

# Submission to the Minister for Local Government The Hon. Don Page MP



ASHFIELD BANKSTOWN BOTANY BAY BURWOOD CANADA BAY CANTERBURY CITY OF SYDNEY HURSTVILLE ASHFIELD BANKSTOWN BOTANY BAY BURWOOD CANADA BAY CANTERBURY CITY OF SYDNEY HURSTVILLE  
KOGARAH LEICHHARDT MARRICKVILLE RANDWICK ROCKDALE SUTHERLAND SHIRE WAVERLEY WOOLLAHRA KOGARAH LEICHHARDT MARRICKVILLE RANDWICK ROCKDALE SUTHERLAND SHIRE WAVERLEY WOOLLAHRA

MAY 2013

Includes:

- ✓ A Brief Overview of Southern Sydney Regional Organisation of Councils (SSROC)
- ✓ Building on Past Results - SSROC Recent Achievements
- ✓ SSROC's Proposal to Act as a Pilot Program for a Regional Model for Service Delivery and Advocacy and a brief initial response to Independent Local Government Review Panel's "Future Directions" Paper.

## Southern Sydney Regional Organisation of Councils (SSROC)

### MEMBERSHIP

For over 25 years since 1986, SSROC has continued to respond to the priorities of its member. Its value to them is highlighted by the way its membership has steadily increased, **to the current 16 Councils. The region now covers an area with some 1.5 million residents from City of Sydney to Sutherland.**

### STRUCTURE

SSROC is an Incorporated Association.

### SSROC DELEGATES

The Board of SSROC is made up of two councillors, or Delegates, from each member Council, usually the Mayor and Deputy Mayor. Each year, the Board elects the SSROC Executive, which comprises a President and two Vice Presidents, and the chairs of the two SSROC Committees. The Board meets quarterly and sets and monitors the annual workplan for the organisation.

The current President of SSROC is the Mayor of Burwood Council, Councillor John Faker.

### THE SECRETARIAT

Under the leadership of the General Manager, a small team of staff undertakes the work of SSROC. The Secretariat initiates and chairs Working Groups of council staff based on the needs identified in the SSROC workplan. By working together, council staff share knowledge, expertise and the workload. SSROC also makes use of consultants for specialised work that is outside the expertise of the permanent staff.

### CURRENT BUDGET

The Revenue and Expenditure for 2012/13 of SSROC is approximately \$2.5 million.

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# SSROC Committees

## Building on past results - SSROC recent achievements

### PAST RESULTS

The comments below are provided to reiterate the achievements of SSROC and its members Councils previously conveyed to the Minister. A key focus of SSROC, and a model for other ROCs, is the ongoing success of procurement and shared services projects.

### PROCUREMENT

SSROC now has 29 regional contracts and it is envisaged that this will increase to around 35 over the next 12 months. **Current contract savings are \$23m per annum.** Examples of past and current major contracts include:

- ✓ Waste Management (landfill disposal and recycling) contracts
- ✓ Road making
- ✓ Mobile and fixed line telephony to Councils
- ✓ Electricity for Large Sites
- ✓ Temporary staff
- ✓ Library RFID systems
- ✓ Regional Waste Audits

### SHARED SERVICES

Extending beyond procurement, the focus is on a range of functions with the objective of delivering benefits through consolidation and standardisation of processes. Projects include:

- ✓ Employing Senior Internal Audit staff for six (6) member Councils.
- ✓ Employing Strategic Procurement Coordinators for four (4) member Councils.
- ✓ Benchmarking of Corporate Services activities on an ongoing basis.
- ✓ Promoting best practice across Councils.

The approach taken by SSROC was awarded a Management Excellence Award for Management Innovation from the LGMA.

### STREET LIGHTING

### IMPROVEMENT PROGRAM

SSROC member Council have benefitted significantly as a result from their involvement in the Street Lighting Improvement Program (SLIP). The program includes 18 Councils outside SSROC who are also Ausgrid customers. While Councils have faced large street lighting price increases in recent years, strong representations to regulators have **resulted in pricing decisions that have been more than \$20m lower than sought by the utility in each of the 2003/04 and 2008/10 reviews.** As a result of the program's activities this year, the reinstatement of the Energy Savings Fund occurred which will result in \$4.2m of funding to SLIP members for the removal of some of the most poorly performing lights on main roads.

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# Other SSROC Activities

## ENVIRONMENT TRANSPORT

### PLANNING AND WASTE ISSUES

#### Submissions

SSROC addresses emerging issues through the development of discussion papers, consultation with appropriate officers and where deadlines permit, with Councillors. Over the years many, many detailed submissions have been made. SSROC can and does focus on regional strategic analyses of issues based on input from across the region.

#### Projects

Again over the years a huge number of regional projects have been undertaken. Recent examples include:

- ✓ Renewable Energy
- ✓ Carbon Management Systems
- ✓ Carbon Management Training
- ✓ Energy Efficiency Training
- ✓ Regional Bike Plan
- ✓ Infrastructure Prioritisation

A key area identified in the SSROC Strategic Plan is the advocacy role SSROC should play in the development of regional infrastructure. Improving the ageing and inadequate infrastructure within the region is an area in which SSROC's input is vital. A detailed analysis of major potential projects has been provided to the Minister previously.

