



**COOTAMUNDRA-
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COUNCIL**

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Attachments

**UNDER SEPARATE COVER
ORDINARY COUNCIL MEETING**

6:00PM, TUESDAY, 26 May, 2020

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29 April 2020

Cr Abb McAlister
Mayor
Cootamundra-Gundagai Regional Council
PO Box 420
COOTAMUNDRA NSW 2590

Dear Abb

Review of the Riverina Joint Organisation and Riverina Eastern Regional Organisation of Councils Operations

I am writing to you in my dual capacities as Chairman of the Riverina Joint Organisation (RivJO) and Chairman of the Riverina Eastern Regional Organisation of Councils (REROC) in relation to the outcome of the above Review.

As you are aware, when the REROC Member Councils resolved to join the RivJO the decision was made on the basis that the operations of both organisations would be reviewed after 12 months of operation. Member Councils recognised that operating the two organisations side-by-side was not ideal but committed to the approach because the Members believed that it would facilitate a decision in relation to what the best way forward should be to achieve effective collaboration for our Region.

It was further agreed that the Review should be undertaken by an independent consultant. The RivJO commenced operating in October 2018, in late December 2019 the Boards of both organisations appointed Morrison Low to undertake the independent review. The firm commenced work in January 2020, the Terms of Reference for the Review were as follows:

1. Identify the strengths and weaknesses of REROC and the RivJO;
2. Measure and assess the compliance costs associated with the operation of both Organisations:
 - a. Identify the compliance regimes that apply to each
 - b. Determine costs associated with compliance including staff time and resources
 - c. Identify benefits of the compliance regime for each organisation;

3. Determine the minimum operating costs for both Organisations;
4. Measure and assess the cost of duplication associated with running both Organisations side-by-side;
5. Determine the most effective level of staff and resourcing for both Organisations;
6. Determine the opportunity cost of retaining both Organisations or losing one of them, including the implications for the Member Councils and the communities they represent; and
7. Make recommendations on the most efficient and effective way to represent the constituent councils and their communities to deliver the outcomes of in the areas of strategic planning and advocacy, as well as operational activities that benefit the Member Councils and by extension their communities.
8. Make recommendations for future operations including structures and budgets including identifying any constraints to implementing the recommendations.

A single sub-committee representing both Boards was created and tasked with responsibility of overseeing the Review. The sub-committee members were Cr Rick Firman, Cr John Seymour, Cr Abb McAlister, Cr Rodger Schirmer, Cr Neil Smith, Tony Donoghue, Ray Smith, Steve Pinnuck. I was tasked with responsibility for the day-to-day interactions with the consultants.

Morrison Low completed their Review in April, their Review Report (**Attachment One**) was initially considered by the sub-committee with a view to making a recommendation on the preferred way forward. The sub-committee met on April 17 to discuss the Review Report and to make recommendations. The outcome of those discussions is contained in **Attachment Two: Report to the Joint Organisation Board, Review of Operations of REROC and the Riverina Joint Organisation**

The sub-committee agreed that the best way to discuss the Review Report was at a joint workshop of the Riverina JO and REROC Boards. This Workshop was held on 23 April, 2020 with Mr Greg Smith and Mr Steve Bunting from Morrison Low attending to provide advice and respond to questions. A robust discussion ensued with all Members asking questions in relation to the Review Report and the recommendation made by the sub-committee.

At the conclusion of the Workshop it was agreed that sub-committee's recommendation would be taken to the meetings of both Boards for discussion and resolution. Subsequently, each Board considered the recommendation and both resolved as follows:

That as a result of the Review Process that the preferred way forward is the creation of a new Regional Organisation structured as a Company Limited by Guarantee.

The resolution will result in the creation of a single, regional organisation of councils under the governance of the Australian Securities and Investment Commission (ASIC). The vote to create the new organisation was not unanimous, but was passed 7 votes to one.

In resolving to take this pathway forward the Boards of both organisations acknowledge that there have been some significant successes with the operation of the Joint Organisation however, as is the case with many of the JOs in the rest of the State, the RivJO Board recognises that the JO structure is not financially sustainable. The current structure requires that either the State Government makes a significant on-going financial contribution to a JO's core operations or that Members increase their contributions significantly. The latter course of action is not desirable and the former, at least at this stage given current indications, seems unlikely.

The Boards acknowledge that the process of establishing a new organisation as a company limited by guarantee will require time and resources. However, the Boards of both organisations believe that the creation of the new organisation provides a compromise between the low level governance required by the incorporated association structure that dictates REROC's operations and the governance structure that applies to all JOs which mirrors those imposed on councils.

The new structure recognises the limits and resourcing of both REROC and the RivJO and provides members with a viable and we believe affordable way forward.

In making this recommendation the Boards of both organisations recognise that the proposed structure can only be put into place with the agreement of the Minister for Local Government. We propose making a request to the Minister to form the new regional organisation, if the majority of the current members of the RivJO and REROC resolve to take this direction. If the majority of the Member Councils of both organisations do not support the proposal then the Boards of both organisations will revisit the Morrison Low Report with a view to recommending a different pathway.

Further, I note that with the release of the COVID-19 Local Government Stimulus Package on 27 April 2020 circumstances have materially changed in relation to the operation of the JOs since the JO and REROC Boards met on 23 April. Information released by the OLG in relation to the Stimulus Package on 28 April states that *"councils that are members of a JO will need to work with member councils to continue to fund their JO for a period of two years as a condition of funding."*

At this stage this requirement appears to mean that councils who want to access the Stimulus Package funding must commit to funding their Joint Organisations for a period of two years. I have contacted our local State Members of Parliament and the LGNSW President to seek clarification about this funding condition which only affects councils that are members of a Joint Organisation.

The goal in this process is to deliver the best possible outcome for our member councils where they are represented by a sustainable, workable regional organisation. It is clear that councils will not be able to make a decision on the best way forward until the issues associated with access to the Stimulus Package are resolved. However we are hoping that councils will still be in a position to at least consider the recommendation and participate in discussions which will then provide us with guidance in relation to our next steps.

We are recommending that each council considers the following resolutions in relation to the proposed way forward:

- 1. Council provides in-principle support for the way forward determined in relation to the creation of a new regional organisation under the structure of a company limited by guarantee.**
- 2. A final decision on Council's participation in the new regional organisation be determined once the funding arrangements for the COVID-19 Local Government Stimulus package have been resolved.**

A number of questions have been raised in relation to the proposed way forward and we anticipate that councillors considering the recommendation will have similar questions. Therefore, we have included an Appendix to this letter that highlights questions and provides answers. We trust that this will assist in the decision-making.

I look forward to working with Members to action this resolution and to continue the high level local government collaborations that the eastern Riverina Region excels in. If you would like to discuss anything contained in this correspondence please do not hesitate to contact me on mobile 0429 204 060.

Thank you for your on-going support.

Yours sincerely



Cr Rick Firman OAM
Chairman

PO Box 646
Wagga Wagga, NSW 2650

APPENDIX: QUESTIONS AND ANSWERS

1. *What will the new organisation do?*

The new organisation will combine the strategic and lobbying activities of the RivJO with all of REROC's operational activities into a single entity.

2. *How much will this cost?*

Morrison Low provided some costs for the new organisation, estimating the cost of a single incorporated organisation to be \$308,000 with estimated council contributions of \$269,000. This is indicative only and provides us with some guidance. If we move forward the Review sub-committees will be tasked with creating a final budget for the new organisation. It is not envisaged that the cost of the organisation will be in excess of the \$308,000 estimated by Morrison Low and the Boards of organisations are keen to try and reduce costs as much as possible.

The members of the JO Review sub-committee are: Cr Rick Firman (Temora Shire), Cr John Seymour (Coolamon Shire), Cr Abb McAlister (Cootamundra-Gundagai Regional), Cr Rodger Schirmer (Lockhart Shire), Cr Neil Smith (Junee Shire), Tony Donoghue (Coolamon Shire), Ray Smith (Bland Shire), Steve Pinnuck (Greater Hume Shire), Peter Thompson (Wagga Wagga) and CEO Julie Briggs.

The members of the REROC Review sub-committee are: Cr Rick Firman (Temora Shire), Cr John Seymour (Coolamon Shire), Cr Abb McAlister (Cootamundra-Gundagai Regional), Cr Rodger Schirmer (Lockhart Shire), Cr Neil Smith (Junee Shire), Tony Donoghue (Coolamon Shire), Ray Smith (Bland Shire), Steve Pinnuck (Greater Hume Shire) and CEO Julie Briggs.

Once a final budget is determined, then a contributions' regime will need to be determined, which will take into consideration any earned income, e.g. REROC has budgeted earned income of \$40,000 for the 20/21 FY. As was the case with this year's budgeting process it is expected that several contributions models will be projected, at a minimum there will be a model that uses a base charge and then a charge per head of population (as is the current approach with REROC) and one that is a flat rate contribution (as is the current approach for the RivJO).

While the Morrison Low Report included some contributions' projections, these were merely a guide. The Review sub-committees will prepare final recommendations based on the final budget and it will be a matter for the Members of both organisations to decide what approach is adopted in relation to the financing the organisation.

3. *What is a Company Limited by Guarantee?*

A company limited by guarantee is a specialised form of public company designed for non-profit organisations (NFP). In Australia companies limited by guarantee are subject to the *Corporations*

Act 2001 (Cth) administered by the Australian Securities and Investments Commission (ASIC). The structure designates an organisation as a separate legal entity. It can be sued, legally lease a property, enter into contracts or hold assets in its name.

Many NFP organisations choose to incorporate this way and the structure covers a wide variety of NFP activities. Examples of organisations that are incorporated this way are the Western Sydney Regional Organisation of Councils (WESROC), Regional Arts NSW, the Wagga Wagga Country Club, Junee Golf Club, Temora Trotting Club and the Riverina Conservatorium of Music.

The term company limited by guarantee refers to what occurs in the winding up of this type of company. The members of a company limited by guarantee must specify the amount they are willing to contribute to the property of the company on its winding up and this will determine, or limit, the liability of the company's members. The amount is usually a nominal amount for say \$10 and the amount is nominated in the company's constitution.

Companies limited by guarantee cannot distribute dividends to its members; however surpluses can be applied to the operational costs of the organisation reducing the contributions members make or to increase services provided.

4. *What does being governed by ASIC mean - is it very onerous?*

Many councillors will already be familiar with the operations of a company limited by guarantee and so will be familiar with their operations. The company reports annually to ASIC, must be independently audited, and there is a strict process to be adhered to in relation to the appointment and resignation of auditors. The company must distribute annual reports to its members and hold Annual General Meetings.

Much of what the company is required to do for ASIC mirrors what REROC is already doing as an incorporated association and consequently should not result in any significant additional burdens to the Members.

5. *How many votes will the council have?*

A constitution will need to be prepared for the new organisation. The groundwork on this will be undertaken by the Review sub-committees. Amongst other things, including the name of the new organisation, the Constitution must include the voting rights for the member councils. At the moment each full member of REROC has two votes and each full member of RivJO has one vote. Associate members (county councils) do not currently have a vote in either organisation.

It is a matter for the membership to decide how many votes each full member and each associate member of the new organisation will have.

6. *Will the Organisation still be able to access grant funding?*

Here we fall-back on our experience with REROC. REROC as an incorporated association has attracted grant funding in the millions of dollars from both Federal and State governments. It is anticipated that there will be no change with a company limited by guarantee.

There are some grants that are limited to local government which the new organisation may not be able to apply for. In the past when this situation has arisen with REROC, one of the member councils has agreed to auspice the grant (usually Coolamon Shire). In this situation REROC has prepared the grant documentation and it has been lodged under the auspicing council's name. REROC has undertaken the grant delivery and reporting and again this has gone in under the auspicing council's name. State and Federal agencies have been fully aware of the arrangement and have supported it.

Conversely, there are some grants that are only open to NFP entities, in these cases the new organisation will be able to apply whereas the member councils would not. Again, in the past this has been a situation that REROC has taken advantage of.

7. *We will still have an open door to government?*

Not every grouping of councils in the State is operating within the JO structure. Morrison Low noted that "currently, ROCs remain the preferred regional organisation in the Sydney metropolitan area".

It is not anticipated that our standing with either the State or Federal governments will be diminished in anyway because members choose to adopt a different structure for collaboration. Indeed, the ROCs in metro areas operate under a number of structures including companies limited by guarantee, incorporated associations and s355 committees.

It is my view that structure does not determine the level of engagement; rather it is the quality of the engagement. My recent discussions with the local State Members of Parliament indicate that a change of structure will not hamper engagement.

In relation to engagement at a Federal level, the structure that members choose for collaboration is unlikely to influence engagement with the Federal government, one way or the other. We have visited Federal Parliament twice in the last 18 months, once as REROC and once as the RivJO and there was no difference in the level of engagement with the Federal Ministers.

8. *What happens to REROC and the RivJO?*

If the Minister gives the Members permission to establish a company limited by guarantee the following will occur:

REROC

REROC would need to be wound-up. The easiest way to do this would be to apply to NSW Fair Trading to transfer REROC's current registration to ASIC. See <https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations/closing-an-association/transfer-of-incorporation> This would allow all the assets of the organisation to transfer to the new company. The transfer requires the passing of a Special Resolution of the REROC Board.

RivJO

There is no process to wind-up a Joint Organisation. The JO is created by statute and therefore continues to exist even where there are no members.

It is our understanding that councils would need to resolve to cease their membership of the JO. We anticipate that councils would be expected to ensure that all the debts and obligations of the JO are fulfilled prior to its resignation taking effect. This will have some impact as the JO is currently delivering the Capacity Building Project which will not be completed until early 2021. This is a matter that will need to be negotiated with the OLG and will depend on timeframes relating to the establishment of the new entity

9. What happens if things change with regard to the JO's funding

All JOs, including the Riverina JO, are lobbying for the State to provide on-going core funding for JOs. This lobbying activity has been on-going with it gaining momentum when the 13 JO Chairmen wrote and signed a letter to the Minister on 31 May 2019. Since that time the Joint JO Chairs' Forum has consistently raised the issue with the Minister and the OLG and will continue to do so.

