<i>Snowy River</i>	7,752	9,200	Moderate	Negative	Weak			High	Council in South East JO or merge with Bombala/Cooma-Monaro
<i>Temora</i>	5,928	5,000	Sound	Neutral	Strong	Low	High	High	Council in Riverina JO or merge with Coolamon and/or Bland
<i>Tumut</i>	11,272	9,300	Moderate	Neutral	Weak			High	Council in Riverina JO or merge with Gundagai and Tumbarumba
<i>Uralla</i>	6,260	7,400	Weak	Neutral	Very weak	Low	Very High	High	Council in New England JO or merge with Walcha
<i>Wagga Wagga</i>	61,509	73,000	Moderate	Negative	Moderate			Medium	Council in Riverina JO or merge with Lockhart
<i>Young</i>	12,514	13,000	Sound	Negative	Weak			High	Council in Tablelands JO or merge with Boorowa/Harden
Group E: Other potential mergers to consolidate major regional centres (2017 referrals to Boundaries Commission)									
<i>Albury</i>	49,467	57,300	Moderate	Neutral	Moderate			High	Council in Upper Murray JO or merge with Greater Hume (part or all)
<i>Armidale</i>	25,270	31,500	Moderate	Neutral	Moderate			High	Council in New England JO or merge with Guyra
<i>Bathurst Regional</i>	39,936	52,500	Moderate	Negative	Moderate			Medium	Council in Central West JO or merge with Oberon
<i>Blayney</i>	7,186	8,700	Moderate	Negative	Weak			High	Council in Central West JO or merge with Orange
<i>Cabonne</i>	13,188	18,600	Sound	Negative	Moderate			High	Council in Central West JO or merge with Orange
<i>Dubbo</i>	40,491	45,400	Moderate	Neutral	Moderate			Medium	Council in Orana JO or merge with Wellington and/or Narromine
<i>Greater Hume</i>	10,039	11,200	Moderate	Negative	Weak		Very High	High (part)	Council in Upper Murray JO or merge part or all with Albury
<i>Guyra</i>	4,543	5,000	Moderate	Negative	Very weak		High	High	Council in New England JO or merge with Armidale
<i>Narromine</i>	6,929	6,800	Moderate	Neutral	Moderate	Low	Very High	Medium	Council in Orana CC or merge with Dubbo
<i>Orange</i>	39,480	45,800	Sound	Negative	Moderate			High	Council in Central West JO or merge with Cabonne and/or Blayney
<i>Palerang</i>	14,835	23,300	Moderate	Negative	Distressed			High	Council in South East JO or merge with Queanbeyan
<i>Queanbeyan</i>	39,826	53,800	Weak	Neutral	Weak			high	Council in South East JO or merge with Palerang
<i>Wellington</i>	8,937	8,600	Weak	Neutral	Weak	Low	High	Medium	Council in Orana JO or merge with Dubbo
Group F: Current and/or projected 2031 population 5-10,000 (Review status by 2020)									
<i>Cootamundra</i>	7,501	7,100	Moderate	Neutral	Moderate	Low		Medium	Council in Riverina JO or merge with Junee
<i>Forbes</i>	9,471	9,200	Moderate	Neutral	Moderate			Medium	Council in Central West JO; merge with Weddin
<i>Glen Innes-Severn</i>	8,965	8,900	Moderate	Neutral	Weak		High	Medium	Council in New England JO
<i>Gloucester</i>	4,974	5,700	Very Weak	Neutral	Moderate		Very High	Medium	Council in Mid-North Coast JO or merge with Great Lakes and/or Greater Taree
<i>Gwydir</i>	5,074	5,100	Very Weak	Neutral	Distressed		High	Medium	Council in Namoi JO or merge with Moree Plains

Source: ILGRP, Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel, October 2013, pp 114-116.

