



Young Shire Council

Fit for the Future

How did this all start?

The Independent Local Government Review was launched in May 2012 with the formation of a panel to “...investigate and identify options for governance models, structural arrangements and boundary changes for local government in NSW...” and to advance the program of review and reform launched at the Destination 2036 forum held in Dubbo in August 2011.

What did this Council do?

- In April 2013 the Independent Local Government Review panel released “Future Directions for NSW Local Government – Twenty Essential Steps” and provided the following preferred option for our Council.

“Young – merge with Boorowa/Harden”

- So the three Councils of Boorowa, Harden and Young conducted a weekend workshop on 15th June 2013 to discuss the collective future of our Councils and our communities in respect of the recommendations put forward by the Independent Review Panel Report.

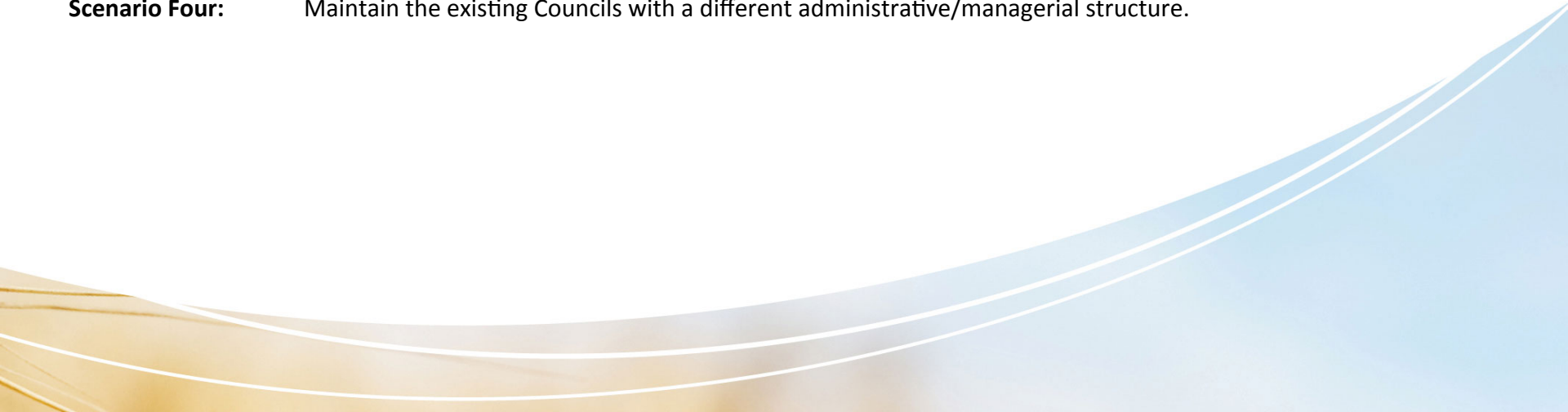
An outcome from the workshop was that...

- The Councillors felt that the timeline presented an opportunity to show leadership.
- Acknowledgment that there was insufficient details on which to base an informed assessment by both the Councillors and the broader community on any potential structure/reform.
- It was agreed that the Mayors and General Manager of the three Councils meet with the Minister for Local Government to seek State Government assistance towards the investigation of potential structures that would support our emerging region.
- Acknowledgement that there is an opportunity to consider the formation of a new Regional Council based on the Hilltops Region to maximise the community of interest and to grow its regional significance.

The next step was...

- The three Councils agree to the formation of the Hilltops Region Review Steering Committee comprising of the Mayors and General Managers of each Council.
- The Minister pledged funding \$20,000 on a 50/50 basis for the engagement of a consultant to specifically review the Hilltops Region and potential options for the future.
- Councils agree to appoint LKSQUAERO consultant following a tender process, to prepare a report to explore two key themes:
 - Defining the region
 - Exploring the opportunities and considering four structured options.

What were those options?

- Scenario One:** Maintaining the status quo of the three Councils.
- Scenario Two:** The Independent Local Government Review Panels recommendation for the region – a merger of Boorowa, Harden and Young Shire Councils.
- Scenario Three:** An option for an alternative Hilltops Regional Council structure, incorporating other communities of interest or local government areas as appropriate.
- Scenario Four:** Maintain the existing Councils with a different administrative/managerial structure.
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In the mean time...