If the State makes a commitment to on-going funding then this will change the context in which the recommendation has been made. It will mean that the Boards of both organisations will need to re-visit the resolution and again determine what is in the best interests of the members. At this stage we can only make a decisions based on what we currently know, if circumstances change at any time in the future, then the Boards of both organisations will need to reconsider their respective positions.

10. What is process for moving forward

We have identified the following steps for moving forward:

- a) Letter to each of the Member Councils advising of the resolution, requesting that the resolution be considered at their respective May council meetings for discussion and adoption of a resolution by the individual councils.
 - i. If the majority of councils do not support the recommendation then both Boards will need to return to the Morrison Low Report with a view to making a recommendation that does have the support of the membership.
- b) Cr Firman makes contact with local State Members of Parliament, Steph Cooke Mp, Justin Clancy MP and Dr Joe McGirr MP to advise them of the adoption of the resolution and seek their support for the new direction.
- c) At the end of May, assuming that the majority of Members adopt the resolution, a delegation of Members approach the Minister for Local Government to seek her approval for the establishment of a Company Limited by Guarantee.
- d) Work commences on a Constitution for the new organisation.
- e) Assuming the Minister agrees to the establishment of the new organisation, we request direction as to the process by which Member Councils can resign from the JO.
- f) Both Boards meet in early June to finalise the decision.
- g) Member councils will continue to be informed as information comes to hand.

ATTACHMENT ONE



**Review of operations of REROC and the
Riverina Joint Organisation**

April 2020



Document status

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Figure 1 NSW joint organisations

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Executive summary

This report assesses the operations of the Riverina Eastern Regional Organisation of Councils (REROC) and the Riverina Joint Organisation (RivJO) with a view of providing the best way to deliver the value to its member councils into the future.

REROC was established in 1994 by the member councils, generating savings in excess of \$45million for its member councils. REROC's activities have encompassed advocacy and lobbying, strategic regional planning, aggregated procurements, conferences and workshops.

The RivJO was created in May 2018 as a legal entity created under the NSW Local Government Act. The structure and function of joint organisations (JOs) is intended to lift collaboration between councils and between local government and the state to new levels. The Act specifies core functions of a JO. The NSW Government is clear it's preferred method of regional partnering, planning, collaboration and funding with councils is through Jos.

The member councils agreed to run both organisations side-by-side, transferring the three core functional areas that were legislated for the JO to RivJO while REROC retained control of operational activities. The boards agreed that the review of the operations of the organisations would commence in early 2020.

Morrison Low was engaged to undertake a review of REROC and RivJO operations, developing a tailored approach incorporating extensive consultation with all stakeholders. This included interviews of all member council board members and a survey of councillors and senior staff of member councils.

REROC has been and still is a successful organisation that has the solid backing of almost all of its potential members. Unlike some other ROCs that have had limited success, members report REROC has a proven delivery track record, robust governance model and efficient cost structure that the current members are very satisfied with. Its ability to deliver cost savings through shared services to smaller size local governments is seen as most valuable.

There are currently thirteen JOs across the state of NSW supporting the essential need for regional organisations to represent, advocated and deliver outcomes for the betterment of all regions. The chairs have questioned the ongoing financial sustainability and have sought ongoing funding from the government.

For any entity there needs to be absolute clarity on why it exists and what it does. Commitment to sound governance is essential to achieve desired outcomes. The report identifies four operational governance models that may be suitable, namely section 355 committees, incorporated structures, county council and a joint organisation.

The extensive stakeholder engagement included all members, mayors and general managers, of both REROC and RivJO participating in the interview process, the CEO of REROC/Executive Office of RivJO and four external stakeholders. An online survey was developed to provide an opportunity for a broader range of stakeholders to have input into the review process with 40 respondents. A number of other JOs were contacted as part of the industry consultation process.



The key outcome of the interviews and surveys was the desire for one single entity for the future, as well as a strong preference for REROC when given the choice between REROC and RivJO. Whilst a significant number of the response saw no barriers, the main concern raised was the potential increase in member contributions. While there is a preference for REROC given its track record there was no clear direction on which type of entity is **best** for the future of the region. The challenge for members, and this report, is to compare and assess **current** performance and then project **future** performance to establish the best options for the entity to deliver regional and state government collaboration and regional shared service delivery.

Since future performance is dependent on a number of untested promises or unknown factors the ultimate solution is not without some risk. While it may be unlikely, there is no guarantee that any future government or member council will retain the same commitment and support for any entity in the future and therefore future regional collaboration entities are likely to change over time regardless.

A range of views as to the most appropriate entity were identified along with some solutions, with the main constraints being compliance requirements, obligations and costs.

Determining the future structure and governance model isn't straight forward. In coming to a position on the future governance model we have taken into consideration:

- the need to have a clear and unequivocal position on why any entity exists and what it does
- the commitment to sound governance to achieve effective outcomes and benefits
- the attributes identified in the operational governance model section of the report
- the key themes identified directly below
- the potential advantages and disadvantages of not being part of the state government's framework in terms of reputation and regional priorities and projects.

The following strong and consistent themes evolved from this process and were used in assessing the six options, along with the financial forecasts and estimated member contributions for each option:

- influencing and accessing government resources and funding
- duplication of effort and costs
- value for money
- what's best for the region
- affordability for member councils
- outcomes for the region and member councils
- effective and responsive entity.

As detailed in the options and analysis section, the six options are:

| | |
|-----------------------------------|---|
| 1. two entities – REROC and RivJO | 4. RivJO – in-kind |
| 2. RivJO - fulltime | 5. RivJO – delegation |
| 3. RivJO – part time | 6. incorporated association (REROC) and company |



The outcomes of this assessment indicate that option 5 (RivJO delegation) and option 4 (RivJO in-kind - slightly more expensive), are the most suitable. However, the incorporated structure (option 6) satisfies all the criteria except for those relating to a full partnership with the state government under the JO structure. If the state government were to commit to accepting the incorporated structure as the equivalent of JO for the purposes state/regional collaboration and funding, then this would alter that preference. Option 2 is somewhat more expensive and therefore less affordable for member councils, and with option 3 having less resources, it would be a less effective and responsive entity.

The government have made it clear that the JO structure provides the best opportunity for regions to have a 'seat at the table' with the state government and agencies to develop meaningful and sustainable relationships and partnerships. This will allow JOs to influence and recommend regional strategic direction and priorities. It should provide more certainty in being able to access and secure funding and resources to identify and deliver projects and programs for the betterment of the region.

However, there is the issue of ongoing sustainability of a JO, as the state government has not committed to regular funding of day to day activities. There is still a level of risk as to whether the JO structure will succeed longer term. However, a number of other JOs indicated it is the best chance to partner collaboratively with state government while leveraging their regional planning model to significantly improve the betterment of regional and local Australia.

The incorporated structure, in particular a not-for-profit (NFP) company limited by guarantee, will also afford the region and member councils with ongoing benefits within a leaner governance structure. Whether this can and will maximise the potential outcomes and benefits for the region, similar to that of a JO structure, is not without risks. The region is disadvantaged if all councils are not members under this structure, which is currently the situation with Wagga Wagga City Council.

Our recommendation is for a single entity and that if the councils are unable to obtain commitment of government to the incorporated structure as a 'proxy' JO, then the JO structure is the preferred approach. In moving to a JO, it must be acknowledged it is not without some risk in terms of longer-term viability of ongoing state government support and resources, member commitment and contribution. Ultimately members must weigh up the potential ease of operation and costs and benefits against the risks and the entity's likely sustainability to determine its preferred way forward.



Introduction

Morrison Low was engaged to undertake a review of the operations of REROC and RivJO to assess the most effective and efficient way to deliver the best value to its member councils.

Currently both REROC and RivJO are operating side-by-side, with REROC retaining control of operational activities while the three core functions of a JO, prescribed under the NSW Local Government Act, have been transferred to RivJO.

The review includes the assessment of the most efficient and effective way to represent the constituent councils and their communities to deliver the outcomes in the areas of strategic planning and advocacy, as well as operational activities that benefit the member councils and, by extension, their communities.

We noted that key issues for this review include:

- the strengths and weaknesses of both REROC and RivJO
- compliance requirements
- duplication of two similar organisations operating simultaneously
- most effective resourcing
- future organisation(s).

Consultation with key stakeholders is an important part of this project. In addition, to the brief requirements we have contacted a number of JOs as part of the assessment process.

There is a need to balance the current and future direction of the regional organisation with the ongoing financial sustainability and affordability, and the same time gauge the type and level of support and commitment from the state government.

Background

REROC was established in 1994 by the member councils. It has operated continuously since then, providing a platform to pursue activities and projects that harness the scale and capacity of the region to generate savings for the member councils. REROC is incorporated under the NSW Corporations Act.

Over the last 15 years of its operation, REROC estimates that it has generated savings in excess of \$45million for its member councils. REROC's activities have encompassed advocacy and lobbying, strategic regional planning, aggregated procurements, conferences and workshops, representation on a variety of committees as well as the delivery of projects in infrastructure, youth, waste and environment and town planning.

The RivJO was created by proclamation in May 2018. It was one of 9 new joint organisations created as a result of work undertaken by the NSW Government through the Office of Local Government. It followed a lengthy pilot that REROC had participated in and the structure and function of the new JOs was intended to lift collaboration, between councils and between local government and the state, to new levels.



The JOs are legal entities created under the NSW Local Government Act. The act specifies three core functions for JOs which are to:

- Establish strategic regional priorities for the JO area and develop strategies and plans for delivering these priorities.
- Provide regional leadership for the JO area and to be an advocate for strategic regional priorities.
- Identify and take up opportunities for inter-governmental cooperation on matters relating to the JO area.

The RivJO commenced operations formally with its first board meeting in October 2018.

The member councils were unsure of the future of the new JOs and consequently made the decision that rather than wind-up REROC and exclusively adopt the JO structure, that the members would instead run both organisations side-by-side. It was agreed that this arrangement would continue for a trial period after which a review would be undertaken to determine the future of both organisations.

The member councils agreed that work REROC had previously undertaken in the three core functional areas, that were legislated for the JO, would be transferred to the JO. Consequently, the JO became the organisation charged with the development and prosecution of strategic regional issues while REROC retained control of operational activities. Structures and processes were put into place to facilitate interaction between the two organisations, these formal arrangements were required because the JOs compliance regime mirrored that of the member councils.

The boards agreed that the review of the operations of the organisations would commence in early 2020.

Methodology

In undertaking the review for REROC and RivJO operations, we developed a tailored approach incorporating extensive consultation with all stakeholders. The following approach has been used for the completion of this project.



We conducted a range of interviews and issued a survey to gain a better understanding of the current situation, issues, opportunities, costs drivers, compliance matters and views on the future direction of the regional organisations.

In undertaking the review and preparing this report, we considered the terms of reference detailed in the client scope by exploring and assessing:

- The strengths and weaknesses, of REROC and RivJO, along with any opportunities and challenges.



- The compliance requirements and benefits for current and proposed organisation(s).
- Budget modelling for current and proposed operations to determine the operating costs and contribution levels.
- Any duplication of cost, opportunity cost and any implications on all stakeholders with the running of the two organisations.
- The most effective level of staff and resourcing requirements.
- Structural and operational models that will best fit the future strategic and operational requirements for member councils into the future.

Regional organisations

Current status

From the interviews and survey results, regional organisations were deemed essential - providing critical relationships and partnerships with governments in accessing and delivering outcomes for the region.

Prior to the legislation of JOs, there were a number of regional organisations of councils (ROCs) formed, largely on a geographical basis with councils of common interests. These took the form of company limited by guarantee; incorporated associations and section 355 committee under the Local Government Act. Currently ROCs remain the preferred regional organisation in the Sydney metropolitan area.

In the publication *A Comparative Analysis of Regional Organisations of Councils in NSW And Western Australia*, the research indicates that in the case of NSW ROCs, while there is some consistency in specific aspects of their organisation structure, there is relatively little correlation between these characteristics and the size of the organisation or the range of activities undertaken by each ROC. The most important variables for ROCs remain their own priority setting processes, the level of resources provided by their member councils and the amount of funding they can attract from other sources.¹

The state government introduced the joint organisation structure by creating legal entities under the NSW Local Government Act. Members are appointed through the Government Gazette. Part of this rationale was to create some consistency to regional organisations in NSW, along with a structure and process where regional organisations can better collaborate and partnership with state government in delivering regional outcomes. The key difference between ROCs and JOs is that ROCs are able to set their own functions where JOs are prescribed in legislation. In reality there is little practical difference between these functions.

The Act specifies three core functions for JOs which are to:

- Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities.
- Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities.

¹ Gooding, A, 2012. *A Comparative Analysis of Regional Organisations of Councils in NSW and Western Australia*, Australian Centre of Excellence for Local Government, University of Technology Sydney.

