

CURRENT STATUS

The June 2012 Quarter Business Report (Q4) is included as an enclosure.

Year-end statutory accounts will be finalised in September 2012 and reported to Council for referral to audit on 10 October 2012. They will then be reported back to Council for formal adoption complete with audit reports on 24 October 2012. Council's external auditors, PricewaterhouseCoopers and the Auditor General, will be conducting the external audit between 3 – 14 September 2012.

This report is as at 30 June 2012 provides an interim financial result based on reconciliation information up to the 8 August 2012.

CONSULTATION

All departments were consulted and involved in the preparation of this report.

GOVERNANCE

Quarterly reporting of Council's financial and operating performance is mandatory.

CONCLUSION

All requirements of the relevant legislation governing management reporting have been met.

The Responsible Accounting Officer considers that Council's financial position is "satisfactory" – not withstanding that further continued management actions/decisions are required to maintain that position.

The financial position represented by the report leaves no room for relaxation of tight budgetary controls, by all concerned.

ATTACHMENTS

- 1 Business Report Q4 - June 2012 (D03100923 distributed under separate Enclosure cover)

4.4 Amendment of Statement of Borrowings

TRIM REFERENCE: F2012/01427 - D03087285

MANAGER: Stephen Naven; Chief Financial Officer

AUTHOR: Carlton Oldfield; Financial Controller

SUMMARY

This report recommends that Council resolve to amend the Statement of Borrowings within the Strategic Plan allowing Council to borrow approx \$7.2m in accordance with the Local Infrastructure Renewal Scheme.

RECOMMENDATION

That Council resolve to amend the Statement of Borrowings in the strategic plan to borrow loan monies in accordance with the NSW Local Infrastructure Renewal Scheme for:

- a the Warnervale Road Culverts Project, with a total project value of \$3,200,000 requiring loan borrowings of \$3,200,000*
- b the Local Roads Pavement Renewal Program, with a total project value of \$5,180,000 requiring loan borrowings of \$3,930,000.*

BACKGROUND

Council submitted an application to the NSW Government for a 4% loan interest subsidy for two projects. The Government's local infrastructure renewal scheme is a key part of its Infrastructure Backlog Policy and is aimed at assisting councils to carry out infrastructure renewal and upgrade works by way of the 4% loan interest subsidy.

The scheme provides a 4% loan interest subsidy to reduce the effective rate of interest charged by our current loan providers. The interest subsidy will bring the overall cost of borrowings to fund both projects down to approximately 3%.

The interest that will be charged by the loan providers will be confirmed once staff undertakes a tendering process which is submitted to Council for their acceptance.

CURRENT STATUS

The Minister for Local Government has advised council of the success of its two applications for the:-

- Warnervale Road Culverts Project and
- the Local Roads Pavement Renewal Program.

The Division of Local Government will send the associated contract documents to the General Manager shortly. Council's finance staff are in consultation with State Government's

4.4 Amendment of Statement of Borrowings (contd)

Treasury Corporation (TCorp) concerning its confirmation of a satisfactory financial assessment of council.

Council's current Strategic Plan contains a Statement of Borrowings which does not allow take-up of these loans without a Council resolution to modify the Statement and approve the works. Approval for the works is being sought from Council under separate cover.

OPTIONS

Council has two options.

- 1 It could decide not to amend the Statement of Borrowings in the Strategic Plan. This would not allow staff to undertake the loan borrowings tender consequentially violating the conditions of the Local Infrastructure Renewal Scheme. This decision would not gain access to the interest rate subsidy valued at \$1.62m over ten years and likely prevent the works from proceeding in the immediate future given other asset priorities.
- 2 The second option is to accept the amendment of the Statement of Borrowings which will allow staff to undertake a loan borrowings tender for council acceptance. This would allow council to access the interest rate subsidy valued at \$1.62m over ten years.