- The final report of the NSW Independent Local Government Review Panel – ‘Revitalising Local Government’ was delivered in October 2013.
- The report states that “The Panel sees a need in NSW to create an expanded set of local government structures that can be used in different ways in response to the varying needs of communities and regions.”
- The proposed structure comprises:

Regional “Joint Organisation (JO)” – statutory grouping of local Councils established under the Local Government Act that undertake a range of ‘high-level’ functions on behalf of their members.

Local Councils - operating along very similar lines to the current provisions of the Act, except for the referral of some regional functions to the new Joint Organisations.

Rural Councils – a somewhat different type of Local Council, working as part of a Joint Organisation and with reduced legislative and compliance responsibilities and a lower cost base.

Community Boards – elected or appointed sub-Council organisations that can carry out a range of representational, planning and service delivery functions, delegated by the Council.

What they said we should consider...

The Panels options for our Councils are:

- Young - Council in Tablelands JO or merge with Boorowa/Harden,
- Boorowa -Merge with Harden and Young or Rural Council in tablelands JO, and
- Harden - Merge with Boorowa and Young or Rural Council in Tablelands JO

The Tablelands JO is made up of:

Young, Boorowa, Harden, Yass Valley, Goulburn, Mulwaree, Upper Lachlan and Wingecarribbe.

The Government finally shows its hand...

The State Government launched **"Fit for the Future"** a blue print for the future of Local Government. For regional and rural NSW the Government has allocated:

\$5m – For two Councils merging (regardless of size)

\$11m – For three Councils merging (regardless of size)

\$13.5m – For four councils merging (regardless of size)

These funds are available for the new Merged Council to use as it sees fit.

Fit for the Future



Definition:

Generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning & Reporting process.

Criteria/Benchmarks:

Operating Performance Ratio (> or equal to break-even over 3 years)

Own Source Revenue Ratio (>60% over 3 years)

Building and Infrastructure Asset Renewal Ratio (>1 over 3 years)



Maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning & Reporting process.

Infrastructure Backlog Ratio (<2%)

Asset Maintenance Ratio (>1)

Debt Service Ratio (>0 and less than 0.2)



Efficient service and infrastructure delivery, achieving value for money for current and future ratepayers

Real Operating Expenditure per capita over time



Demonstrate strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government

Has the scale and capacity consistent with the recommendations of the Independent Panel

Strategic capacity

Sustained improvement against each of the criteria to underpin the strategic capacity of Councils over the long term.

This capacity, along with willingness and commitment to collaborate in good faith with government, communities and industry stakeholders will underpin fit for the future councils

Council must become “Fit for the Future”

- The Government has developed a set of benchmarks for Councils to be measured against.
- Becoming “Fit for the Future” requires each Council to follow a process set out by the Government:

Do Councils have the right scale and capacity?

Starting point is the recommendation of the Independent Local Government Review Panel in relation to mergers and rural councils.



IF YES – Roadmap to address other criteria:

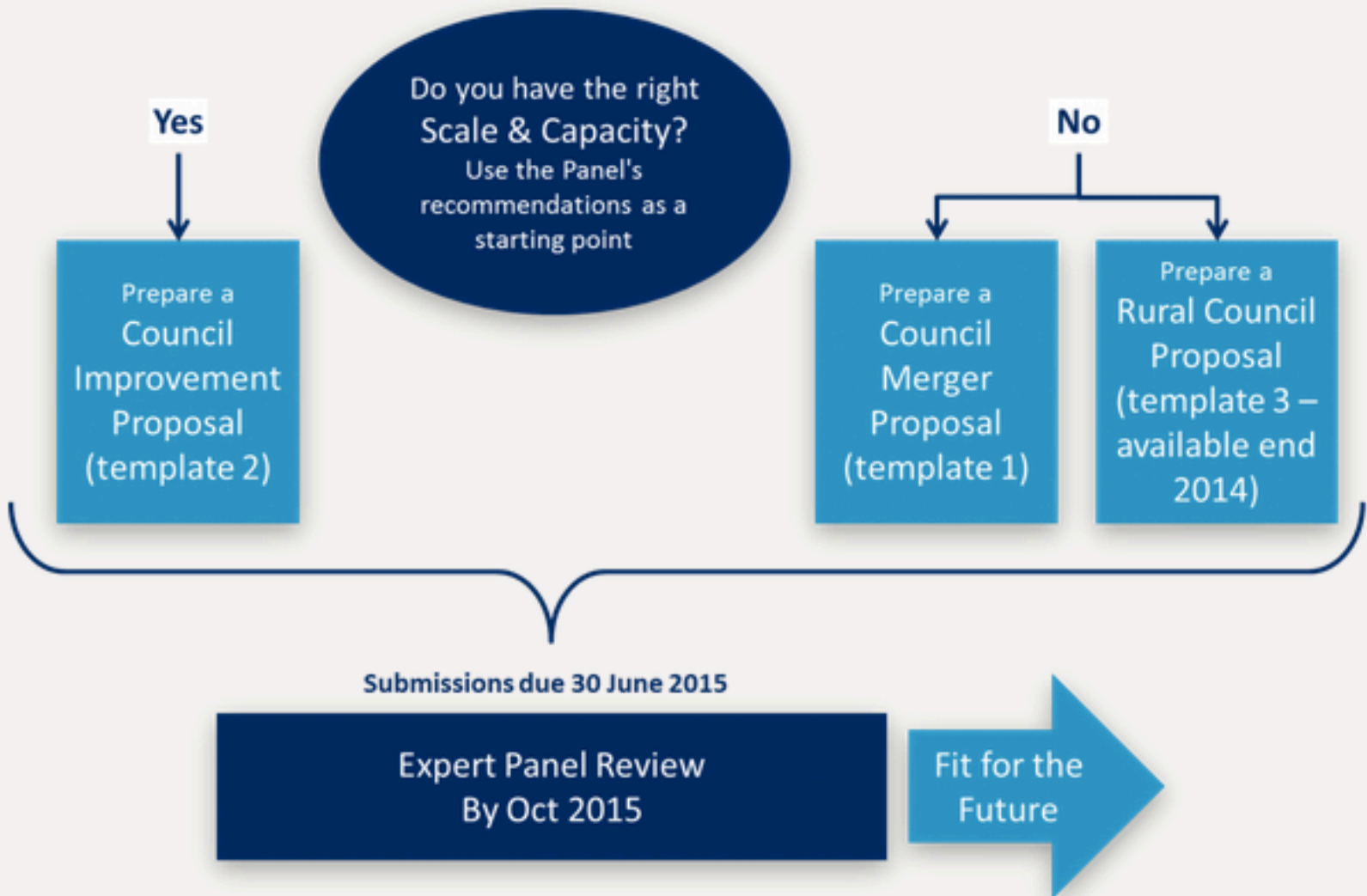
- Sustainability
- Efficiency
- Effective Infrastructure and
- Service Management.



IF NO – Structural Change Roadmap
Broadly consistent with the recommendation of the Panel.

Council MUST provide its “Fit for the Future” report to the Government by 30th June, 2015.

BECOMING FIT FOR THE FUTURE



So what did our Consultants say...

The Final Draft Report from LKSQUAERO – “Hilltops Region Governance and Service Delivery Review” (known as the ‘Hilltops Report’) dated 11th December, 2014 is received and it says:

Executive Summary *(Pages 1-3)*

The communities that are represented by the Councils of Young, Harden and Boorowa Shire (the Hilltops Councils) have much in common. Their geographic proximity and their equidistance from each other mean that their residents share leisure activities, go to school together and are generally employed in the same sectors. Likewise, the challenges of the Councils are similar. They represent small communities that are affected by reductions in job opportunities, with unemployment rates above the national averages and therefore static or only slightly growing populations with projected declines in the 25-64 age group. This is a profile that is not dissimilar to many rural areas in New South Wales.