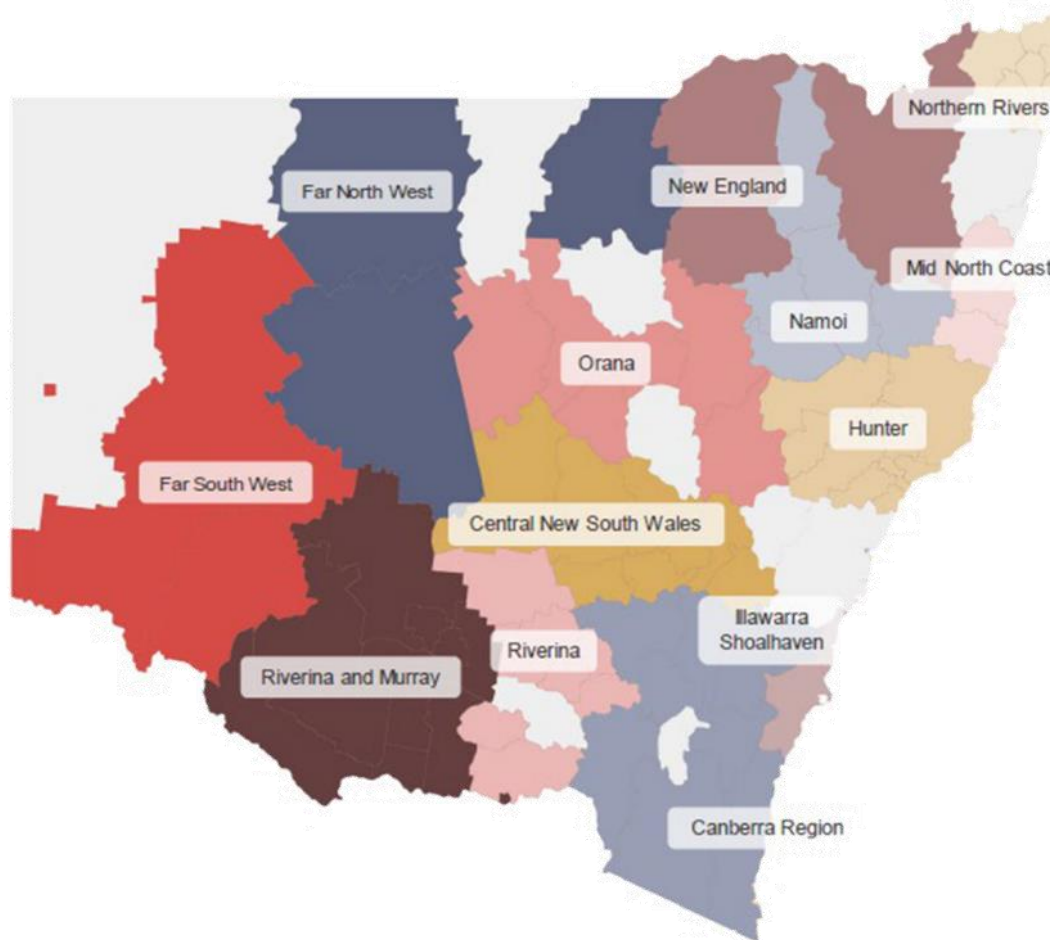


- Identify and take up opportunities for inter-governmental cooperation on matters relating to the joint organisation area.

Along with regional advocacy and collaboration with the state and Australian governments, the JOs can also engage in regional projects and share services with member councils.

There are currently thirteen JOs across the state of NSW as detailed in the figure below.

Figure 1 NSW joint organisations



Currently the Riverina Eastern Region have two organisations in the form of a ROC and a JO, namely REROC and RivJO. Members of both organisations are the same, with the exception of RivJO, as Wagga Wagga City Council has become member of RivJO since this project has commenced. There are now eight member councils and two associated members.



One of the current issues facing all JOs is the sustainability of funding for day to day operations. This was highlighted in a letter, **appendix A**, signed by all thirteen JO chairs to the local minister, seeking baseline funding of \$300,000 per year for three years. It is noted that the second \$150,000 payment is for projects, not for the day to day operations of JOs.

We understand that the Riverina and Murray JO (RAMJO) has decided that if they do not receive ongoing funding for their JO operations, they may revert back to the ROC structure.

Organisational governance model

To determine the most suitable organisational governance model for any organisation, there is a need to have a clear and unequivocal agreement/understanding on why any entity exists and what councils want it to do. Without commitment to sound governance, effective outcomes will mostly likely not be achieved.

Different entities bring varying cost and complexity into governance structures, but these should be outweighed by the improvements in transparency and accountability in delivering the desired outcome and benefits to members. Ideally for a regional organisation there should be a desire to have governance models based on collaboration, rather than competition between different levels of government. Collaborative regional organisations are sustainable where councils contribute as equals, driven by the same values, with a collective focus on the betterment of the region.

In determining the most appropriate governance model, the key considerations are managing risk and determining the control/authority that the entity needs to achieve its objectives.

Various governance models address the risks associated with the operation and management of an entity's activities in different ways. The key risk is the non-alignment between member councils' objectives, strategy and performance outcomes, to that of the separate entity. These need to be clearly articulated, documented and understood. Other risks include the councils' reputations in terms of the perception of how the entity manages and operates project and service type activities, financial and operational business risk and workplace health and safety.

How the member councils delegate/exert control over management and operations of the entity is an important consideration. The different governance models discussed in this report each have different methods for exerting control over the strategic and operational activities, and the different models also provide for the member councils to contribute in different ways.

A further consideration is the membership model in terms of representation and decision making. The model needs to equitably distribute the ability to influence the entity's direction and outcomes, while managing accountability, compliance and reporting.

There are a wide range of options in use by councils, regional and community organisations and governments across Australasia for the delivery of numerous activities/functions and services to the varying communities. Each of the options has different advantages, challenges and weaknesses that the regional organisation will need to consider. Specifically, for regional organisations we believe the following options are relevant:

- section 355 committees under the NSW Local Government Act
- incorporated structures
 - incorporated association



- company limited by guarantee (NFP – not for profit)
- county council
- JO as prescribed under NSW Local Government.

More broadly, there are other governance models such as joint ventures, partnerships, 'ordinary' pty limited company, fixed trust and a private equity company. It is considered that these models aren't suitable for a regional organisation.

The following is a broad description of the four models in terms of risks, control and outcome effectiveness of the model.

355 committees

A 355 committee is an arrangement where councils can work together on a regional basis with limited delegations, often requiring individual council resolutions on significant matters. Under this model a ring-fenced organisation would be established with specific responsibility and authority as determined and delegated by council to provide transparency, accountability and outcomes.

This model is somewhat cumbersome, inefficient and potentially ineffective in being able to deliver prioritised regional outcomes. This is mainly due to the decision-making process on key issues resulting from limited delegations from member councils. The key risk would be timely decision making of individual councils.

Incorporated association and company

The specific governance and compliance requirements for an incorporated association and an NFP company limited by guarantee are detailed in **appendix B** and are very similar. The major differences are committee members and directors' duties, and liabilities are a higher standard for company directors. There is greater onus on compliance and governance obligations for a company with these costs marginally higher.

These models offer strong control and effective decision-making regimes, as the board has to determine its own destiny and how it will achieve this.

The key issues for consideration include whether either of these models are the most appropriate in building strong and meaningful relationships with the state government and its agencies, that could lead to greater responsibility for regional organisations. Also, whether the region maybe disadvantaged in being unable to access state government resources, funds and agreements to deliver regional projects for the betterment of regional communities.

There are number of fiduciary responsibilities and risks for councillors and staff being members and directors of incorporated entities ensuring the entities are legally compliant and that the boards are operating in a complaint and financial sustainable manner.

Further, the Minister for Local Government needs to approve the creation of a company limited by guarantee. Companies have been approved; however, this can be a long drawn out process, often delaying the timing of establishment and without guarantee of success.



County councils

County councils are an entity that can be formed under the Local Government Act for the purposes of service delivery and managing operations and assets on behalf of a group of member councils. They can employ staff and are a separate legal entity from the constituent councils. There is a requirement for councillors from each council to be county councillors, giving member councils control over the entity.

County councils have typically been established by a number of councils agreeing to provide services at a regional level such as water supply or weed control. County councils have provided a solution for regional and rural issues of capacity and capability advantages provide by creating larger organisations focused on a specific regional service. The major foreseeable risk is whether this type of entity would be accepted by state government as an alternate JO arrangement to partner in the development of regional strategies and priorities, and whether funding and resources would be forthcoming.

Given the JO model has been proclaimed, it is unlikely that this would be accepted as an alternative model.

Joint organisation

This governance model has been specifically created by the state government, incorporated into the NSW Local Government Act, for the operation of regional organisations. The objectives are specifically relevant to being able to develop regional communities. Sitting within a legislative and partnership framework these organisations can advocate and influence regional priorities with improved access to state government funding and resources.

With this governance model comes a compliance regime, similar to that of local councils. This places an additional burden on JOs in terms of compliance requirements and costs. The key issue for consideration is, does this governance model’s operational requirements and costs outweigh the potential benefits for the region.

Council membership of JOs is voluntary and it is these members that control and determine the direction, strategy, regional priorities and projects of the entity. The main risk is the longer-term viability given the level of ongoing support and commitment by the state government.

The following is a high-level assessment of the governance models discussed above based on the elements of risk, control and outcome effectiveness an effective governance model.

Summary of Models

The assessment approach is based on how well the governance option addresses the elements and is as follows:

- ✓ the option addresses the criteria in a limited way
- ✓ ✓ the option addresses the criteria satisfactorily
- ✓ ✓ ✓ the option addresses the criteria very well.



Table 1 Assessment of governance models

| Elements | S355 committee | County council | Incorporated association | Not for profit company | Joint organisation |
|-------------------------------|----------------|----------------|--------------------------|------------------------|--------------------|
| Management of governance risk | ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ |
| Council member controlled | ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Outcome effectiveness | ✓ | ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ |

Based on this high-level assessment, the JOs and incorporated associations are the most suitable organisational governance models where collaborative partnerships, equitable council contributions and a collective focus on the betterment of the region are the desired outcome. In practice the success or failure of the governance model is influenced by the willingness and commitment of the participants.



Stakeholder engagement

Interview and survey approach

All members, mayors and general managers, of both REROC and RivJO participated in the interview process. The interviews were undertaken face to face over two days and, with those that could not make it, a telephone interview was conducted. The CEO of REROC/Executive Office of RivJO and four external stakeholders also completed the interview. Wagga Wagga City Council did not participate in the interview process.

An online survey was developed to provide an opportunity for a broader range of stakeholders to have input into the review process. The aim of the survey was firstly to obtain a baseline position on regional organisations' functions and structure and secondly allow stakeholders with an opportunity provide their views and options. The survey was distributed to all councillors of member councils and a number of senior staff within member councils. 40 people completed the survey, with a copy attached at **appendix C**.

A significant amount of any organisation's knowledge is held by the members of each regional organisation and the long-term CEO of REROC. In our experience, the most effective reviews are informed strongly by this knowledge. Engaging with members and staff was critical and enabled us to obtain a range of perspectives from those members and staff who represent a range of councils across the region.

Interviews and survey outcomes

The outcomes of the interviews and survey are incorporated in the analysis and option section of this report.

Strength and weakness

Strengths and advantages of REROC

The interviews and survey feedback provided a range of commentary in relation REROC operations. The current members reported a high level of satisfaction and support for REROC. There was overwhelming agreement that it has a proven record and has delivered many benefits to councils over a number of years. A number of members provided specific dollar savings over 20 years, ranging between \$3.5m to \$4.5m. This is further illustrated in the *Achieving Strategic Capacity Through Regional Collaboration Report* of June 2015. The report estimates REROC has provided \$45.3m of financial benefits to member councils over its 20 years of operation.

From a strategic regional perspective, REROC is seen as playing a strong advocacy role for member councils, representing the region and therefore in a good position to identify and prioritise the needs of member councils. REROC made a decision to transfer the advocacy and strategy responsibilities to RivJO aiming to further improve the region's strategic position, which has delivered some level of success.

There were a number of operational advantages identified by the stakeholders as detailed below:

- A credible, reputable, and efficient entity that comes from a long history and strong track record of delivery.
- REROC has provided tangible benefits to member councils, for example, procurement and a range of regional projects.



- An independent association, not controlled by legislative frameworks, and may be more responsive to address immediate issues informally.
- REROC is not overly bound by regulation and process – it is not burdened by legislative requirements of the Local Government Act or employment provisions of the Local Government Award.
- Not being accountable or beholden to state government policy or agency principles.
- Managing the competing interest of federal and state politics to achieve better outcomes for both governments and communities.
- Has an established brand in the community.
- Being nimble, cheap, flexible, pragmatic and operational.
- Information, knowledge sharing and networking between member councils.
- Local, voluntary membership with affordable entry cost for membership.
- Cost effective model for cost savings in resource sharing.
- Financial sustainability has produced many \$ savings to members.

There was feedback from a few respondents who were unsure or didn't believe that REROC provided any advantages. Further, there was some indication that the greater benefits/advantages flowed to smaller councils.

It is evident that REROC continues to provide a regional vehicle for a range of activities that member councils obtain significant benefits from. These include:

- a collaborative forum
- delivers on the ground practical solutions, programmes and training
- very good representation with established relationships
- excellent awareness of regional and local issues
- sharing resources
- collaboration and networking for all member councils
- delivers support and services to member councils such as procurement, waste and sharp deposits etc - generally things that individual councils haven't the resources to do.

Strengths and Advantages RivJO

The interviews and survey feedback provided some consistent observations around RivJO not currently providing any significant benefits to date. There was some concern regarding the value for money, whether the additional compliance costs/requirements were greater than potential benefits and the possibility that JOs may not deliver over the longer term. However, there is strong recognition that being part of the state government framework would provide a genuine platform for councils to collaborate, plan, set regional priorities and deliver important projects on a regional scale. Following are the members' responses regarding the advantages of a JO:

- strategic regional representation
- JOs have a seat at the table with the state government
- governance structure allows better regional functionality to employ joint staff, enter contracts etc



- aligns with government priorities and consistent approach across the state, enables access to JO resources and shared leadership/strategy
- an advocate for the whole region
- government has shown that it prefers to communicate less with smaller entities
- allows stronger regional strategic focus and alignment with state government
- legislative framework that binds agreements and strategies
- direct, meaningful relationship with state government, with the operation protected and empowered by legislation
- recognised by the NSW Government as its preferred model for regional collaboration – it appears to have the door open to engage and work with JOs
- perhaps the revised governance requirements are appropriate for JOs, none the less the additional compliance issues aren't significant
- easier access to government resources and policy decisions
- marginally stronger emphasis on links with regional strategies with the Department of Premier and Cabinet representative being involved
- this can be useful on larger scale and help deliver major projects by utilising local council resources - this will allow us to build expertise locally.