Junee	6,091	5,800	Moderate	Neutral	Weak	Low	High	Medium	Council in Riverina JO or merge with Cootamundra
Kyogle	9,537	9,500	Weak	Negative	Moderate		High	Medium	Council in Northern Rivers JO or merge with Lismore or Richmond Valley
Lachlan	6,758	5,400	Moderate	Negative	Weak	Low	Very High	Medium	Council in Central West JO or merge with Parkes
Liverpool Plains	7,769	8,300	Weak	Negative	Moderate		High	Medium	Council in Namoi JO or merge with Gunnedah
Narrandera	6,123	5,300	Sound	Negative	Strong	Low	Very High	Medium	Council in Murrumbidgee JO or merge with Leeton
Oberon	5,207	5,400	Sound	Negative	Moderate			Medium	Council in Central West JO or merge with Bathurst
Tenterfield	7,024	8,500	Weak	Negative	Weak	Low	Very High	Low	Council in New England JO
Upper Lachlan	7,378	7,900	Sound	Neutral	Strong		High	Medium	Council in Tablelands JO or merge with Goulburn-Mulwaree
Warrumbungle	9,927	9,500	Weak	Negative	Moderate		High	Low	Council in Orana JO
Group G: Larger rural and regional councils (excluding Hunter, Central coast and Illawarra)									
Ballina	40,753	45,400	Moderate	Neutral	Weak			Medium	Council in Northern Rivers JO
Bega Valley	32,999	37,100	Sound	Neutral	Strong			Low	Council in South East JO
Bellingen	12,886	13,300	Moderate	Negative	Weak		High	Medium	Council in North Coast JO
Byron	30,825	31,800	Weak	Negative	Weak			Medium	Council in Northern Rivers JO
Clarence Valley	51,252	53,900	Weak	Negative	Weak			Low	Council in North Coast JO
Coffs Harbour	70,933	80,500	Weak	Negative	Weak			Medium	Council in North Coast JO
Eurobodalla	36,993	43,400	Moderate	Neutral	Weak			Low	Council in South East JO
Goulburn-M'waree	28,285	31,800	Moderate	Negative	Very Weak			Medium	Council in Tablelands JO
Great Lakes	35,601	41,600	Moderate	Neutral	Moderate			Medium	Council in Mid-North Coast JO or merge with Gloucester
Greater Taree	47,955	50,600	Very weak	Negative	Very Weak			Medium	Council in Mid-North Coast JO or merge with Gloucester
Gunnedah	12,515	13,400	Sound	Negative	Very Strong			Medium	Council in Namoi JO
Inverell	16,614	19,600	Moderate	Neutral	Moderate			Low	Council in Namoi JO
Kempsey	29,188	28,500	Weak	Negative	Weak			Medium	Council in Mid-North Coast JO
Leeton	11,406	11,200	Moderate	Negative	Moderate			Medium	Council in Murrumbidgee JO or merge with Narrandera
Lismore	44,282	45,300	Moderate	Negative	Weak			Medium	Council in Northern Rivers JO or merge with Kyogle
Lithgow	20,790	20,700	Sound	Negative	Moderate			Medium	Council in Central West JO
Mid-Western Reg.	23,000	26,100	Sound	Negative	Weak			Medium	Council in Central West JO
Moree Plains	14,189	11,100	Moderate	Neutral	Moderate			Medium	Council in Namoi JO or merge with Gwydir
Nambucca	19,286	21,500	Weak	Negative	Moderate			Medium	Council in North Coast JO
Narrabri	13,475	12,400	Moderate	Negative	Very Weak			Medium	Council in Namoi JO
Parkes	15,047	15,600	Moderate	Negative	Weak			Medium	Council in Central West JO or merge with Lachlan
Port Macq-Hastings	74,949	89,400	Weak	Negative	Moderate			Medium	Council in Mid-North Coast JO
Richmond Valley	22,697	24,800	Weak	Negative	Very Weak			Medium	Council in Northern Rivers JO or merge with Kyogle
Shoalhaven	96,043	106,400	Sound	Negative	Moderate			Low	Council in South East JO
Tamworth Regional	58,351	68,800	Moderate	Neutral	Moderate			Medium	Council in Namoi JO
Tweed	88,463	104,300	Moderate	Neutral	Strong			Low	Council in Northern Rivers JO
Wingecarribee	46,042	51,000	Moderate	Neutral	Moderate			Medium	Council in Tablelands JO
Yass Valley	15,516	23,200	Moderate	Negative	Moderate			Low	Council in Tablelands JO

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 114-116.