For the Councils to be considering different governance and service delivery options builds upon this recognition. The combined voice is stronger than each individual one, particularly when articulating the common challenges and needs of the Hilltops community. In many respects, the implementation of any option that combines the governance and/or the service delivery capability of the three Councils simply formalises and regularises the many ad hoc arrangements that currently exist among the Councils. These arrangements have been made to benefit all the parties.

A merger of the Councils, whether full or just administrative, brings about financial viability, leading to ongoing sustainability at the end of an assumed five year transition and implementation period. Without any substantial change in policy, solid operating surpluses can be achieved, which will give the Councils choices about the expenditure of the released funds. For example, maintaining employment through the provision of more services, achieving higher service standards, repayment of debt and addressing the asset renewal backlog could be considered.

In developing these options, it has been necessary to redesign the organisational structures of each option and make assumptions that there will be the standardisation of policies, processes and systems. Simply bringing together the three Councils without undertaking this work will not yield the release of resources that lead to financial viability and thereafter sustainability. The redesign of the organisational structures was necessarily based on assumptions for the purposes of modelling. They represent a potential ‘end state’ organisation in configuration and size, but will need to be refined with the benefit of determined Council policy, detailed data on activity and volumes and redesign of the way services are to be delivered.

Remaining with the status quo of three separate Councils will not mean that the current financial position will remain. Rather, the small deficits or surpluses achieved by each Council will deteriorate with all three having to carry increasing operating deficits. Without borrowings, none of the Councils will have sufficient funds to maintain their assets over the next twenty years. Likewise, merging the three Councils without undertaking the redesign work will simply multiply the financial difficulties.

Illustrative of the two contrasting scenarios is the combined deficit per resident. By 2034, if there is no change, the combined deficit per resident will be over \$500. If the Councils and/or their administrations were merged, the combined *potential surplus* per resident will be \$45. The substantial released resources could be applied to eliminating the growing asset and infrastructure renewal deficit or to any other priority of Council's or of the Councils'.

Councils are not just about their financial sustainability. They are also about their ability to engage with the populations and have their residents participate in local place shaping. The governance structure explored and modelled mediates the inherent conflict of giving voice to local communities as well as having the mandate to articulate, represent and lead the debate on issues at a regional level. A Council for the whole of the existing Boorowa, Harden and Young areas is established with local committees chaired by members of the Council with membership by nomination.

In this model, it is clear that it is not simply a 'bolting together' of all three Councils, which the word 'merger' implies. It is the establishment by agreement of a new Council or governing body that is not one of the existing three. None can claim to have taken over the others. Nor has any single one been taken over or engulfed.

The management of any transition has to be undertaken in a way that enables a new culture to emerge that, while respectful of the three previous cultures, is uniquely that of the new Council. Care needs to be taken with this aspect of the transition as lessons can be learned from the private sector where 70% of mergers fail through the inability of different organisational and group cultures to integrate.

There are other transitional and implementation issues. These range among the standardisation of policies (e.g. rating), systems and processes. Attention also has to be paid to legislative requirements regarding the maintenance of employment in small communities. If implementation of one of the merger options is decided upon, the development of the transition plan will be of crucial importance. That is, it must not only cover the key tasks, activities and milestones, but also must take the long view of the timing so that the implementation can be completed in a manner that incorporates design of new governance and organisational systems and structures and minimises the impact on the community.

This will require ambidexterity on the part of the existing Councils as day to day business and services still need to be delivered. The establishment of an Establishment Board from the existing Councils will provide oversight of the transition program while the existing operations continue.

Definition of the Hilltops Regions *(excerpt from pg 11 of the 'Hilltops Report'.)*

Summary

There is much that the three Councils have in common. Apart from the geographic proximity and economies all dominated by the agricultural sector, the demographic profile is similar and the communities largely “play together” through shared facilities. The challenges faced by all three Councils are likewise similar.

The region’s economy has historically been dominated by the agricultural sector and this continues to be reflected in the employment sectors. However, there is an impact on the population from the retraction of agriculture as a large employer. Given the limited number of institutions providing tertiary or higher education, local students are moving away from the regional towns. Sport is reasonably well embedded in the culture of the region, with significant membership crossover between the sports clubs of the three local authorities. Large scale retail is centred in Young, as are the region’s health services. However, access to this and community engagement is currently hindered by irregular bus services and limited public passenger transport options between the towns and to the larger centres.