As a summary from a respondent, "it seems that RivJO has replaced the ear to state government from that of REROC. There appears to be a genuine commitment from government agencies towards Jos, although we can't point to any significant outcomes yet, rather just a commitment towards the process".

The stakeholder engagement also highlighted a number of issues in relation to the JO operation including:

- no additional state funding has been forthcoming post implementation and the ongoing financial sustainability is questionable
- JO is more expensive to operate
- the JO will not function appropriately unless there is strategic alignment of the Riverina JO in advocating for regional outcomes
- perhaps better access to government but that has yet to be proven
- if the JO is to become a truly representative body for the Riverina it may work, but if it becomes a Wagga centric body, it will fail
- expensive duplication of an existing REROC structure that was excellent at saving councils' money not costing them money
- a JO adds an additional layer of costs, time requirement and a parallel organisation creating duplication and an unnecessary level of complexity.

Currently the JO structure has some challenges in being able to deliver benefits that outweigh costs and at the same time being financially sustainable. The JO should provide better advocacy pathways with acknowledgement from state government that having Wagga Wagga City Council (WWCC) as a member will improve broader regional alignment and future strategic opportunities.



External industry stakeholders

The state government sees the JO arrangement as an avenue to collaborate and work with regions to provide opportunities for JOs to help justify, prioritise and deliver regional strategies and projects. There is an expectation on the state government to be more accountable in justifying where and how they allocate and spend funds, JOs are in a strong position to obtain further benefits. Given these circumstances there is a greater opportunity for JOs to leverage their position to gain support and resources to help deliver the flow of benefits to the region. Comments and observations from other JOs indicate they have experienced a relatively straight forward transition to the JO structure. However, there were varying degrees of concern about the additional governance in terms of requirements and the ongoing compliance costs, with all indicating some form of ongoing funding for day to day activities. On balance all agreed it was the right decision to move to a JO.

External stakeholders argue this is the regional planning model created by the state government, so leveraging off their idea and working in partnership will present a range of opportunities not previously seen. The state government needs to give up some of their control/responsibilities for the JOs to be relevant and successful. This is giving member councils some direct and greater input into regional priorities and projects. This is evidenced with a mayor chairing a state committee. There was acknowledgement that time is needed for JOs to establish and mature into well performing organisations.

In the view of external stakeholders, should a region not take up the JO opportunity they could be somewhat disadvantaged in terms of how state government works with a regional organisation – “as a JO the state government takes you more seriously”. As the state government gains a better understanding and confidence there is an expect increase in the value proposition for them. This should lead to increased credibility and recognition of JOs and therefore increasing access to resources and funding.

Under the JO structure, regions are part of the state government’s legislative framework. This has created some additional compliance and procedural obligations, however, there appears to be a range of opportunities for JOs given:

- Treasury is a key agency on how funds are allocated for all state government projects and the way funds are allocated may change due to increased accountability.
- The JO structure is embedded into the state government requirements and governance for project and funding allocations.
- That REROC has the reputation, skills, experience, performance record and relationships, RivJO would be in a strong position to leverage greater benefits for the region.
- They increase the opportunity to influence and delivery larger and more complex regional projects, leading to regional capability development.
- The potential that state government will become more reliant on JOs to develop and deliver regional priorities and projects.

External stakeholders noted that the potential additional benefits of a JO include the greater opportunity to advocate and influence and be more involved in determining the future of the region through:

- planning for growth and industry development opportunities
- influencing and improving regional transport links and infrastructure to join people and markets
- projects that attract industry and jobs to region



- sharing and pooling resources to provide regional and local projects.

The very unfortunate circumstances with COVID-19 will require federal and state governments to provide stimulus programs to rejuvenate state, regional and local economies and communities. We understand governments are identifying and assessing a range of options, namely infrastructure projects including improvements to road networks in terms of improved safety and related facilities. Regional organisations and councils should be in a strong position to implement some of these initiatives.

There is uncertainty as to the future governments' commitment to JOs. The current government could change its policy on JOs and there is no telling on what a change of government would do with the JO arrangements. At this stage there is a reliance on the policy, relationship and trust that the state government will remain committed to developing, engaging and supporting JOs. Again, the state government hasn't committed to any ongoing funding for day-to-day operations of JOs.

Concerns relating to a single entity

The survey and interviews sought views on the potential barriers in establishing a single regional organisation entity. A significant number of the responses saw no significant barriers, as this would avoid duplication and additional costs, providing best value for the membership contributions. In fact, there was unanimous support and agreement, from the interview process, in having only one organisation. However, there was a range of views as to the most appropriate entity due to the compliance requirements, obligations and costs.

The most significant barrier to entry identified, for a JO as the single entity, was the increase in compliance requirements and costs. A common view is that JOs are more expensive, resource hungry and cumbersome. Further the regulation requirements will limit the adaptability to the ever-changing regional environment.

An issue raised by some councils was the affordability and capacity should the contributions significantly increase. However, having said this most members expected the total contributions to either stay the same or increase under a single entity structure. Of the seven member councils and the two associated members:

- two expected a total contribution decrease
- five expected the total contributions to remain the same, however three councils would consider an increase subject to benefits being derived
- two expected increases and both would remain members.

Acknowledging that councils are consistently under pressure to deliver more for their communities with the constraints of income, costs shifting by state government and involvement external associations, groups and committees, any increase in contributions must be offset by tangible benefits. An insight from one-member council is that "the fee is insignificant to the value we get – it always has been and will continue to do so".

There is a view that a single entity, other than REROC, would not be able to replicate the benefits it has achieved with the same membership cost structure. If there is a significant change in terms of benefits and costs, commitment towards remaining a member of a single entity would be drawn into question.

A challenge identified for members of JOs is to ensure that the JO doesn't become a further tier of government but remains as an independent regional body that is focused on the best interest of the region in terms of regional strategies, priorities and projects.



For a JO, their powers and the legislative framework would need to cater for binding agreements between the government and JOs to undertake regional projects. There needs to be commitment and guarantee from government to the priorities and projects.

Suggested solutions, from the stakeholder engagement process, to reduce the entry to a single entity were:

- dispensing with RivJO and revert back to REROC
- creating a hybrid arrangement where REROC is structured into the JO model.

A suggestion was provided that could lessen the barriers of entry to a single entity, particularly if it was a JO. This involved allocating member councils the responsibility to undertake the compliance requirements of the JO. An example provided was Coolamon Shire Council to do the financials. There appears to be very little value or benefit to member councils having the JO undertake the same compliance requirements to that of a council. This approach would significantly reduce the governance and compliance costs of the JO, with member resources/contributions being used more efficiently.

A further solution provided for the increased governance requirements and costs is the state government, through the OLG, providing the service or funding for each JO.

Future structure and governance model options

It was evident from the interviews and surveys that there is a strong preference for a single entity. However, there were a range of entity options and suggested solutions, as detailed in the previous section of this report. External stakeholders have a greater preference for the JO structure as the single entity for regional organisations, while internal stakeholders clearly prefer the REROC structure.

From the interviews, eight of the nine member councils indicated a strong preference for a single entity, along with the four external stakeholders that were interviewed. One council's preference was a JO with REROC as the operational arm and another suggested a hybrid arrangement incorporating REROC into the JO model.

In helping to assess which single entity would be best for the future, the interviewees identified a range of attributes that need to be considered, for a fit for purpose entity. The challenge is which of these attributes are more important than others in determining the future direction.

The attributes identified were adaptiveness and responsiveness, cost efficiency, clear regional identity, ability to influence the regional future and priorities, delivery of regional and council benefits, suitable level of compliance to be accountable and transparent, access to government funding, building and sustaining government relationships and partnerships, value for money for member councils and equal representation for all member councils regardless of size.

From the survey there was strong endorsement of the need for a regional organisation. As to the best option for the future, 37 of the 39 responses indicated one entity, as the following table illustrates.



Table 2 Survey future options

| Best option for the future | Responses |
|----------------------------|-----------|
| REROC | 16 |
| RivJO | 7 |
| Both RivJO and REROC | 2 |
| A joint single entity | 14 |

As to the question which entity is best place to deliver on the functions of the regional organisation, the following table indicates that one entity option is best placed to undertake the government and strategic functions (four functions) of a regional organisation, while REROC is best place to deliver the operational aspects (five functions). RivJO was not identified as a preferred option for any regional functions although those surveyed may have assumed ‘one entity’ included JO responsibilities.

Table 3 Entity best placed to deliver functions

| Functions | REROC | RivJO | One entity |
|--|-------|-------|------------|
| Regional advocacy | 15 | 8 | 17 |
| Government relationships | 11 | 12 | 21 |
| Collaboration and leadership | 17 | 8 | 17 |
| Regional strategy and priorities | 15 | 7 | 18 |
| Regional economic development | 18 | 9 | 16 |
| Resource sharing | 24 | 5 | 14 |
| Regional projects and services | 19 | 5 | 16 |
| Forum for communication and co-operation | 17 | 9 | 16 |
| Professional development | 19 | 4 | 15 |

The survey results indicate overall that there is no preference for one particular option for the future.

Other matters and observations

At present there is no signed agreement in place between REROC/RivJO and Julie Briggs Management Services. For the purposes of allocating the executive services contract amount for our financial forecasting, we have relied on a copy of the service agreement executed on 28 February 2011 and advice from Julie Briggs.

As part of this review process it would be timely to reassess the need for this type of agreement. As part of this agreement reassessment we recommend some more clarity around the specific services/resources that are provided. It would appear the current arrangements are providing good value for money for REROC members.

From the interviews a few members raised the issue of the need to undertake succession planning for the current CEO/EO and some form of performance review should be put in place.



The following are our observations as part of the project:

- Governance requirements for JO meeting practices was raised consistently. A common practice to discuss matters in a less formal environment is to hold briefing sessions prior to the formal board meetings. This allows free flowing discussion often with an agreement/position taken on a particular matter.
- Meeting practices for councils and JOs are more formal then ROC meetings. At ROC meetings the CEO can play a greater role in how the meeting is run with a greater contribution/influence on the direction and outcome of the meeting. The meeting practices for a JO require the chair to manage the meeting in terms of the agenda.
- The challenge in this analysis is to weigh up the immediate costs and benefits versus the future costs and benefits of the best operational model. It is clear that the balance in costs and benefits are likely to change over time. The costs and benefits of REROC are well known and agreed by members. Currently there are financial advantages with RivJO while it attracts Government operational and project funding. The government have stated that this will not continue, at which point the cost will increase and unless government delivers on its promise of further regional benefits at that time, it may prove a less favourable option. The difficulty currently is although future benefits are promised by the JO structure, they are not quantifiable at present.



Options and analysis

The option and analysis phase aims to identify the best fit for purpose option(s) for the member councils to achieve the outcomes in the areas of strategic planning and advocacy as well as operational activities. This will provide member councils with a view of the future options in terms of structure, operation and estimated financial forecasts.

It is evident from the stakeholder engagement that there are a number of strong and consistent themes that will drive the options for consideration. These themes are:

- influencing priorities and accessing government resources and funding
- duplication of effort and costs
- value for money
- what's best for the region
- affordability for member councils
- outcomes for the region and member councils
- effective and responsive entity.

Our conclusion is that a single entity is the preferred option, however the future structure and governance model isn't straight forward. In coming to a position on the future governance model we have taken into consideration:

- the need to have a clear and unequivocal position on why any entity exists and what it does
- the commitment to sound governance to achieve effective outcomes and benefits
- the attributes identified in the future structure and governance model options section
- the key themes identified directly above
- the potential disadvantages of not being part of the state government's framework in terms of influence and access to regional priorities and projects.

Our recommended approach is to have one entity – either an incorporated structure or JO structure. Our financial options analysis that follows is based on this approach. We have evaluated six options which are described below. There are some limitations on the financial options analysis for the incorporated structures mainly due to the restricted breakdown of the current REROC management services contract amount and the alignment to the agreement, however we have made some assumptions for comparative purposes.

Option 1 - two entities - REROC & RivJO

This option continues with the status quo of operating the two entities, with RivJO undertaking the role as detailed in the Local Government Act and REROC continuing to undertake the operation aspects, namely services delivery and project management.

There are no cost savings, and over time you would expect the costs would increase exponentially due to significant duplication of operational and governance activities. It was evident from the interviews and survey that the level of corporate and governance duplication was unproductive. The most common theme was the duplication of member meetings and duplicated audit costs.



From the financial analysis it is the most expensive option in dollar terms, with ongoing duplication in a range of governance and compliance activities. From the contribution table below, member contributions will need to increase significantly to sustain the core activities and the operation of both entities.

The benefits are that REROC remains operational, which was a desire from most member councils, however it doesn't resolve or deal with the core themes of duplication of effort and costs, value for money and affordability for member councils. With two entities operating in the same regional space it may cause confusion and potential conflict for stakeholders. The state government may question member councils' full commitment to the JO arrangements, with the potential downside unknown.

Option 2 - RivJO - full time

This option assumes there is a full time executive officer (EO) employed by RivJO along with two part time positions totalling one full time position, namely 14 hours a week for finance and 21 hours week for corporate support. From our research, we deem these essential for core activities of the organisation. From our comparative research it is apparent that a level of administration, corporate and financial support is necessary to deliver on the core activities of a JO. RivJO can make other decisions in terms of type of positions and how they are employed.