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## RECENT ACHIEVEMENTS

In recent times, despite the uncertainties facing local government in NSW, SSROC member Councils and SSROC itself, have continued to be proactive in initiating, or continuing, a range of projects that have produced excellent results.

Examples include:

### Finalisation of the Alternative Waste Treatment (AWT) tender

This project has been several years in the making and is evidence of how a strong, large and appropriately resourced ROC can coordinate significant projects for the benefit of its member Councils. Seven of SSROC's member Councils reached an agreement after an exhaustive tender process that will dramatically reduce the amount of household garbage that ends up in landfill sites. The Councils participating in the project are Burwood, Ashfield, Kogarah, Leichhardt, Rockdale, Waverley and Woollahra. Together they represent a **residential population of 400,000**.

The Councils will send all their 100,000 tonnes of rubbish for processing by an advanced waste treatment facility operated by Veolia Environmental Services. The process will recover recyclable materials and produce compost. As an extra bonus, the compost will be used to rehabilitate a much degraded disused mine.

The financial and environmental savings forecast are significant. The general putrescible waste that currently goes to landfill incurs a waste levy and also attracts a carbon price liability. **By sending the waste for processing, less than half of it will end up in landfill – and that will be almost inert, so it will result in minimal carbon emissions.**

Councils will still have to pay for some waste disposal, but the waste levy and carbon liability will be much less than they would have been had they continued with landfill. Effectively, **Councils will avoid having to pay something like \$4.4 million in levies the first year.** That number is likely to increase each year as the waste levy rises. The initiative is therefore about resource recovery and public health, but it is also extremely cost-efficient and clearly demonstrates the capacity of member Councils to collaborate to deliver their collective objectives through utilising the capacities of SSROC that are available to them.

### Associated Land Fill tender

As the new AWT facility will not become operational until 2016, an interim land-fill tender was also called in conjunction with the AWT tender. Compared to the standard non-contract tipping price schedule for landfill, **the estimated cost savings in year one alone to the seven (7) councils participating would be \$18.2 million.**

### Electricity Contract

Late last year SSROC decided that it would again go to market as it successfully did in 2010, for large site electricity supply. As a result a joint electricity tender for large sites and public lighting was staged by SSROC in conjunction with Procurement Australia on behalf of eighteen (18) councils, including six (6) councils external to SSROC. The tender involved over 100 major accounts and more than 100,000 MWh per year of consumption. The tender was finalised in mid April and resulted in pricing for 2013/14 that will be 10% below that available under the State Government's '777' contract. Importantly, pricing for 2013/14 will also be lower than councils' current 2012/13 electricity costs by 6-9%. **Collectively saving councils an estimated \$1.28million next financial year.** This result is particularly pleasing in view of recent years of sharp increases in electricity pricing.

The resultant contract includes a competitive rate for GreenPower, a feed-in tariff for council-generated energy and provision of electronic billing and consumption information to help councils meet their greenhouse reporting requirements. This aspect is a strategic component of the renewable energy initiative currently underway.

An innovative approach was taken by SSROC in this case due to the requirement of electricity suppliers that tenders need to be accepted within 2 days. The prescribed organisation Procurement Australia was utilised to carry out the administrative processes associated with tender under the direction of SSROC.

Again this result evidences that a strong, large and appropriately resourced ROC can achieve the strategic capacity that is a key component of the reform process

**The estimated cost savings in year one alone to the seven councils participating would be \$18.2 million.**

## SHARED SERVICES INITIATIVES

A number of shared service activities have been put in place in the recent months. These include:

- 1. A common strategic asset management framework** – this project aims to rationalise asset management across the region and more accurately measure the asset maintenance backlog of member Councils. The approach developed at Waverley Council involving community consultation in the assessment of the required asset maintenance standards and assessment of the actual condition of assets, is being rolled out to other Councils. Life-spans for all asset categories have been agreed to in principle. We are now examining the method and rates of depreciation. The view is that the NSW Treasury Corporation (TCorp) analysis may not necessarily be comparing “apples to apples” due to differing depreciation rates utilised. The project will result in a common framework for both asset life cycles and depreciation rates to enable both valid comparisons between Councils, and more importantly result in far more accurate measurement of the infrastructure backlog, which has been identified as the key financial sustainability measure. **Our initial analysis suggests that the currently reported backlog is significantly greater than it is in reality. Work has already commenced to roll this out across the entire Sydney Metropolitan region and TCorp is interested in the project.**
- 2. A regional approach to specialist services including pool inspections, legal services and project management.** For example SSROC and its member Councils are developing a shared service model for pool inspectors across the region which will result in SSROC engaging and managing a range of professional pool inspectors which will provide a service that will ensure that pool inspections are carried in in both a timely and efficient manner.
- 3. A regional approach to staff training** – this project aims to identify the common training requirements across Councils and to establish a cost-effective and efficient way to meet those training needs through regional collaboration.
- 4. A regional approach to Payroll** – the project is

examining the feasibility of standardising payroll services across the region. Several Councils are now aligning their payroll practices and systems, and other Councils are investigating the feasibility of applying the same to their own operations.