The current absence of an integrated transport network and digital infrastructure for the region, leading to poor connectivity to major conurbations like Canberra, are the major challenges in the delivery of medium to long term sustainable economic development and growth.

While all three Councils are members of regional organisations of Councils, there is a lack of formal integrated thinking around service delivery, community wellbeing and economic planning for the three Councils specifically to address their shared challenges. Critically, the Hilltops needs to be viewed as a credible voice of the region. A joined up approach to tackling this problem from a regional perspective, focusing on key industries and infrastructure development, not only economises on effort, but also brings with it the advantage of co-operation rather than competition between the existing Councils.

SCENARIO 1

Maintaining the status quo of the Council (*excerpt from pg 16 of the 'Hilltops Report'.*)

The increasing operating deficits of the Councils will make it increasingly difficult for them to sustain the current level of services. As an example, none of the Councils will have sufficient funds to maintain their assets in an adequate position over the next twenty years. If the current services and service levels are maintained cash reserves will be depleted, operating deficits will increase to a point where they are no longer affordable.

The financial situation of the Councils will mean that at some time in the future each Council will be required to significantly adjust the level of service it provides to its ratepayers. The timing for when this change will need to occur will be different for each Council. If the Councils allow the deficits to continue at the rate predicted in the model without adjusting their services, external intervention would be likely to occur.

At a very late stage in the project, we became aware that the 2013/14 financial result for Harden will, when publicly released, show a significant increase in their projected level of depreciation. Since these figures were not available when the financial modelling was completed, this higher than expected level of depreciation has not been included in the financial analysis. If it were to be included, it would have a negative impact on the operating surplus for Harden Shire Council.

Councils' Comment

- The Independent Local Government Review Panel final report states that Council does not meet the scale and capacity criteria to be **"Fit for the Future"**. As illustrated in the following diagram Council then has two options- prepare a merger proposal or a rural council proposal.
- Council at present meets 5 out of 7 of the State Governments **"Fit for the Future"** benchmarks.

If Council is to remain "status quo" we will need to:

- Improve/increase our own source revenue.
- Restrict new capital projects and use these funds towards current asset renewals.
- Review our service levels to meet acceptable asset renewals standards.
- New assets will need to be funded from new borrowings supported by increase rate revenue.

Scenario 2

A Merger of Boorowa, Harden and Young Shire Councils (*excerpt from pg 24 of the 'Hilltops Report'*)

The merged Council with the regional and local structure will be able to operate with financial soundness. After the merger is implemented, the merged Council will be able to achieve solid operating surpluses into the foreseeable future without any significant policy adjustments.

Should it decide to use the resources released by the merger, the new Council will be able to quickly reduce the infrastructure asset backlog to nil. The value of the resources released through this option, when compared to the status quo or baseline option, totals \$156m over 20 years. Care must be taken in understanding this figure as the status quo position would never be left to occur. External intervention is likely to occur to arrest the financial decline and unviability at some point. However, it is illustrative of the substantial benefits that could be obtained through the implementation of this option, which could see the use of resources available to the Councils moved away from funding less than efficient structures to being applied to meet the needs of the local community.

Councils' Comment

- A new Council would be formed from the three existing Councils.
- The consultant model in the 'Hilltops Report' identifies a considerable saving through rationalisation of resources and increased use of technology to provide the long term savings for asset renewal purposes.
- Rationalised Councillor's number from the current 25 to approx. 9 – Area Committees to be formed to ensure broad community representation is maintained.
- Rationalised plant/more efficient use of plant.
- Review of service levels to maintain existing service catalogue.
- The cost of the merger will be paid from the governments' incentive money and not from ratepayers.
 - 3 Councils merge - \$11 million.
 - 2 Councils merge \$5 million.
 - Opportunity to re-engineer the organisation from the ground up to deliver specifically to our Shire's needs.
 - All Shires to be represented in process through creating of an Establishment Committee.
- Keeping projects running and plants working to optimal output.
- The new Council must still be "**Fit for the Future**".
- The regions voice can be represented by one Council.