The main issue with this option is the additional level of compliance imposed by the JO model under the Local Government Act. In affect it is similar to a local government council. There is a view that the additional compliance regime better aligns to the accountability and responsibility of a JO which is leading and delivering region strategies and projects with the support of state government. It is the mechanism by which state government will be satisfied that governance, controls and accountability is in place to allow and justify the allocation of resources and funding to regional organisations.

The additional compliance requirements and costs are a burden on member councils, and this is illustrated in financial forecast table 6 below, with the employment of additional staff and the increase in audit fees. There are a number office administrative savings totalling \$34,000.

With regard to member contributions, they will be slightly less than the option 1 scenario of the two entities. With the inclusion of Wagga Wagga City Council (WWCC), the current members' contributions increase, but less significantly as a result of their inclusion.

The benefits of this option are a significant reduction in governance duplication mainly around meetings as they will halve. The other key benefit is the certainty of RivJO having access to and support of state government in identifying and delivering regional priorities and projects. It is expected over the longer term the JO will develop strong relationships and partnerships with the state government and its agencies in the betterment of regional NSW.

However, there is still the risk that a future government my change the ground rules for JOs and possibly dismantle the regime altogether. The current lack of operational funding will place a further financial burden on member councils, who may choose not to remain members. The government, however, has indicated a strong commitment to partnering with JOs help identify and develop regional priorities that will drive development, growth and community wellbeing, as means of helping JOs mature and develop as a regional organisation.



Option 3 - RivJO - part time

This option assumes there is a part time (28 hours a week) EO employed by RivJO along with two part time positions, totalling one full time position, that we deem essential for core activities of the organisation. From our comparative research it is apparent that a level of administration, corporate and financial support is necessary to deliver on the core activities of a JO.

The discussion on this option is similar to option 2 above, with the exception of the full time EO role. From our discussions with members and the REROC/RivJO CEO/EO it will be a challenge to deliver all current strategic and operational obligations with a part time EO. We do note that all the JOs included in the comparative analysis above have full time EOs, except the Hunter JO, where the EO role is only half a position with the other half assigned to Strategic Services Australia Limited.

With the reduction in hours there is a slight reduction in overall costs, with member contributions similar to the current REROC/RivJO contributions in table 7, remembering WWCC is included. Even though the duplication issues have largely been dealt with, whether there are adequate resources to meet and deliver the core activities of RivJO is in question.

This may impact on capacity to deal with and respond to regional opportunities in a timely manner, potentially disadvantaging the region. There is a need for adequate resources to enable the entity to be effective and responsive ensuring benefits are delivered and member councils obtain value for their contributions.

Option 4 - RivJO - in-kind

This option stems from a suggestion during the interview process. The assumptions are a full time EO with two part time positions - finance support 7 hours week and corporate support 14 hours weeks - with in-kind contributions from member councils to undertake the majority of the compliance requirements. The premise of this option is that each council will agree to undertake a component of the governance requirements of RivJO. The following table is an illustration of how the option may work, however more discussion and consideration of each council's capacity and capability is required in the assignment of the compliance activities.

Table 4 Council member compliance activities

| Compliance activity | Nominated council |
|---|----------------------------|
| Code of Conduct | Greater Hume Shire Council |
| Procedures of Administration of Code of Conduct | Greater Hume Shire Council |
| Code of Meeting Practice | Lockhart Shire Council |
| JO Charter | Lockhart Shire Council |
| Board Expenses and Facilities | Bland Shire Council |
| Revenue Policy | Coolamon Shire Council |
| Agency Information Guide (GIPA) | Coolamon Shire Council |
| Privacy Management Plan | Bland Shire Council |



| Compliance activity | Nominated council |
|--------------------------------------|------------------------------------|
| Related Parties Disclosure Policy | Junee Shire Council |
| Internal Reporting Policy | Junee Shire Council |
| Disaster Recovery Plan | Cootamundra-Gundagai Shire Council |
| IT Security Plan | Cootamundra-Gundagai Shire Council |
| Records Management Policy | Temora Shire Council |
| Enterprise Risk Management Policy | Temora Shire Council |
| WHS Policy | Greater Hume Shire Council |
| Fraud Control Policy | Bland Shire Council |
| Gathering Information Policy | Cootamundra-Gundagai Shire Council |
| Compliance and Reporting Documents | Wagga Wagga City Council |
| End of year Performance Statement | Wagga Wagga City Council |
| General Purpose Financial Statements | Wagga Wagga City Council |
| Others: | |
| > Minute taking and preparation | Temora Shire Council |
| > Meeting logistics | Temora Shire Council |

The key challenge for RivJO is managing the timing and logistics of the review and preparation processes for each of the compliance activities. From a council perspective they will need to incorporate these processes into the usual work programs. Effectively RivJO will be contract managing a number of deliverables to a predetermined timeframe and standard.

The value proposition for member councils is that estimated contributions are slightly higher than the current contributions, as they aren't paying the full compliance cost through their contributions, refer to table 6. This option significantly reduces the duplication of governance issues with councils undertaking the majority of the activities more effectively and efficiently.

Option 5 - RivJO - delegation

The assumptions for this option are a full time EO employed by RivJO along with a part time position of 14 hours a week for corporate support, with all the governance and compliance obligations delegated to a member council. This option is based on the member council not charging to provide this service. The other option is a fee for service arrangement, however detailed analysis and negotiations would be required to finalise the arrangement. We have been advised this approach has been considered previously.

Currently Tamworth Regional Council has agreed to undertake all the JO governance and compliance requirements, through Namoi JO delegating all the obligations to council. We understand the rationale is that council is committed to a regional role in terms of leadership and contribution. The council area is the major economic driver for the region through businesses, public services and population, therefore a beneficiary directly and indirectly of most regional projects.



Council has acknowledged these benefits and the greater good for the region by undertaking the JO governance and compliance activities. All the JO governance and compliance requirements and costs were incorporated into the daily operations of council, without the need for additional staff. The impact on councils' operations has been very minimal. Under this option there would be limited governance risk exposure for the JO provided the member councils had the confidence in, a sound relationship with and trust in the council undertaking these activities.

This is the most cost effective of the JO options with all current member contributions estimated to decrease, based on table 6 with the inclusion of WWCC. This option eliminates all duplication of governance and compliance obligations and costs as these are incorporated into the daily operations of the host council. Further member council contributions would not include compliance costs representing both effective use of resources and value for money for all members and their communities.

We have also been advised that Tamworth Regional Council provides all the office space, technology and all employee support requirements. Under option 5 this represents a further estimated annual saving of \$48,500, reducing total member contributions to \$257,000.

Option 6 - incorporated association and company

For the purposes of this option we have used REROC operations. As discussed in the operational governance model section of this report, the compliance and governance obligations are higher for a company, with the associated costs marginally higher as well.

The risks for councillors and staff being members and directors are fiduciary responsibilities of incorporated entities, ensuring the entities are legally compliant and that the boards are operating in an ethical and financially sustainable manner.

The incorporated entity approach has been operating very effectively through the REROC organisation. It is well established and delivered significant tangible benefits to member councils and by extension their communities. It has been able to take advantage of numerous opportunities for the regional communities while creating a financial sustainable organisation.

From our observations and interpretation of the financial information and management agreement provided, it appears that the arrangement is heavily weighted in favour of member councils. As we understand the current payment of \$175,500 by REROC for executive services is solely for REROC operations. We acknowledge there has been additional resources of both funding and staff to deliver projects, however it is unclear if this has contributed to the core activities of REROC. For comparison purposes we have increased this amount by \$74,500 to be comparable to the other options.

It is our view, should the management agreement be renewed for this option, that it is highly likely the cost to deliver the services detailed in the previous agreement will be significantly higher. To undertake a more meaningful financial forecast for this option there would be a need to evaluate the most recent management service agreement and estimate the costs for the itemised services and facilities. Based on the information provided and subsequent advice, this option currently provides the best value for all member councils.



The key risk is that both these models sit outside the state government legislative framework for JOs, which are effectively the regional organisations. The question is, will this structure be acceptable in building strong and meaningful relationships with the state government and its agencies that could lead to greater responsibility for regional organisations. The region could be disadvantaged in terms of not being a ‘full partner’ with the state government and unable to maximise the access to state government resources, funds and agreements to deliver additional regional projects for the betterment of regional communities.

A further matter for consideration is that WWCC has only a joined as member of RivJO and not REROC. The incorporated structure option may not be suitable for their purposes. This would have a detrimental impact on the region’s longer-term ability to partner with state government to deliver broader regional benefits and improvements.

Financial analysis

The basis of the financial analysis is to establish the core operating costs of the single entity using the 2019/20 budgets. This excludes any grant related or fee for service projects. This allows us to determine the membership contributions that will support core capability year-on-year.

For consistency and comparison purposes, we have estimated employee costs based on the JO directly employing staff. The alternative is to contract out part, or all, of the part time staff which may either reduce the costs or increase the hours of work for each position. Again, we have included positions that are required for the core functioning of the JO entity. For the incorporated structure we have relied on the current REROC budget.

In determining the core operating costs, we have relied on the information provided by REOC and RivJO in the form of 2019/20 budgets, excluding project costs and advice from Julie Briggs. Further research was undertaken to ascertain some comparative information with other JOs in terms of core operating costs. The following table details the estimated core costs and the level of staffing.

Table 5 Joint organisation core cost comparisons

| Joint organisation | Estimated annual core costs 2019/20 | Employees - FTE | Estimated employee costs 2019/20 |
|--------------------|-------------------------------------|---|---|
| RAMJO | \$306,500 | 1 FTE - EO plus budget for casual admin support | \$243,500* |
| Namoni JO | \$325,000 | 1 FTE - EO | \$216,500 [#] |
| Canberra JO | \$648,500 | 2 FTE – 1 FTE EO and 1 FTE government relations | \$480,000 [^] |
| Hunter JO | \$648,000 | 2.5 FTE - .5 FTE EO, .5 FTE EA, .5 FTE communications, 1 FTE policy officer | \$369,000 ⁺ excludes back off costs |



| Joint organisation | Estimated annual core costs 2019/20 | Employees - FTE | Estimated employee costs 2019/20 |
|---------------------------|-------------------------------------|---|----------------------------------|
| Central NSW JO | \$369,500 | 2 FTE – 1FTE EO and 1 FTE executive assistance and finance | \$331,000@ |
| Option 2 -RivJO full time | \$436,700 | 2.0 FTE – 1FTE CO, .6 FTE finance, .4 FTE corporate support | \$308,700 |

* - estimated from 2018/19 budget
 ^ - proposed 2019/20 budget at board meeting (05/08/2019)
 @ - Budget and Statement of Revenue Policy 2019-2020 (Report 29/6/19)
 # - from Financial Report (31/12/19) to board meeting (04/02/2020)
 + - CEO report to board meeting (09/05/2019)

It is worth noting that all the above JOs have transitioned from their former governance model structure to the JO structure.

The following financial forecasting establishes the estimated income and expenses of operating a single entity, excluding projects. The financial options analysis that is in the following table details the estimated financial forecasts based on the 2019/20 budgets for each option, using the current status as the base for comparison. A copy of the full model with assumptions and member contribution options is at **appendix D**.



Table 6 Financial forecast budget options

| Description | Option 1 REROC & RIVJO combined | Option 2 RivJO full time EO + 2 part time staff | Estimated savings from option 1 to option 2 | Option 3 RivJO part time 28 hr EO + 2 part time staff | Estimated savings from option 1 to option 3 | Option 4 RivJO in-kind full time EO | Estimated savings from option 1 to option 4 | Option 5 RivJO delegation full time EO | Estimated savings from option 1 to option 5 | Option 6 REROC incorporate structure |
|--|--|---|---|--|---|--|--|--|---|---|
| Income | | | | | | | | | | |
| Council contributions | 247,171.00 | Contribution amount at bottom line of this table | | | | Contribution amount at bottom line of this table | | | | |
| Interest on Investments | 7,500.00 | 7,500.00 | - | 7,500.00 | - | 7,500.00 | - | 7,500.00 | - | 5,000.00 |
| Sundry income | 2,000.00 | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 |
| Meetings and catering income | - | | | | | | | | - | |
| JO operations contributions | 11,506.00 | | - 11,506.00 | | - 11,506.00 | | - 11,506.00 | | - 11,506.00 | |
| Special projects - income | - | | - | | - | | - | | - | |
| | 2,000.00 | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 |
| | 30,000.00 | 30,000.00 | - | 30,000.00 | - | 30,000.00 | - | 30,000.00 | - | 30,000.00 |
| | - | | | | | | | | | |
| | 300,177.00 | 41,500.00 | - 11,506.00 | 41,500.00 | - 11,506.00 | 41,500.00 | - 11,506.00 | 41,500.00 | - 11,506.00 | 39,000.00 |
| Expenditure | | | | | | | | | | |
| Executive officer services | 197,609.00 | 176,400.00 | - 21,209.00 | 141,120.00 | - 56,489.00 | 176,400.00 | - 21,209.00 | 176,400.00 | - 21,209.00 | 189,000.00 |
| EO On-costs | 10,384.00 | 44,100.00 | 33,716.00 | 35,280.00 | 24,896.00 | 44,100.00 | 33,716.00 | 44,100.00 | 33,716.00 | |
| Admin support | 24,000.00 | - | - 24,000.00 | - | - 24,000.00 | - | - 24,000.00 | - | - 24,000.00 | 24,000.00 |
| Office Expenses (Elect: p/copy: computer: etc) | 30,000.00 | 20,000.00 | - 10,000.00 | 17,500.00 | - 12,500.00 | 15,000.00 | - 15,000.00 | 12,500.00 | - 17,500.00 | 30,000.00 |
| Car | 7,000.00 | 8,500.00 | 1,500.00 | 7,000.00 | - | 8,500.00 | 1,500.00 | 8,500.00 | 1,500.00 | 7,000.00 |
| Secretarial support | 25,000.00 | - | - 25,000.00 | - | - 25,000.00 | - | - 25,000.00 | - | - 25,000.00 | |
| Finance support staff | - | 43,680.00 | 43,680.00 | 43,680.00 | 43,680.00 | 21,840.00 | 21,840.00 | - | - | |
| FS On-costs | - | 10,920.00 | 10,920.00 | 10,920.00 | 10,920.00 | 5,460.00 | 5,460.00 | - | - | |
| Corporate support staff | - | 35,280.00 | 35,280.00 | 35,280.00 | 35,280.00 | 23,520.00 | 23,520.00 | 16,800.00 | 16,800.00 | |
| CS On-costs | - | 8,820.00 | 8,820.00 | 8,820.00 | 8,820.00 | 5,880.00 | 5,880.00 | 4,200.00 | 4,200.00 | |
| Projects & planning | 25,000.00 | 15,000.00 | - 10,000.00 | 15,000.00 | - 10,000.00 | 15,000.00 | - 10,000.00 | 15,000.00 | - 10,000.00 | |