C ILGRP preferred merger options for Sydney Metropolitan Councils

Council/s	Options (preferred option in bold)	Rationale
Ashfield, Burwood, Canada Bay, Leichhardt, Marrickville, Strathfield	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation 	<ul style="list-style-type: none"> • Projected 2031 population 432,400 • Close functional interaction and economic/social links between these councils • Need for unified local government to plan and manage Parramatta Road, the impact and integration of West Connex, inner west redevelopment and proposed major centre at Burwood • 3 of these councils will have fewer than 60,000 people in 2036
Auburn, Holroyd, Parramatta, Ryde (part), The Hills (part)	<ul style="list-style-type: none"> • Amalgamate (eastern two-thirds of Ryde to be included with North Shore group) and • Move northern boundary of Parramatta to M2 (balance of The Hills to remain an individual council) or • Adjust Parramatta's boundaries to include parts of Ryde and The Hills and combine Auburn, Holroyd and Parramatta as a strong Joint Organisation 	<ul style="list-style-type: none"> • Projected 2031 population approx. 558,500, including about one-third population of Ryde and without other boundary adjustments • Close functional interaction and economic/social links between these councils • Need for stronger unified local government to develop Parramatta as second CBD • Parramatta's northern boundary is very close to its CBD; relocation to M2 would facilitate planning and improve socio-economic mix and community linkages • Incorporation of part of Ryde would strengthen link between Parramatta and 'Global Sydney Corridor' and improve scope for integrated planning around Epping station
Botany Bay, Randwick, Sydney, Waverley, Woollahra	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation 	<ul style="list-style-type: none"> • Projected 2031 population 669,400 • Close functional interaction and economic/social links between these councils • Need for high-level strategic capacity to promote and support Sydney's ongoing development as Australia's premier global city • Scope to bring together Sydney's international icons and key infrastructure under a single council, and to make better use of the strong rating base of these councils
Fairfield, Liverpool	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation with Bankstown, Camden, Campbelltown and Wollondilly 	<ul style="list-style-type: none"> • Projected 2031 population 532,900 • Close functional interaction and economic/social links • Need for a higher-capacity council to manage proposed Liverpool regional centre, which is close to Fairfield boundary
Hornsby, Ku-Ring-Gai	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation and • Boundary with Parramatta shifted to M2 	<ul style="list-style-type: none"> • Projected 2031 population 348,800 (would be reduced somewhat by boundary change) • See comments above re Parramatta boundary change • Strong socio-economic and urban links
Hunters Hill, Lane Cove, Mosman, North Sydney, Ryde (part), Willoughby	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation 	<ul style="list-style-type: none"> • Projected 2031 population 365,400, including about two-thirds population of Ryde • Close functional interaction and economic/social links between these councils • Need for integrated planning for major centres, Sydney Harbour foreshores etc • 3 of these councils projected to have fewer than 50,000 people in 2031