5. **A regional approach to Transport planning** – this two-stage project is initially to gather the transport policies and plans for all member Councils, and to identify the common themes and priorities as well as any areas of major difference. The second stage will be to develop a regional plan that addresses our major regional transport priorities and maximises SSROC members strengths, and identifies actions to achieve regional priorities.
6. **Regional Policy development** – SSROC will continue to build and consolidate our regional policy positions
  - All these recent shared services initiatives are further evidence of the strategic outcomes that a strong, large and appropriately resourced ROC can achieve.

**SSROC’s Proposal to Act as a Pilot Program for a Regional Model for Service Delivery and Advocacy and a brief response to Independent Local Government Review Panel’s “ Future Directions” Paper**

As the Minister is aware, in response to the “Better Stronger Local Government” consultation paper issued by the Independent Local Government Review Panel, SSROC proposed that it be considered as pilot program for a regional model for service delivery and advocacy. A copy of the submission is attached.

As you are aware the Division of Local Government responded on your behalf to SSROC’s proposal advising that:

*“...it is not appropriate to consider or fund pilot proposals ahead of the conclusion of the Panel’s final deliberations and Government consideration of the final report from the Panel.*

SSROC understands the reasoning behind this decision, but again requests your future consideration of the proposal. **SSROC is investing a considerable amount of resources and time to develop a business and governance model SSROC believes has the potential to benefit local government across NSW.** It will be evidenced based and designed to increase the strategic capacity of local government.

The model will be developed with consideration of the findings of the Independent Local Government Review Panel and by examining local government experiences both nationally and internationally.

The model will focus on:

1. **A Council of Mayors**
2. **Efficiency including strengthening shared services and true contestability**
3. **Participatory democracy**
4. **Building Strategic capacity**
5. **A supporting business case.**
6. **An implementation model**

**The vastly experienced and highly respected Professor Gary Sturgess of the University of NSW has been engaged as a consultant to complete the model development.**

In light of the recent release of the Independent Local Government Review Panel’s “Future Directions” Paper, in due course both SSROC and member Councils will be making detailed submissions with respect to the recommendations in the paper. At this point however, SSROC wishes to make a number of brief comments.

**From an SSROC perspective it is particularly disappointing that regional collaboration in metropolitan Sydney will be significantly diminished if the recommendations contained in Future Directions paper are adopted.** The Future Directions paper in discussing metropolitan governance does not attempt to build upon the potential that exists, but rather proposes to diminish it by suggesting small County Councils be created if amalgamations do not occur. This clearly fails to recognise that the success of SSROC is based on its size and the correlation between size and the capacity to achieve results.

SSROC in the past has been encouraged in the past by the Minister’s open and public praise of the success of regional collaboration and in particular SSROC’s efforts, and has welcomed the opportunity to develop approaches, such as the model described above, that can build a stronger model for regional collaboration.

**Unfortunately, it appears that from the panel’s perspective that regional collaboration, at least at the metropolitan level, is no longer a key focus of the reform agenda.** SSROC has proposed for some time now that the current regional organisation structures that exist in NSW need reform. It is apparent that neither the current structure of ROCs, nor their existing capacities, are appropriate to deliver the outcomes that could be achieved given an appropriate framework. Nevertheless SSROC due to its size and capacities has achieved excellent results as highlighted in this document. Our model, based on a strong

Council of Mayors, was put forward as away to not only for SSROC to move forward, but also as a model for expanded regional collaboration across NSW. However, it appears the Panel have chosen to ignore the potential that exists within SSROC proposal.

SSROC has repeatedly demonstrated its potential to deliver exactly the strategic capacity, cost-efficiency and effectiveness that Local Government requires, as illustrated through the examples described above. SSROC believes it can offer a strong, reasoned, and evidenced based approach through this regional model to build on this success and seeks the opportunity to work with yourself and the government to develop the concept further.

### In summary the key components of the proposal were:

#### A Structure to contain:

- ✓ A Regional Entity to oversee broad direction, advocacy and strategic planning with options to include independent, commercial/technical focused people with the appropriate skills and expertise to act in an advisory capacity.
- ✓ A General Managers Shared Services group to oversee development of shared services, joint procurement and other operational activities with the option to access commercial/technical people with the appropriate skills and expertise to assist in the development of operational companies.
- ✓ A regional entity administration

Councils would be required to delegate a range of shared services to the regional entity. The range of services would be determined (it would not focus on “back of office” only). The responsibilities of the two entities would include:

- ✓ Regional Entity provide strategic direction and implementation of shared services framework
- ✓ Service delivery units including companies reporting to the regional entity. eg staff training; procurement; project management; industrial relations.

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

Market contestability of all shared services each 4 years would be compulsory.

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