THE PROPOSAL

It is proposed that council resolve to amend the Statement of Borrowings in the Strategic Plan to allow borrowings of approximately \$7.2m to fund both Local Infrastructure Renewal Scheme applications.

Staff will undertake a borrowing tender with major and mid-tier banks that will be presented to council for acceptance in due course.

STRATEGIC LINKS

Long term Financial Strategy

The proposal is directly aligned with the Long-term Financial Strategy to reduce the operational deficit through increased funding that will offset the borrowing costs associated with the two projects.

Budget Impact

Accepting the interest rate subsidy will have a positive effect on council's 2012/13 budget for approximately \$141k if the loan borrowings are completed prior to December 2012.

CONSULTATION

Councillors encouraged the submission of an application under this scheme. Councillors were advised of the loan requirements under the Local Infrastructure Renewal Scheme by staff. A separate resolution will be issued to council which sets out the results of a loan tender for councillors' to accept.

GOVERNANCE AND POLICY IMPLICATIONS

The Mayor and General Manager will need to be satisfied with the detailed terms and conditions of the loan borrowings and the Local Infrastructure Renewal Scheme contract documents, prior to executing the documents and formally drawing down any loan monies.

MATERIAL RISKS AND ISSUES

Council is required fund the repayment of the borrowings from net cash flows from the General fund. The General fund generates strong excess cash flows and has very minimally borrowings.

CONCLUSION

Council's need for the works is subject to a specific resolution yet to be made at the time of writing this report.

The NSW Government has approved two loans for the works in Wyong under the Local Infrastructure Renewal Scheme.

The 4% loan interest subsidy offered to council will allow it to complete currently planned and budgeted works at lower costs than those currently provided for in the 2012/13 Strategic Plan.

Council must resolve to amend the Statement of Borrowings in the Strategic Plan before staff can facilitate a loan tender for council's approval that satisfies the conditions of the Local Infrastructure Renewal Scheme.

ATTACHMENTS

- 1 Amended Statement of Borrowings D03087589

5 STATEMENT OF THE AMOUNTS OF RATES PROPOSED TO BE CHARGED FOR THE CARRYING OUT BY THE COUNCIL OF WORK ON PRIVATE LAND

In accordance with Section 67(1) of the Local Government Act 1993 Council may by agreement with the owner or occupier of any private land carry out on the land any kind of work that may lawfully be carried out on the land.

The rates proposed to be adopted by Council are set to recover the estimated cost to Council in providing the works on private land. The amounts proposed to be charged for private works are set out in the attached Schedule of Fees in accordance with the type of works conducted by Council as indicated below:

Septic and sewer connections and applications	15 & 20
Water service connections and applications	20
Footpath reinstatement	21.01
Construction – Kerb & Guttering & Foot paving	21.04
Vehicle crossings	21.06
Concrete work - Supervision/Design etc	21.07
Kerb and gutter - Supervision/Design etc	21.07
Road reinstatement	21.08
Road testing	21.09

For all other works a minimum charge for the use of Council labour, plant or materials on private land equal to the actual cost (including overheads) plus 10%.

The General Manager has the authority to set the fee for works to be undertaken by Council on private land, using Council labour, plant or materials, having regard to market forces in each instance, on condition that no such charge shall be less than the actual cost to Council (including overheads) plus 15%.

6 STATEMENT OF PROPOSED BORROWINGS

It is Council's policy to borrow to fund capital projects that have a life expectancy beyond the term for repayment of the loan in order to establish intergenerational equity. All loans are secured over the income of the Council. In 2012/13 Council expects to undertake borrowings required under the conditions of the Local Infrastructure Renewal Scheme for approximately \$7.2m. The program will allow Council to access an interest rate subsidy of 4% offsetting the borrowing costs incurred by the loan provider for the 10 year term of the loan.

4.5 Committee Review

TRIM REFERENCE: F2009/01343 - D03094676
MANAGER: David Jack; Director Corporate Services
AUTHOR: Lesley Crawley; Manager Corporate Governance

SUMMARY

Reporting information regarding the Committee structure for Wyong Shire Council.