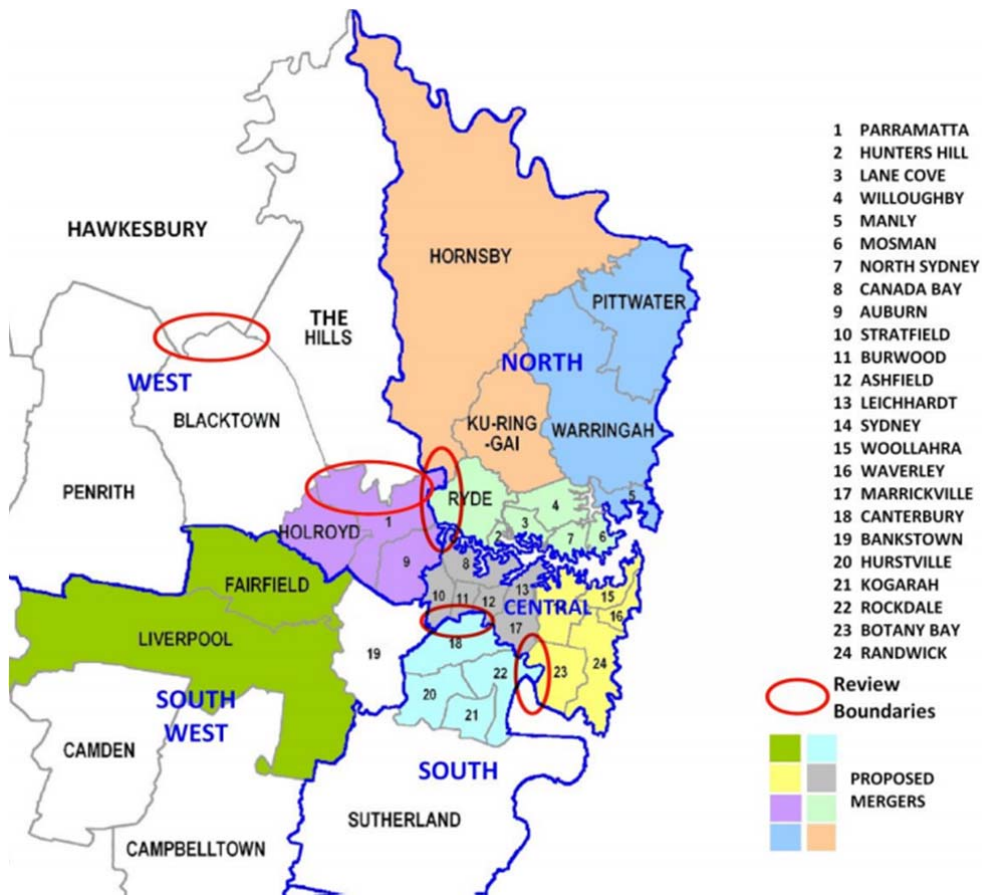
Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 104-106.

Council/s	Options (preferred option in bold)	Rationale
Canterbury, Hurstville, Kogarah, Rockdale	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation, also including Sutherland and • Adjust Rockdale boundary at airport 	<ul style="list-style-type: none"> • Projected 2031 population 491,600 • Close functional interaction and economic/social links between these councils • Need for unified local government to support community development, and plan and manage major centres, redevelopment, foreshores etc • An alternative for Canterbury could be to amalgamate with Bankstown
Manly, Pittwater, Warringah	<ul style="list-style-type: none"> • Amalgamate or • Combine as strong Joint Organisation 	<ul style="list-style-type: none"> • Projected 2031 population 307,400 • Close functional interaction and economic/social links between these councils which constitute an 'island' in the metro region • Need for integrated planning of centres, coast, transport etc
Bankstown	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Liverpool, Fairfield, Camden, Campbelltown, Wollondilly 	<ul style="list-style-type: none"> • Projected 2031 population of 222,100 on its own • The expected pattern of sub-regional boundaries effectively rules out an amalgamation of Bankstown except with Liverpool: this is considered problematic given the scale and complexity of challenges that would face the resulting entity • An alternative could be to amalgamate with Canterbury as part of the South sub-region
Blacktown	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Hawkesbury, Penrith, Blue Mountains and • Possible boundary adjustments with The Hills and Hawkesbury to facilitate NW Growth Centre 	<ul style="list-style-type: none"> • Projected 2031 population 459,800 on its own, with further substantial growth planned
Blue Mountains	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Hawkesbury, Penrith, Blacktown 	<ul style="list-style-type: none"> • Projected 2031 population 93,300 • Specialised role in managing urban areas within National Parks
Camden	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Campbelltown, Wollondilly 	<ul style="list-style-type: none"> • Projected 2031 population 149,300 on its own, with further substantial growth planned
Campbelltown	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Camden, Wollondilly 	<ul style="list-style-type: none"> • Projected 2031 population 233,800 on its own
Hawkesbury	<ul style="list-style-type: none"> • No change or • Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, The Hills, Blacktown, Penrith, Blue Mountains and 	<ul style="list-style-type: none"> • Projected 2031 population 81,500 (without boundary adjustments) • Specialised role in managing peri-urban fringe • May require further boundary adjustments depending on urban growth patterns