Scenario 3

An alternative Hilltops Regional Council structure, incorporating other communities of interest or Local Government Areas as appropriate (excerpt from pg 26 of the 'Hilltops Report'.)

At the outset of the review, it was considered prudent to provide for the possibility that other Councils would wish to participate in the review. This was particularly so as the signals coming from State Government about reform of the sector were becoming more specific and stronger. The initial approach to a number of neighbouring Councils yielded no other initial interest. While other Councils were aware of the review being undertaken, and dialogue by the three Councils were maintained with others, no other Councils expressed interest in participating in the review.

It was determined that to locate the information necessary to undertake the analysis of another Council would have proved difficult without the concurrence of that Council or Councils.

There emerged the view from the Steering Committee that proceeding with the review with three willing Councils was the best way forward. However, the review was to be conducted in a manner that was scalable and other information could be added without the need to revisit underpinning principles and assumptions.

Councils' Comment

- Cannot force other Councils to be interested in any proposal.
- Early on in the reform process our neighbouring Councils to Boorowa, Harden and Young were approached and none expressed an interest to join us to look at the options.
- This scenario would have helped to be a stronger political influence to create a greater region.

Scenario 4

Maintain the existing Councils with a different administrative/management structure *(excerpt from pg 29 of the 'Hilltops Report'.)*

In this scenario, the merging of the administrations only would enable the Council to operate with financial soundness. After the integration of the administrations is bedded down, the Council would be able to achieve solid operating surpluses for at least the next 18 years without any significant policy adjustments.

When compared to the status quo or baseline position, this option releases resources to the value of \$126m over 20 years. As mentioned previously, as the status quo position would never be left to occur, this calculation is illustrative only. However, it demonstrates the significant benefits that could be obtained through the implementation of this option.

Should they decide to, the Councils would be able to make substantial inroads into their asset renewal backlog or whatever priorities the Councils may have.

This option does not achieve the same level of savings and income as the full merger option and therefore does not release the same level of resources. The full merger option could provide up to \$1m per year in additional resources over the 20 year period being considered.

Councils' Comment

- The single administration/management would be responsible to three Councils and could/would create significant issues between the demands and prioritisation of services/decisions or policies.
- If you get to this point why not merge completely in order to maximise the effectiveness of the organisation and its role within its communities and towns.
- No \$11 million payment under this model .
- The Councils will still need to be **"Fit for the Future"**.

How do we get the Community Involved...

Before Council makes any decision on the future options for Young Shire Council the input and questions from the community of Young Shire is essential in order that together we can advise the State Government of our decision.

The Council will provide the following opportunities for the community to get involved

- The Hilltops Report from LKSQUAERO is available at:
 - Councils web page www.young.nsw.gov.au
 - Library
 - Council Offices at the Town Hall

- The public will be invited to make written submissions to Council
 - mail@young.nsw.gov.au
 - 189-205 Boorowa Street, Young
 - facebook.com/youngshirecouncil

- Council will mail to all residents and ratepayers in the Young Shire a newsletter that summarises the options we have moving forward and the journey so far in becoming **“Fit for the Future”**.

- Council will hold forums for residents in Young, Koorawatha, Murringo, Monteagle, Bribbaree, Bendick Murrell.
 - Koorawatha, Monday, 9th March, 2015 in Koorawatha Hall at 7pm
 - Murringo, Wednesday, 11th March, 2015 in Murringo Hall at 7pm
 - Monteagle, Thursday, 12th March, 2015 in Monteagle Hall at 7pm
 - Bendick Murrell, Monday, 16th March, 2015 in Bendick Murrell Hall at 7pm
 - Bribbaree, Wednesday, 18th March, 2015 in Bribbaree Hall at 7.30pm
 - Young, Tuesday, 24th March, 2015 in the Town Hall at 7pm

- Council will have a community consultation Kiosk with Councillors and Council staff
 - DATES: Saturday 14th and Saturday 21st March
 - LOCATION: In front of Westpac, Boorowa Street
 - TIME: 9am-1pm

- Council will consult with its staff and will also meet with Young Chamber of Commerce and major service clubs (Lions/Rotary)