| Description | Option 1 REROC & RivJO combined | Option 2 RivJO full time EO + 2 part time staff | Estimated savings from option 1 to option 2 | Option 3 RivJO part time 28 hr EO + 2 part time staff | Estimated savings from option 1 to option 3 | Option 4 RivJO in-kind full time EO | Estimated savings from option 1 to option 4 | Option 5 RivJO delegation full time EO | Estimated savings from option 1 to option 5 | Option 6 REROC incorporate structure |
|---------------------------------------|--|---|---|--|---|--|--|--|---|---|
| Evaluation of Operations | 15,000.00 | - | | - | | - | | | - | |
| Phone | 9,266.00 | 5,000.00 | - 4,266.00 | 4,000.00 | - 5,266.00 | 4,000.00 | - 5,266.00 | 3,000.00 | - 6,266.00 | 4,266.00 |
| Printing/stationery/postage | 8,500.00 | 6,500.00 | - 2,000.00 | 5,000.00 | - 3,500.00 | 6,500.00 | - 2,000.00 | 4,000.00 | - 4,500.00 | 6,500.00 |
| Advertising | 1,600.00 | 1,600.00 | - | 1,400.00 | - 200.00 | 1,600.00 | - | 1,600.00 | - | 1,600.00 |
| Insurance | 13,531.00 | 5,000.00 | - 8,531.00 | 5,000.00 | - 8,531.00 | 5,000.00 | - 8,531.00 | 5,000.00 | - 8,531.00 | 8,531.00 |
| Rent / office lease | 32,621.00 | 22,821.00 | - 9,800.00 | 22,821.00 | - 9,800.00 | 22,821.00 | - 9,800.00 | 22,821.00 | - 9,800.00 | 22,821.00 |
| Travel | 5,500.00 | 4,000.00 | - 1,500.00 | 3,500.00 | - 2,000.00 | 4,000.00 | - 1,500.00 | 4,000.00 | - 1,500.00 | 1,500.00 |
| It & web site | 6,500.00 | 3,000.00 | - 3,500.00 | 3,000.00 | - 3,500.00 | 3,000.00 | - 3,500.00 | 3,000.00 | - 3,500.00 | 1,500.00 |
| Board meetings/catering | 8,550.00 | 4,000.00 | - 4,550.00 | 4,000.00 | - 4,550.00 | 4,000.00 | - 4,550.00 | 4,000.00 | - 4,550.00 | 2,550.00 |
| Representations | 7,000.00 | 7,000.00 | - | 6,000.00 | - 1,000.00 | 7,000.00 | - | 7,000.00 | - | - |
| Legal/accounting/audit | 26,000.00 | 20,000.00 | - 6,000.00 | 20,000.00 | - 6,000.00 | 20,000.00 | - 6,000.00 | 20,000.00 | - 6,000.00 | 6,000.00 |
| Research & resources | - | - | - | - | - | - | - | - | - | - |
| Subscriptions | 732.00 | 600.00 | - 132.00 | 600.00 | - 132.00 | 600.00 | - 132.00 | 600.00 | - 132.00 | 732.00 |
| Equipment consumables | 3,000.00 | 3,000.00 | - | 2,000.00 | - 1,000.00 | 2,000.00 | - 1,000.00 | 3,000.00 | - | |
| Special projects | - | | - | | - | | - | | - | |
| | 2,000.00 | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 | - | 2,000.00 |
| | 458,793.00 | 447,221.00 | 3,428.00 | 393,921.00 | - 49,872.00 | 398,221.00 | - 45,572.00 | 357,521.00 | - 86,272.00 | 308,000.00 |
| Operating result | (158,616.00) | 405,721.00 | 14,934.00 | 352,421.00 | - 38,366.00 | 356,721.00 | - 34,066.00 | 316,021.00 | - 74,766.00 | 269,000.00 |
| Estimated council contribution | 405,787.00 | 405,721.00 | | 352,421.00 | | 356,721.00 | | 316,021.00 | | 269,000.00 |



The following member contribution table is based on 2/3 fixed base and 1/3 population, it includes Wagga Wagga and is for comparison purposes only for this report. In **appendix C** there is a contribution tab that has a range of contribution approaches for consideration.

Table 7 Member contribution for each option

| Proposed contributions | 2/3 FIXED BASE + 1/3 POPULATION BASED | | | | | | |
|------------------------------------|---------------------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Current REROC/RIVJO | Option 1 REROC & RIVJO balanced budget | Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
| Bland Shire Council | 30,668.88 | 37,401.00 | 36,914.00 | 32,483.00 | 32,879.00 | 29,128.00 | 24,793.94 |
| Coolamon Shire Council | 29,588.88 | 35,378.00 | 34,891.00 | 30,726.00 | 31,100.00 | 27,552.00 | 23,452.44 |
| Cootamundra-Gundagai Shire Council | 34,083.88 | 43,798.00 | 43,310.00 | 38,039.00 | 38,503.00 | 34,110.00 | 29,034.66 |
| Greater Hume Shire Council | 33,563.88 | 42,824.00 | 42,336.00 | 37,193.00 | 37,646.00 | 33,351.00 | 28,388.59 |
| Junee Shire Council | 30,892.88 | 37,820.00 | 37,333.00 | 32,847.00 | 33,248.00 | 29,455.00 | 25,072.29 |
| Lockhart Shire Council | 28,800.88 | 33,903.00 | 33,416.00 | 29,445.00 | 29,803.00 | 26,403.00 | 22,474.41 |
| Temora Shire Council | 30,770.88 | 37,592.00 | 37,105.00 | 32,649.00 | 33,047.00 | 29,277.00 | 24,920.77 |
| Snowy Valleys Shire Council | - | - | - | - | - | - | - |
| Wagga Wagga City Council | - | 107,012.00 | 106,514.00 | 92,940.00 | 94,073.00 | 83,340.00 | 70,939.55 |
| Goldenfields Water County Council | 14,400.44 | 15,028.00 | 16,948.00 | 13,051.00 | 13,211.00 | 11,703.00 | 9,961.67 |
| Riverina Water | 14,400.44 | 15,028.00 | 16,948.00 | 13,051.00 | 13,211.00 | 11,703.00 | 9,961.67 |
| Total | 247,171.00 | 405,784.00 | 405,715.00 | 352,424.00 | 356,721.00 | 316,022.00 | 269,000.00 |



Recommendations

The following is an assessment of the six options based on the criteria that has been established in this report. The aim is to help ascertain which option is most suitable for your regional organisation.

Table 8 Options assessment

| Criteria | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|---|----------|----------|----------|----------|----------|----------|
| Influencing priorities and accessing government resources and funding | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ |
| Duplication of effort and costs | X | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Value for money | ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ |
| Affordability for member councils | ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Governance | ✓ | ✓ ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Outcomes for the region and member councils | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ |
| Effective and responsive entity | ✓ | ✓ ✓ | ✓ | ✓ ✓ | ✓ ✓ | ✓ ✓ ✓ |
| Accountability | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |

The evaluation methodology is based on how well each option addresses the criteria and is as follows:

- X the option does not address the criteria
- ✓ the option addresses the criteria in a limited way
- ✓ ✓ the option mostly addresses the criteria
- ✓ ✓ ✓ the option fully addresses the criteria.

The outcomes of this assessment indicate that option 5 (RivJO delegation) and option 4 (RivJO in-kind - slightly more expensive), are the most suitable. However, the incorporated structure (option 6) satisfies all the criteria except for those relating to a full partnership with the state government under the JO structure. Member councils may wish to confirm with the state government that if REROC were to continue in preference to RivJO, for the reasons outlined in this report, that it would, or would not, receive the same recognition, partnering and funding as a RivJO. Option 2 is somewhat more expensive and therefore less affordable for member councils, and with option 3 having less resources, it would not be an effective and responsive entity.



This report is future looking and whilst REROC has served the majority of the region exceptionally well, in our view, if REROC is not recognised as a suitable partner for state government, then the JO structure provides the best opportunity for the region to have a 'seat at the table' with the state government and agencies and to develop meaningful and sustainable relationships and partnerships, provided the government remains committed to supporting JOs. This will allow the regional organisation to influence and recommend regional strategic direction and priorities. It should also provide more certainty in being able to access and secure funding and resources to identify and deliver projects and programs for the betterment of the region.

However, there is the issue of the ongoing sustainability of a JO, as the state government has not committed to regular funding of day-to-day activities. There is still a level of risk as to whether the JO structure will succeed longer term. However, a number of other JOs indicated it is the best chance to partner collaboratively with state government whilst leveraging their regional planning model to significantly improve the betterment of regional and local Australia.

The incorporated structure, in particular an NFP company limited by guarantee, will also afford the region and member councils with ongoing benefits within a leaner governance structure. Whether this can and will maximise the potential outcomes and benefits for the region, similar to that of a JO structure, without government support, is questionable.



Appendix A Letter to the local minister from the thirteen JO chairs

30 May 2019

Hon Shelley Hancock MP
Minister for Local Government
Parliament House
Macquarie St
SYDNEY NSW 2000

Dear Minister

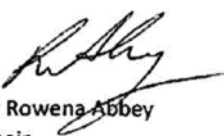
We write on behalf of all thirteen NSW Joint Organisations, following our facilitated meeting today to discuss a framework for collaboration with the NSW Government.


The meeting of Joint Organisation (JO) Chairs which followed the above meeting discussed its outcomes and the way forward. The JO Chairs have unanimously resolved that we write to you to advise that we agree that JOs require a more collaborative partnership approach to the proposed business model of funding. We agree that the provision of on-going baseline funding of \$300,000 per JO, each year for the next three years, would recognise the need for capacity building funding which would allow JOs and the State to work collaboratively to continue development on sustainable financial pathways for the new organisations.

It was noted during the facilitated session that JOs were reporting deficit budgets, during our JO Chairs' meeting it was agreed that this approach was not sustainable. Given the realised benefits of collaboration between JOs, State Government and councils to drive outcomes, we believe that a commitment from State Government to ensuring the financial sustainability of the JOs during their establishment phase is in the best interests of regional NSW.

We would welcome the opportunity to discuss the concerns raised in this letter with you. We are agreed that as we enter into a second Financial Year of operations for the JOs that the issue of a collaborative funding model must be suitably resolved to provide our member councils with confidence about the future of JOs. Your response to our correspondence, within 28 days would be appreciated.

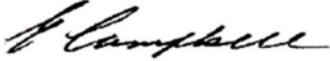
Yours sincerely


Cr Rowena Abbey
Chair
Canberra Region JO


Cr John Metcalf
Chair
Central NSW JO



Cr Ryan Palmer
Acting Chair
Hunter JO




Cr Liz Campbell
Chair
Mid-North Coast JO



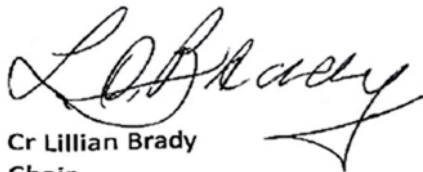
Cr Michael Pearce
Chair
New England JO



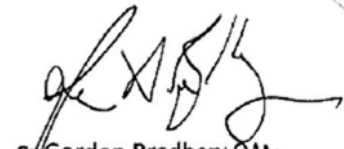
Cr Craig Davies
Acting Chair
Orana JO



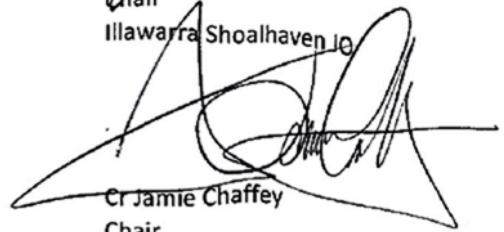
Cr Kevin Mack
Chair
Riverina ad Murray JO