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 104-106.

Council/s	Options (preferred option in bold)	Rationale
	<ul style="list-style-type: none"> Possible boundary adjustments with The Hills and Blacktown to facilitate NW Growth Centre and Possible longer term merger with The Hills 	<ul style="list-style-type: none"> Functional, socio-economic and environmental links may justify merger with The Hills
The Hills	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, Blacktown, Hawkesbury, Penrith, Blue Mountains and Boundary with Parramatta shifted to M2 and Possible boundary adjustments with Blacktown and Hawkesbury to facilitate NW Growth Centre and Possible longer term merger with Hawkesbury 	<ul style="list-style-type: none"> Projected 2031 population 275,300 (without boundary changes) See comments above re Parramatta boundary change and possible merger with Hawkesbury
Penrith	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, Blacktown, Hawkesbury, The Hills, Blue Mountains 	<ul style="list-style-type: none"> Projected 2031 population 271,300 on its own Focus on growth management and new regional centre
Sutherland	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Canterbury, Rockdale, Kogarah, Hurstville 	<ul style="list-style-type: none"> Projected 2031 population 262,900 on its own
Wollondilly	<ul style="list-style-type: none"> No change or Combine as strong Joint Organisation with Liverpool, Fairfield, Bankstown, Camden, Campbelltown and Possible longer term merger/s with Camden/Campbelltown/Wingecarribee 	<ul style="list-style-type: none"> Projected 2031 population 59,600 (less if boundary adjustments) Specialised role in managing peri-urban fringe May require substantial boundary adjustments with Camden, Campbelltown and Penrith depending on urban growth patterns Scope for closer linkages with Wingecarribee, perhaps eventual merger of 'non-metropolitan' areas

Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, pp 104-106.



Source: ILGRP, *Revitalising Local Government – Final Report of the NSW Independent Local Government Review Panel*, October 2013, p 107.



Independent Pricing and Regulatory Tribunal

Methodology for Assessment of Council Fit for the Future Proposals

Public Forum Presentation

IPART

11 May 2015

Session 1 – Assessment methodology

Assessment timeframe

and

Scale and Capacity criterion

Timeframe

FFTF reforms announced

- Sept 2014 to early 2015 – development of FFTF framework

Establishment of assessment methodology

- 27 April 2015 – Release of assessment methodology
- May 2015 - Consultation on IPART proposed methodology for assessment
- June 2015 – Release of final assessment methodology

Timeframe contd....

Assessment Phase

- 30 June 2015 – Proposals due
- 31 July 2015 – Close of public submissions on council proposals
- October 2015 – Release decisions to Minister

Consultation on IPART proposed methodology for assessment

Scale and capacity established as threshold

- ▼ Council first assesses scale and capacity against ILGRP recommendation
- ▼ Proposal based on whether it currently has or will have sufficient scale and capacity with proposed approach
- ▼ 3 types of proposals
 - No change – council improvement proposal
 - Structural change – merger proposal **OR**
 - Rural characteristics – rural council proposal

Assessment approach - ratings

Council submits proposal

Council does not submit proposal

Fit

Satisfies scale and capacity and 3 other criteria

Not Fit

Does not satisfy scale and capacity

Not Fit

Satisfies scale and capacity but not other criteria

Deemed Not Fit

No rating

Far West councils only

Key elements of strategic capacity - ILGRP definition

Key elements of strategic capacity

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

Proposal satisfies scale and capacity if....