RECOMMENDATION

- 1** *That Council receive the report on Committee Review.*
- 2** *That Council recommend to the incoming Council of 2012 – 2016 an increased governance focus and working effectiveness through a wider use of Council Committees.*
- 3** *That Council recommend to the incoming Council of 2012 – 2016 a consistent and transparent methodology for the purpose and establishment of committees.*
- 4** *That Council recommend to the incoming Council of 2012 – 2016 that Committee charters are standardised particularly in respect of management and governance obligations.*
- 5** *That Council recommend to the incoming Council of 2012 – 2016 that it require all Committees of Council to operate in accordance with Council's Code of Meeting Practice and other Groups in accordance with the Code of Meeting Practice unless varied by the General Manager.*
- 6** *That Council recommend to the incoming Council of 2012-2016 a Committee Structure*

BACKGROUND

The Local Government Act 1993 (the Act) enables councils to establish committees and/or other forms of groups to assist or carry out Council's functions such as a Council may delegate.

Committees are established by a council in accordance with s.355 of the Act.

4.5 Committee Review (contd)

Wyong Shire Council has previously established a range of committees which differ somewhat in terms of purpose, legal standing, meeting frequency, resourcing and performance. There is little consistency across the range of committees in terms of the current arrangements in terms of charter, purpose and responsibility.

Committees have been established for a variety of purposes:-

- functional or advisory needs,
- compliance with the Act,
- strategic analysis and assessments.

The Membership structure of each committee varies. Delegated authority provided by Council varies between nothing and “some”. There are committees established jointly with other councils and finally there are also external boards and committees where councillor membership is either required or requested.

The inconsistency resulting from these factors has often given rise to confusion among councillors, the public and staff regarding respective protocols, processes and procedures applicable to each committee.

All committees created and used by Council are established in accordance with the Local Government Act 1993, s.355. Use of the term “s.355 Committees” has previously been taken by most staff, councillors and the community, as limiting the meaning of s355 to the creation of Precinct Committees or Hall committees, when in fact the term applies to all bodies established by Council to carry out its functions. See Governance and Policy Implications section of this report.

Functional and advisory committees are contributors to the decision making process of Council; however these functions do not marry well with strategic discussion and consideration in the committee environment.

Historically many committees that contain both strategic and functional matters within their charters tend to focus on functional matters at the expense of strategic matters due to time and workload constraints.

A briefing of Councillors was held on 25 July 2012 where the current committee structure was reviewed. It was determined that a report be put to the 22 August 2012 Ordinary Meeting in order to recommend to the incoming Council a preferred model for Council Committees for the 2012-2016 Council term.

The briefing generally agreed on an option where:

- Strategic Committees reflect the organisation structure. eg 4 x strategic committees aligned with directorates
- Working parties attached to Strategic Committees to deal with specific matters with a defined life
- Existing committees/advisory groups/working parties to be accommodated
- Consistent naming models (eg Traffic Committee)
- Briefing of Councillors if minutes reported to Council

CURRENT STATUS

The current committee system has a notable gap. It is obvious that little of the activity undertaken by the current committees, is directed at strategic or policy matters.

Most operate on either a functional basis, or in an advisory capacity, despite Council having established strategic objectives in some individual charters.

It is also clear that the existing structure reflects what has been traditional in Wyong Shire as opposed to being based on a robust strategic approach to managing the governance functions.

The value of utilising a committee structure to carry out defined functions of a council includes:

- a greater volume of matters being considered and
- an ability for the committees to focus on specific matters in greater detail,
- Increased efficiency of time set aside for ordinary meetings of the Council,
- Increased efficiency in the use of individual councillor's time and staff resources;
- a greater focus on strategic and policy matters and
- Opportunities for wider engagement with the community and other external organisations.