Cr Lillian Brady
Chair
Far North West JO



Cr Gordon Bradbery OAM
Chair
Illawarra Shoalhaven JO



Cr Jamie Chaffey
Chair
Namoi Unlimited



Cr Danielle Mulholland
Chair
Northern Rivers JO



Cr Rick Firman OAM
Chair
Riverina JO

Cr Melissa Hederics
Chair
Far South West JO



Appendix B Outline of governance and compliance requirements

OUTLINE OF INCORPORATED ASSOCIATION AGAINST A PUBLIC COMPANY LIMITED BY GUARANTEE

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|---|---|--|
| <p>Structure <i>Company - national recognition</i></p> | <p>An incorporated association is a body corporate with a legal personality separate from its members.</p> <p>Incorporated associations are registered and regulated by the <i>Associations Incorporation Act 2009</i> (NSW) ("Act"), which is administered by NSW Fair Trading.</p> <p>The Act provides a simple and affordable means of creating a separate legal entity for small, community-based groups with limited resources, which operate only in New South Wales.</p> <p>The Act imposes less onerous conditions than the Corporations Act which governs the activities of companies.</p> | <p>Companies limited by guarantee are public companies constituted by members and governed by a board of directors.</p> <p>Companies limited by guarantee are registered and regulated by the <i>Corporations Act 2001</i> (Cth) ("Corporations Act"), which is administered by ASIC.</p> <p>A company's registration is recognised Australia wide.</p> |
| <p>Legal Status <i>No real difference</i></p> | <p>The association itself has a legal existence independent of its members. This means that as an entity it may:</p> <ul style="list-style-type: none"> (a) sue and be sued; (b) acquire, hold and dispose of property; (c) act as a trustee; (d) make contracts and enter into tenancy agreements; (e) receive a bequest or gift from a will; and (f) have perpetual succession. That is, the association will remain in existence regardless of who is a member until it is disbanded by operation of the law. | <p>A company limited by guarantee has broad powers equivalent to the legal capacity of an individual and a body corporate (except for the power to issue shares).</p> <p>Registration of a company creates a legal entity separate from its members. This means that, as with an incorporated association, a company may:</p> <ul style="list-style-type: none"> (a) sue and be sued; (b) acquire, hold and dispose of property; (c) act as a trustee; (d) make contracts and enter into tenancy agreements; (e) receive a bequest or gift from a will; and (f) have perpetual succession. The company remains in existence until it is disbanded by operation of the law. |

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|---|--|---|
| <p>Trading ability <i>No State boundaries for a company. Primary purpose is trade.</i></p> | <p>A primary limitation of incorporated associations is that whereas a company may trade nationally, an incorporated association is confined to trade within the State in which it is registered.</p> <p>An association incorporated in New South Wales which proposed to carry on business in another Australian jurisdiction has two alternatives:</p> <p>(a) to incorporate as another legal entity under the equivalent associations incorporation legislation in each jurisdiction in which it intends to carry on business; or (more commonly)</p> <p>(b) to register as an Australian Registrable Body (ARB) under the Corporations Act. An incorporated association which registers as an ARB will have compliance obligations under both the associations incorporation legislation and the corporations law.</p> | <p>Once a company is registered under the Corporations Act it can operate anywhere in Australia. A company is entitled to carry on business nationally without having to separately incorporate in each State and Territory or register as an ARB.</p> <p>A company may conduct trade with the public as a primary purpose. In contrast, an incorporated association may only trade with the public if that trade is ancillary to the association's purpose.</p> |
| <p>Winding up and the liability of members <i>No real difference</i></p> | <p>Members are not liable to contribute towards the payment of the debts and liabilities of the incorporated association or the costs, charges and expenses of the winding up of the incorporated association.</p> <p>The liability of members of an incorporated association (including members who are committee members) in the event of a winding up is limited to amounts due to the association by way of unpaid subscriptions, joining fees or other amounts payable under the Rules of the association.</p> | <p>A company has limited liability if wound up and is a separate legal entity distinct from its members.</p> <p>"Limited by guarantee" means the liability of the company's members is limited to the amount of the guarantee (that is, the amount a member has agreed to contribute if the company is wound up). The amount of the guarantee is usually specified in the company's constitution and is often fixed at a nominal amount. The guarantee is only called upon in a winding up situation.</p> |
| <p>Committee Members and Directors Duties and Liabilities</p> | <p>Under the Act the committee of an association incorporated in New South Wales must include 3 or more members, each of whom is aged 18 years or more and at least 3 of whom are ordinarily resident in Australia.</p> | <p>The Board of a company is structured as decided by the organisation and set out in its constitution.</p> <p>Directors of company's limited by guarantee are subject to the same equitable and common law duties as directors of</p> |

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|---|--|---|
| <p>Higher standard for company directors</p> | <p>The Act requires each committee member to carry out his or her functions for the benefit, so far as practicable, of the association and with due care and diligence.</p> <p>The common law imposes fiduciary duties on committee members. These fiduciary duties require them to:</p> <ul style="list-style-type: none"> (a) act honestly (b) act in good faith; and (c) in what they consider to be the best interests of the incorporated association. <p>If they fail in any of these duties, committee members may be liable to personally compensate members (or the association) who suffer loss.</p> <p>The Act provides protection for committee members against being held personally responsible for the association's liabilities.</p> <p>Unless there are exceptional circumstances the "veil" of incorporation will not be lifted to expose an association's members or council members to personal liability in relation to the business carried on by the association</p> | <p>incorporated associations. These fiduciary duties require directors to:</p> <ul style="list-style-type: none"> (a) act in good faith in the best interests of the company; (b) act for a proper purpose; and (c) give adequate consideration to decisions and keep discretions unfettered. <p>If they fail in any of these duties, directors may be liable to personally compensate members who suffer loss.</p> <p>In addition, a company limited by guarantee attracts the statutory directors' duties under the Corporations Act.</p> <p>These statutory duties include duties to:</p> <ul style="list-style-type: none"> (a) act in good faith and in the best interests of the company; (b) act with due care and diligence; (c) act for a proper purpose (that is, not for personal advantage or to the company's detriment); (d) not use information acquired for personal advantage or to the company's detriment; (e) disclose material personal interests; (f) not to vote on a matter involving a material personal interest, nor be present when such matters are considered; (g) avoid insolvent trading; |

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|--|---|--|
| | | <p>(h) retain appropriate discretions, for example when delegating functions to sub-committees of the board; and</p> <p>(i) avoid conflicts of interest.</p> <p>Directors of companies who breach these duties are exposed to both civil and criminal penalties. They may be individually liable for penalties up to \$200,000. The company also may be liable for penalties up to \$1 million.</p> <p>The Corporations Act does provide that, in certain circumstances, a company may indemnify its directors and officers against personal liability which they could incur in the course of performing their duties.</p> |
| <p>Compliance and Governance Obligations <i>Higher onus for company</i></p> | <p>The Act imposes a range of compliance obligations on incorporated associations. These include the following matters:</p> <p>(a) Having at least 5 members;</p> <p>(b) Must not be formed or carried on for the purposes of providing financial gain for its members;</p> <p>(c) An alteration of the rules of an incorporated association must be lodged and registered before it takes effect;</p> <p>(d) Ensure the association complies with its rules about calling and holding meetings;</p> <p>(e) An incorporated association must hold an annual general meeting (AGM) each calendar year within 6 months of the end of the financial year of the incorporated association;</p> <p>(f) An incorporated association must submit to its members at an AGM, a statement containing details of all income and expenditure during the last financial year, assets and</p> | <p>A company's compliance obligations are more onerous than those associated with incorporated associations. Under the Corporations Act companies limited by guarantee are subject to the disclosure requirements that apply to public companies. These include:</p> <p>(a) Requirements to notify ASIC of all material changes in administration and governance of the company, including change of name, address, company secretary, directors and constitution;</p> <p>(b) Hold an annual general meeting (AGM) each calendar year within 5 months of the end of the financial year of the incorporated association.</p> <p>(c) Requirement to lodge annual statements of solvency;</p> <p>(d) Requirements regarding the administration of company business such as the conduct of formal meetings, passing and recording resolutions;</p> |

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|--|---|---|
| | <p>liabilities, mortgages, charges and securities affecting any of the incorporated association's property, and details relating to any trust of which the association was trustee during the previous financial year, or any trust which contains funds of the incorporated association and the statement must be kept for at least 7 years after the date of submission;</p> <p>(g) The association accounts must be audited and also provided to members at an AGM;</p> <p>(h) At, or soon after, the AGM, a committee member must certify that the committee member attended the AGM and that the statement referred to in (d) was submitted to members at the AGM;</p> <p>(i) The association must have a Secretary;</p> <p>(j) An incorporated association must maintain adequate and accurate accounting records of its financial transactions; and</p> <p>(k) Be governed in accordance with the Association's Rules.</p> | <p>(e) Requirements relating to maintenance of company financial records;</p> <p>(f) Requirements relating to the maintenance of company registers;</p> <p>(g) Detailed procedures must be followed in relation to the appointment and removal of auditors.</p> <p>(h) Have at least 3 directors and 1 secretary;</p> <p>(i) Have at least 1 member;</p> <p>(j) Have a registered office address and principal place of business located, open and accessible in Australia;</p> <p>(k) Be managed by a Constitution or Replaceable rules;</p> <p>(l) Maintain a record of all directors' and members' meeting minutes and resolutions;</p> <p>(m) Appoint a registered company auditor within 1 month of its registration; and</p> <p>(n) Receive and review an annual company statement and pay an annual review fee. A charitable or not-for-profit company may be eligible for a reduced annual review fee if it meets the criteria under the definition of 'special purpose company' in regulation 3(a), (b), (c) or (d) of the Corporations (Review Fees) Regulations 2003;</p> <p>Company members are entitled to vote at annual general meetings and extraordinary general meetings. The members vote on issues such as changes to the company's constitution and the appointment of directors.</p> <p>Operating as a company limited by guarantee also imposes more onerous accounting and financial obligations.</p> |

| | INCORPORATED ASSOCIATION | PUBLIC COMPANY LIMITED BY GUARANTEE |
|--|--|---|
| <p>Profits <i>Profits may be distributed to members</i></p> | <p>Incorporated associations may not be formed for the purposes of earning profit for members. If the association earns a profit from commercial activity, this profit may not be distributed amongst the members. Profits are used to further the objectives of the association and not to provide personal gain for its members. Any profit must be used for activities carried on by the association.</p> | <p>As a company limited by guarantee, there are no restrictions on the entity's ability to trade, earn and distribute profits.</p> <p>A company limited by guarantee cannot issue shares. However, unless restricted by its constitution, a company limited by guarantee may make distributions to its members. The constitution of the company will specify the purposes for which profits may be used – for example, in furtherance of the company's principal objectives.</p> <p>Companies limited by guarantee are often used for 'not-for-profit' activities. If BMG becomes a company limited by guarantee under the Corporations Act it can most likely retain its not-for-profit status.</p> <p>Generally, companies limited by guarantee must use the word "limited" or the abbreviation "Ltd" in their name, but ASIC may waive this requirement for a not-for-profit company. To do so, the company must pursue charitable purposes only and apply its income in promoting those purposes, it must not make distributions to its members or pay fees to its directors and the directors of the company must approve all other payments the company makes to its directors.</p> |
| <p>Costs <i>Higher costs for company</i></p> | <p>The costs associated with an incorporated association in administration should generally be minor.</p> | <p>There are maintenance costs to be incurred under both entities, such as registration fees and lodgement of annual returns. These costs are marginally higher for a company, however these costs are not prohibitive.</p> <p>The fees associated with compliance obligations under the Corporations Act are generally more than the fees required for the administration of associations. There are also substantial late fees imposed on the notification requirements which are strictly enforced by ASIC.</p> |



Appendix C Copy of survey



REROC and Riverina JO

Member Feedback Survey

REROC and Riverina JO have decided to undertake a review of these two organisations to determine the most cost effective and efficient way to deliver regional collaboration and operational activities in the best interest of its Member Councils and, by extension, their communities.

The Boards have appointed Morrison Low Consultants Pty Ltd to undertake this review, part of which is to engage with key stakeholders across the region.

The key objectives for consideration are:

- > Financial sustainability
- > Best value for money
- > Compliance simplicity
- > Community benefits
- > Achievements and delivery

Given your understanding and/or involvement, the Boards are seeking input into the organisational reviews and the operational future of the two entities. It is the intention of both Boards to use this review and its recommendations as the basis for determining the future operations of both Organisations.

1. Please select your Council

2. How important are regional organisations to your Council?

| | Very Important | Important | Neither | Not Important |
|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| REROC | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Riverina JO | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

3. Which of the following entities is best placed to undertake the following functions, with 1 being the best and 3 being the worst.

| | REROC | Riverina JO | One Entity |
|--|--------------------------------|--------------------------------|--------------------------------|
| Regional Advocacy | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Government Relationships | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Collaboration and Leadership | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Regional Strategy and Priorities | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Regional Economic Development | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Resource Sharing | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Regional Projects and Services | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| A forum for communication and co-operation | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |
| Professional Development | <input type="text" value="1"/> | <input type="text" value="2"/> | <input type="text" value="3"/> |

4. What are the advantages of REROC?

5. What are the advantages of Riverina JO?

6. Do you see any significant barriers for a single entity?

If Yes, please specify.

7. Considering your responses, what do you believe is the best option for the future?

- REROC
- Riverina JO
- Both REROC and Riverina JO
- A joint single entity

Other (please specify)

8. If you would like to provide further information or talk to someone please use the following contacts:
g.smith@morrisonlow.com or s.bunting@morrisonlow.com or Mobile: 0407 294765



Appendix D Financial forecasting model

A copy of the financial forecasting model will be provided separately to this report in the form of an Excel spreadsheet.

ATTACHMENT TWO

**Report to the Joint Organisation Board
Review of Operations of REROC and the Riverina Joint Organisation**

The Report from Morrison Low was received by myself on 9 April. I distributed the Report to the JO’s Review Sub-committee on 14 April and the committee met on 17 April to discuss the contents. The sub-committee members are Cr Rick Firman, Cr John Seymour, Cr Abb McAlister, Cr Rodger Schirmer, Cr Neil Smith, Tony Donoghue, Ray Smith, Steve Pinnuck. Cr Schirmer was not available for the 17 April meeting, but I briefed Cr Schirmer on the meeting afterwards.