- Adopts ILGRP preferred option for scale and capacity
- Alternatively, ***broadly consistent*** with objectives, eg,

No change	Merger	Rural
Presents sound argument why no structural change is superior to ILGRP merger	Proposes merger with fewer/ different councils to ILGRP (eg 2, 3 not 4)	Satisfies Rural Council characteristics (OLG)
Proposal is indicative of features of strategic capacity	Sound argument how proposal consistent with ILGRP objectives for merger	Proposal demonstrates merger option considered but found not feasible
		Demonstrates strategies planned for real change indicative of strategic capacity

How should the key elements of strategic capacity influence the assessment ?

We will consider if **council improvement** and **merger proposals** demonstrate key elements, eg:

- ▼ Appropriate minimum population size
- ▼ Target number of councils in metropolitan/regional areas
- ▼ **Plan** to achieve other key elements, eg, :
 - effective regional collaboration
 - employ wider range of skilled staff
 - credibility for more effective advocacy.

Does the proposal address regional/state-wide objectives?

For example, for metropolitan councils, ILGRP identified the following types of objectives:

- ▼ More capacity to better represent and serve local communities on metropolitan issues - true partners of State and Federal agencies
- ▼ More equitable pattern of local government across the area, accounting for planned development
- ▼ LGAs underpin Sydney's status as a global city
- ▼ Support implementation of Metropolitan Strategy eg, planning/development of major centres and preparation and implementation of sub-regional Delivery Plans.

Does the proposal address regional/state-wide objectives?

Examples of objectives ILGRP identified for regional and rural councils:

- ▼ Ensure local government remains in place, is 'fit for purpose', maintains maximum possible community life and identity
- ▼ Where possible, create regional centre with scale and capacity to anchor a Joint Organisation
- ▼ Ensure close functional inter-relationships between regional centre and adjoining council areas
- ▼ Address 'councils at risk' through mergers with adjoining areas.

Rural council characteristics – which are most relevant?

Rural council characteristics

1. Small and static or declining population spread over a large area
2. Local economies that are based on agricultural or resource industries
3. High operating costs, dispersed population, limited opportunities for ROI
4. High importance local identity, social capital, capacity for service delivery
5. Low rate base and high grant reliance
6. Difficulty attracting/retaining skilled, experienced staff
7. Challenges in financial sustainability, provision of services/infrastructure
8. Long distance to major (or sub) regional centre
9. Limited options for mergers

Assessing rural council proposals

- ▼ Must satisfy main rural council characteristics
- ▼ Alternative to merger, only if merger not feasible
- ▼ Lower cost (reduced regulatory/compliance burden) with regional Joint Organisation undertaking selected regional functions
- ▼ Eg Group C councils – if merger ruled out
or Group B councils – if merger ruled out
- ▼ Demonstrates plan to enhance capacity and performance to more sustainable level.

Discussion points

- ▼ How should the key elements of strategic capacity influence assessment of scale and capacity?
- ▼ Which of the Rural Council Characteristics are the most relevant, considering a council must satisfy a majority of the characteristics to be considered a rural council?

Session 2: Assessment methodology

Other criteria

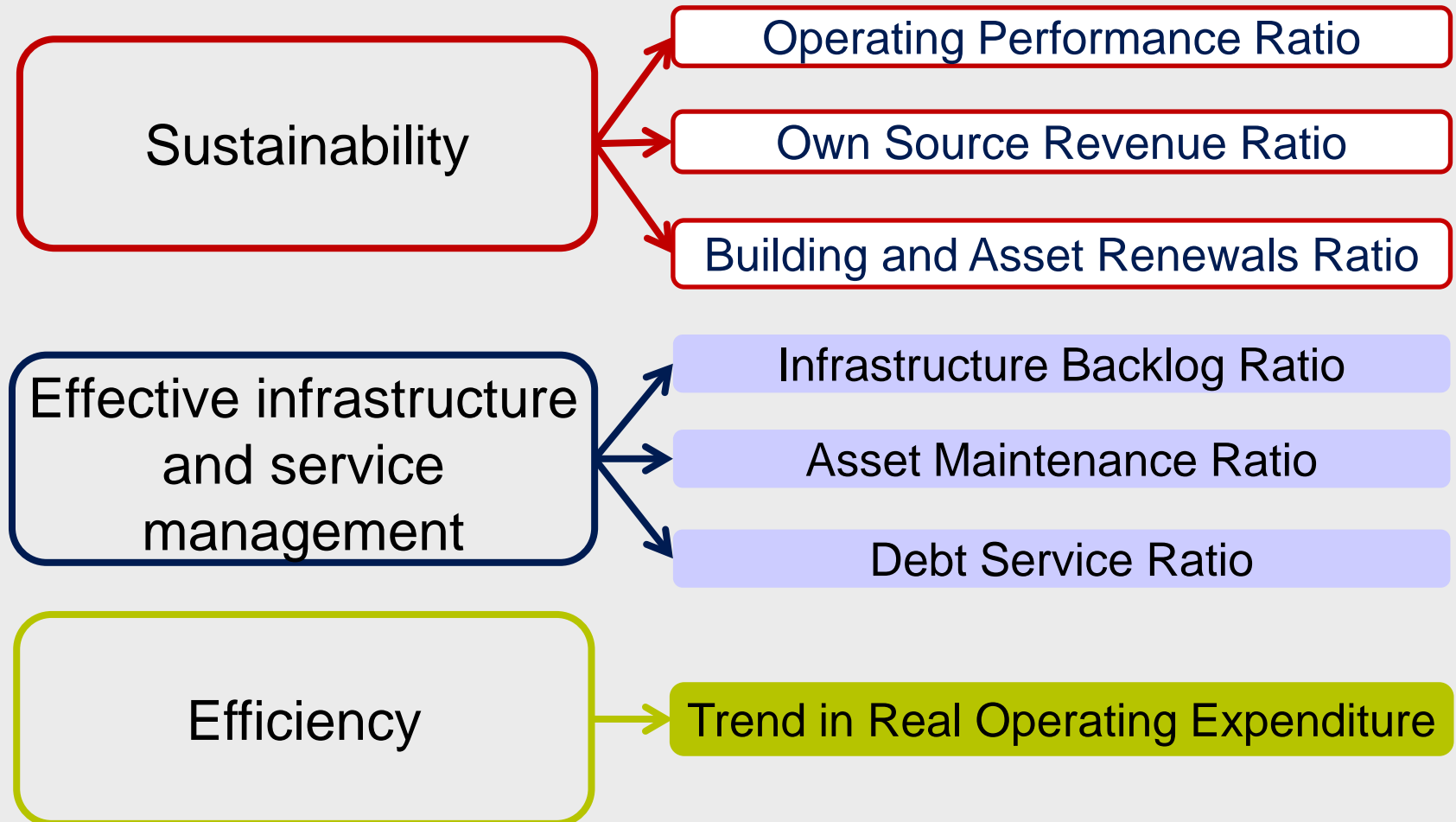
Sustainability

Effective infrastructure and service management

Efficiency

**and other considerations in the
assessment**

4. What are the other criteria?



How will we assess sustainability?