Morrison Low recommended six structural options which are summarised below:

| OPTION | SUMMARY STRUCTURE | ESTIMATED COST |
|--|---|--|
| 1. Two Entities - REROC and RivJO | This would be a continuation of the current arrangements. | \$458,793 |
| 2. RivJO – Full Time | One organisation, being a JO with a full-time Executive Officer (EO) and two part-time support staff (14hrs for finance and 21 hours per week corporate support). | \$447,221 |
| 3. RivJO- part-time | One organisation, being a JO with a part-time EO (28 hrs per week) and two part-time support staff that would equate to one full-time staff member. | \$393,921 |
| 4. RivJO – in-kind | One organisation, being a JO with a part-time EO (14 hrs per week) and two part-time support staff. (7 hours per week finance and 14 hours per week corporate support). Member Councils provide governance support. | \$398,221 (plus council in-kind support) |
| 5. RivJO - Delegation | One organisation, being a JO with a full-time EO and one part-time support staff (14 hours per week). All compliance and governance obligations delegated to a member council with the member council not charging for the service. | \$357,521 (plus Member Council providing services free of charge) |
| 6. Incorporated association or company | One organisation, being either an incorporated association (as per the current REROC arrangement) or a company limited by guarantee with executive services contracted out. | \$308,000 |

The Committee considered each of the Options with the goal of identifying the one that would provide Members with the best possible value for money outcome. The Committee weighed this against the possible gains or losses that each of the proposed structures provided.

The Committee agreed that their belief was that the Member Councils' preferred option would be for a single organisation. The current arrangement operating two separate organisations was less than ideal and carried with it a level of duplication that was not sustainable. After considering all the options the Committee short-listed two options: Option 2 and Option 6.

Both options will provide Member Councils with a single dedicated organisation that is not reliant on the Member Councils to deliver core activities such as compliance and governance. The new organisation will deliver both the strategic activities of the current JO and the operational activities undertaken by REROC.

In weighing up the two options the Committee was very aware of the vision that the State Government had committed to for the JOs. They were to have been the mechanism by which the State delivered infrastructure and services into the Regions. However after almost 2 years of operation, apart from the significant funding that has been invested in the Far West JOs, no infrastructure or service delivery initiatives have been specifically channelled through any of the JOs and to date there are none planned.

Some JOs in the State have accessed funding for Biodiversity Conservation Reform project officers and Contaminated Land project officers, however access to this funding was not restricted to JOs. In our Region this funding was accessed by REROC and in the Central West by a single council hosting the projects. In each case the funding had to be supplemented by funding from the host. The State has opened some funding like Stronger Country Communities to JOs however this occurred when the funding was opened to a wide range of third parties and JOs were required to compete with their Member Councils for the funding.

Morrison Low noted that a move away from the JO structure could jeopardise the Member Councils' ability to partner with the State on project delivery and that being part of the JO "provides the best opportunity for the region to have a 'seat at the table' with the state government and agencies and to develop meaningful and sustainable relationships and partnerships, providing that the government remains committed to supporting JOs."

Feeding into our discussions was the knowledge gained through my participation in the Joint Chairs' meetings where the repeated requests by the Joint Chairs for recurrent JO funding, which started in earnest in May 2019, have not been actioned. The work of the JO Ministerial Advisory Committee, as per the briefing paper that was distributed at the last Board meeting is now very much focused on how JOs can fund themselves without State support. The recent grant of \$150,000 for Capacity Building will not address the underlying structural deficits most JOs are experiencing because the funding cannot be used for "business as usual".

RivJO has now been in operation for 18 months and during that time it has been in constant contact with other JOs. However the major focus of that contact has not been on furthering the sector or the regions but on the JOs' financial sustainability. While many thought that the JO structure would provide a greater voice for the regions, a focus on survival has undermined that promise.

The Committee expressed their dissatisfaction with the level of governance and compliance required for the JO operations and concern that the JO will be caught by the introduction of the new ARIC arrangements, further increasing costs.

In considering Option 6, the Committee agreed that continuing with the incorporated association structure that REROC currently uses does not necessarily provide the level of governance that an organisation that has handled millions of dollars in public funding requires.

Morrison Low noted that "the incorporated structure, in particular an NFP [Not-for-Profit] company limited by guarantee, will also afford the region and member councils with ongoing benefits within a leaner governance structure." The Report goes on to say "whether this can and will maximise the potential outcomes and benefits for the region, similar to that of a JO structure, without government support, is questionable".

The Committee considered the question of government support, at this stage, government support for the JO structure could be best described as "moral support". In discussions I have held with Ministers, they have indicated that providing a group of councils were working together, in a structure other than a JO, the councils would still have an ear to Government. Morrison Low note that "ROCs remain the preferred regional organisation in the Sydney Metropolitan area." WESROC has the ear of government and operates as a company limited by guarantee.

The Committee agreed that valuable lessons have been learned as a result of operating RivJO and REROC side-by-side. Member Councils have been able to develop a clear understanding of what they want from their regional organisation and give serious consideration to how they want it to operate.

The Committee compared the cost of operating each Option noting that Option 2 was \$140,000 per annum more than Option 6. The Committee is very aware of the budget constraints all our Member Councils are facing.

Having weighed up the costs and benefits, and the potential opportunity cost should the State make a decision to provide dedicated funding to JOs, the Committee is recommending the following:
the creation of a new Regional Organisation structured as a Company Limited by Guarantee

In making this recommendation the Committee notes that the formation of the proposed new regional organisation under this structure will require ministerial approval.

The adoption of the above recommendation would provide the following benefits to the Member Councils including those noted by Morrison Low:

- The new Regional Organisation would not be bound by the compliance and governance requirements of the JO but would be answerable to ASIC.
- Lower operating costs for Members
- Increased flexibility
- Value for money
- Effective and responsive
- High levels of accountability

Morrison Low noted that this structure could reduce the ability of the Member Councils to influence priorities and access government resources and funding. However, we note previous assurances provided by the Government that REROC would not be disadvantaged if it decided not to become a JO and note that councils that have not committed to the JO structure have still been able to influence outcomes and attract funding.

The new Australian Securities and Investments Commission (ASIC) regulated structure would enhance the standing of the Regional Organisation; the Committee noted that the regional organisation does not only deal with the State government but also with the Federal Government and industry.

The proposed structure is more affordable and as such would mean RivJO Members would cease being part of the constant lobbying for funding for JOs.

However there are a number of issues that need to be considered in relation to the adoption of the approach, in addition to the need to obtain the Minister's approval:

- A new company limited by guarantee needs to be established. Members would need to apply to ASIC for registration for the new company.
- A new constitution for the company would need to be prepared.
- REROC would need to be wound-up. The easiest way to do this would be to apply to NSW Fair Trading to transfer REROC's current registration to ASIC. See <https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations/closing-an-association/transfer-of-incorporation> This would allow all the assets of the organisation to transfer to the new company. The transfer requires the passing of a Special Resolution of the REROC Board.

The above will take time perhaps until the end of the current calendar year. This will have impacts on Members' budgets. In addition, once RivJO enters into another financial year it will be required to undertake all the compliance obligations for that year including the audit and the release of the Annual Performance Statement. Even if it performs no functions the JO will still be bound by its legislative obligations.

In making the above recommendation I would like to reiterate the level of commitment that the Member Councils have shown to the JO structure. As REROC we committed to the pilot process to test the structure and as RivJO we have participated fully in every facet of the development of the JO model, looking for opportunities to work with the State and other JOs towards its success.

The Committee strongly believes that every decision we make in relation to the way we co-operate as a region must be with the goal of furthering the opportunities for our Member Councils and by extension the communities they represent. Our Member Councils are strongly committed to working together, the survey undertaken by Morrison Low clearly shows that our Members understand that when we work together everyone benefits. It is now a matter for Members to decide on the best structure to make that happen.

Suggested Way Forward

1. If the Board adopts the recommendation then we suggest the following actions:
 - a. That a verbal report be made at the RivJO Board meeting that will allow a formal resolution to adopt the Workshop recommendation.
 - b. Letter to each of the Member Councils advising of the resolution, requesting that the resolution be considered at their respective May council meetings for discussion and adoption by the individual councils.
 - c. I contact each of the local members to advise them of the adoption of the resolution and seek their support for the new direction.
 - d. At the end of May, assuming that the majority of Members adopt the resolution, a delegation of Members approach the Minister for Local Government to seek her approval for the establishment of a Company Limited by Guarantee.
 - e. A sub-committee be formed to commence work on a Constitution for the new organisation. I am suggesting the same sub-committee that has worked on the Review to date.
 - f. Assuming the Minister agrees to the establishment of the new organisation, we request direction as to the process by which Member Councils can resign from the JO.
 - g. Both Boards meet in early June to finalise the decision.

2. If the Board does not adopt the recommendation then we suggest:
 - a. The sub-committee considers the position of the Members in relation to the Review.
 - b. The sub-committee prepares a report that reflects the Member' position and recommendations that are consistent with those views.
 - c. Another workshop is held to discuss and agree on a way forward.

Recommendation:

That the Workshop recommend to the RivJO Board that as a result of the Review Process that the preferred way forward is the creation of a new Regional Organisation structured as a Company Limited by Guarantee.



Cr Rick Firman OAM
Chairman



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Message from Minister Hancock

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26 April 2020

\$395 million economic stimulus package safeguards councils during COVID-19

The NSW Government today [announced](#) a comprehensive \$395 million local government economic stimulus package to reduce the significant impacts of the COVID-19 pandemic on local councils across the State.

I am confident that the package will help safeguard council



jobs, boost infrastructure and service delivery, and trigger economic recovery in our local communities.

The Government is only too aware of the significant financial and operational impacts of the COVID-19 pandemic on our State's 128 local councils.

Our local councils are suffering from reduced revenues and increased costs as well as significant challenges in maintaining delivery of community infrastructure and services.

This package will give councils breathing space to adjust their structures and operations and be in a better position to effectively serve their communities during the ongoing COVID-19 crisis.

Councils are a critical part of the NSW economy, especially in many regional and rural towns where they are the largest employers.

That's why the Government is funding a \$112.5 million Council Job Retention Allowance of \$1,500 per fortnight per employee for three months to limit job losses in the NSW local government sector.

I have fought hard to secure funding for a State allowance since councils were deemed ineligible for the Commonwealth's JobKeeper Payment.

The Council Job Retention Allowance will safeguard valuable council jobs and ensure staff with a wide range of skills and experience are retained to continue to serve their communities.

Importantly, local councils will be able to decide which staff are most in need of the allowance and its delivery will be in line with the conditions of the Local Government (COVID-19) Splinter Award 2020, which was negotiated within the sector to provide greater operational flexibility during the crisis.

I am also pleased to announce that the NSW Government will fully fund the \$32.76 million increase in the emergency services levy for all NSW councils for 2020-21.

While we all acknowledge the importance of supporting our emergency services workers, local councils simply cannot afford this financial impost in the wake of COVID-19, bushfires and drought.

Local councils will now be able to redirect these funds to critical core services and deliver much-needed financial support for local communities.

The local government economic stimulus package will also make it easier for local councils to secure low-interest, safe and secure infrastructure loans from TCorp.

We are also increasing the local government lending facility by a further \$250 million to \$1.35 billion so even more councils and communities can benefit.

As part of the package, councils previously ineligible for TCorp loans can now access the local government lending facility for the next six months.

TCorp will also consider deferring principal and interest payments on council loans upon request for the next six months.

Importantly, this package builds on the NSW Government's \$82 million to support 260 council-run childcare centres and \$25 million for local councils to rebuild and refurbish local showgrounds, bringing our total support for the local government sector to over half a billion dollars.

I know you will have many questions about how the various elements of the package will work.

The Office of Local Government (OLG) will be providing further information in coming days and weeks to ensure councils fully understand and realise the benefits. Further information will also be available on the [OLG website](#).

Councils can also contact their Council Engagement Manager with any questions they would like to see answered in the explanatory material that will follow.

I would like to sincerely thank council staff and councillors across the State for their tremendous efforts in supporting their local communities during the COVID-19 crisis.

Stay healthy and safe.

Shelley Hancock
Minister for Local Government

Video message from Minister Hancock

Local Government Economic Stimulus Package

Please click here to [unsubscribe](#) from our mail list.

**Dominic Perrottet**

Treasurer

Shelley Hancock

Minister for Local Government

MEDIA RELEASE

Sunday, 26 April 2020

\$395M ECONOMIC STIMULUS PACKAGE TO SAFEGUARD COUNCIL JOBS, SERVICES AND INFRASTRUCTURE

The NSW Government today announced a \$395 million economic stimulus package to safeguard council jobs, and local services and infrastructure in the wake of the COVID-19 pandemic.

Treasurer Dominic Perrottet said the COVID-19 crisis has hit councils hard financially and the NSW Government is determined to limit the impacts to keep more people in jobs and allow councils to deliver for communities across the State.

"Our State's 128 local councils are a critical part of the NSW economy, especially in many regional and rural towns where they are sometimes the largest employer," Mr Perrottet said.

"This about keeping people in jobs which will allow councils to continue to provide essential services in their communities throughout the ongoing COVID-19 crisis and bounce back faster once we come out the other side."

The NSW Government's local government economic stimulus package includes a \$250 million increase in low-cost loans to eligible councils through the State's borrowing facility provided by TCorp to kick-start community infrastructure projects.

This increase brings this low-cost loan facility up to \$1.35 billion for the benefit of councils and their communities.

TCorp will also be offering principal and interest payments deferrals on existing council loans upon request for the next six months.

Other measures will include:

- Up to \$112.5 million to support a Council Job Retention Allowance of \$1,500 per fortnight per employee to limit job losses in the NSW local government sector. The allowance will be paid for up to three months to qualifying staff working in the NSW local government sector.
- \$32.8 million to assist councils meet the cost of the FY2020/21 increase in the Emergency Services Levy.

Minister for Local Government Shelley Hancock said this comprehensive package safeguards valuable council jobs and ensures staff with a wide range of skills and experience can continue to serve their communities.

“This funding injection enables councils to redirect funds to critical core services and deliver much-needed financial support for local communities,” Mrs Hancock said.

“Importantly, this package builds on the NSW Government’s \$82 million to support 260 council-run childcare centres and \$25 million for local councils to rebuild and refurbish local showgrounds, bringing our total support for the local government sector to over half a billion dollars.”

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