Operating performance: meeting ongoing operating expenditure requirements

$$\frac{\text{Net continuing operating result (excl capital grants and contributions)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$$

Own source revenue: controlling own operating performance and sustainability

$$\frac{\text{Total continuing operating revenue (excl all grants and contributions)}}{\text{Total continuing operating revenue (incl capital grants and contributions)}}$$

Building and asset renewals: preventing asset deterioration and controlling asset backlog

$$\frac{\text{Asset renewals (building and infrastructure)}}{\text{Depreciation, amortisation and impairment (building and infrastructure)}}$$

How will we assess sustainability?

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
Operating Performance Ratio	>= break even average over 3 years	Must meet within 5 years	Plan to meet within 10 years	Must meet within 5 years for non-rural councils Plan to meet within 10 years for rural councils
Own Source Revenue Ratio	> 60% average over 3 years	Must meet within 5 years	Plan to improve within 5 years & consideration of FAGs	Must meet within 5 years for non-rural councils Plan to improve within 5 years & consideration of FAGs for rural councils
Building & Infrastructure Asset Renewal Ratio	>100% average over 3 years	Meet or improve within 5 years	Meet or improve within 5 years	Meet or improve within 5 years

How will we assess effective infrastructure and service management?

Infrastructure backlog: managing backlogs and providing sustainable levels of service

Estimated cost to bring assets to satisfactory condition

Total write-down value of infrastructure, buildings, other structures, depreciable land and improvement assets

Asset maintenance: spending enough to avoid increasing backlog

Actual asset maintenance

Required asset maintenance

Debt service: using debt wisely to spread costs across time

Cost of debt service (interest expense and principal repayments)

Total continuing operating revenue (excl capital grants and contributions)

How will we assess effective infrastructure and service management?

Performance measure	Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
Infrastructure Backlog Ratio	< 2%	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Asset Maintenance Ratio	> 100% average over 3 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years	Meet or improve/inform within 5 years
Debt Service Ratio	0 to 20% average over 3 years	Meet within 5 years	Meet within 5 years	Meet within 5 years

How will we assess efficiency?

Real operating expenditure: utilising economies of scale and managing service levels to achieve efficiencies

$$\frac{\text{Real operating expenditure}}{\text{Population}}$$

Benchmark	All councils (except rural councils)	Rural council (option)	Merger case
A decrease in Real Operating Expenditure per capita over time	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Must demonstrate operational savings (net of IPR supported service improvements) over 5 years	Demonstrate operational savings (net of IPR supported service improvements) over 5 years but may not be practical in short term

What sort of information do we require for our assessment?

▼ **Examples of supporting information**

- ▼ Council proposals based on OLG templates
- ▼ NSW TCorp's Financial Sustainability assessments
- ▼ Aspects of Integrated Planning & Reporting framework plans
- ▼ IPART's Special Rate Variation assessments
- ▼ Any other information we gather and consider relevant.

▼ **Robustness of supporting information**

- ▼ Past data and forecast data
- ▼ Assumptions should be robust and consistent
- ▼ Analysis of ILGRP *preferred option* should be rigorous
- ▼ Explanation of one-off performance issues.

Other considerations and reporting requirements

▼ Other considerations

- ▼ **Social and community context** - eg, impact of its proposal on its residents' communities and local representation?
- ▼ **Council consultation on FFTF proposals** - met the OLG requirements in making the proposal? Proposed option presented in a balanced manner and adequately captured community feedback?
- ▼ **Water utility performance** - is the General Fund affected by the water utility business?

▼ Reporting requirements

- ▼ We propose councils would report their performance in their Annual Reports, which will be assessed by the Audit Office.

Discussion Points

- ▼ Any improvements to how we propose to assess sustainability, infrastructure/service management and efficiency, consistent with OLG guidance?
- ▼ Any issues we need to consider when using the measures and benchmarks for these criteria?
- ▼ How should councils engage with their communities when preparing FFTF proposals?
- ▼ Any other factors to consider to inform our assessment of council consultation?
- ▼ Should council performance against FFTF proposals be monitored?
 - If so, any improvements we can make about how councils can monitor and report progress?