Committee work requires greater staff support. This consideration must be balanced with achieving effective outcomes from committee activities.

Effective outcomes are dependent on a committee structure and individual committees being established to achieve specific purposes that add value to the governance of Council. It follows that Charters' for any committee should articulate the specific purpose and a means of demonstrating achievement.

THE PROPOSAL

It is proposed that the incoming Council give consideration to the essence of the committee structure and ensure that continuance of any committee is associated with an overall strategy and outcomes that will add value to the governance of Council.

The model proposed below classifies committees/groups by type. It further proposes a consistent naming convention, likely membership, reporting pathways and meeting frequency.

Council is asked to give its consideration to the committee structure and assess each on its merits for providing added value to work of the Council as a whole which includes the extensive workshop and briefing schedule undertaken throughout each financial year.

Proposed Committee Structure

Type	Naming Convention	Membership	Reporting	Frequency
Strategic	Strategic ***** Committee	Councillors Only	To Council	Quarterly
Advisory	The ***** Advisory Group	Councillors, community advisors, staff	To Director (and Council if required)	As Requ'd
Working Party/Panel	***** Working Party	Councillors, community advisors, staff	To Strategic Committee or Council or Director	As Requ'd
Statutory Committee	***** Committee	As per Legislation	NA	As Requ'd
Consultative Precincts	***** Community Precinct Consultative Panel	Community Reps	Minutes to Councillors for information	As existing
Community Groups managing facilities on behalf of WSC	***** Facility Committee	Community Reps	To Director	As existing
Regional Committee of Councils	***** Regional Organisation of Council	All Councillors	Council	As existing
External Representation	Councillor Delegate to ***** (External Body)	As required	NA	As Requ'd

Committee Type: Strategic

Name: Strategic *** Committee**

This type would be a Committee of the Council as defined by the Local Government Act. Committees of Council, by definition, only have Councillors as members.

The role of the Council as the governing body is to consider, determine and review the strategic and policy direction of the organisation via its community plan, its strategic plan (incl. the Four Year Plan) annual plan and policy. The plans are then implemented by the General Manager. Strategic Committees would allow Council additional time to consider the strategic and policy direction in greater detail.

The recent organisational service delivery review has identified an organisation structure which aligns with the quadruple bottom line model of environmental, social, economic and governance services.

Alignment of Council's Strategic Committees with these fundamental objectives would provide for a governance oversight, progressively through each year, of the organisation's progress toward Council's intended contributions to the Community Strategic Plan.

4.5 Committee Review (contd)

Such committees would inform Council in greater depth on subject matters than the current mechanism of committees and Councillor briefings. The proposal is intended to make better use of Councillor time and concurrently reduce the collective on Councillors.

The proposal is to create 4 x Strategic Committees which reflect the organisation structure.

Committee Type: Advisory

Name: *** Advisory Group**

This type would enable Council to establish groups which contain a mix of membership including, Councillors, staff, representatives from other public organisations and community representatives. These groups would perform an advisory function, informing Council on specific topics to support decision making. Some groups would have formal decision making powers due to the legislative structure, however most would advise Council through the relevant Directorate. Many of Council's existing "Committees" would fall under this category.

Committee Type: Working Party/Panel

Name: Working Party

This type would consist of a group formed to investigate specific matters within a defined timeframe. The Working Party may consist of a mix of Councillors, staff, representatives from other public organisations and community representatives. The groups may be formed as a subgroup of a Strategic Committee or Advisory group or standalone direct from the Council. An example of a current working party is the Art House Working Party.

Committee Type: Consultative Precincts

Name: *** Community Precinct Consultative Panel**

This group consists of Council's existing Community Precinct Committees which consist of community representatives who provide Council with community feedback relevant to defined geographical areas of the shire. That is, small communities. The consultation vehicle offers a valuable connection into both Shire-wide and precinct related issues.

It is proposed to retain this group with an amendment to the title to reflect its consultative focus.

Committee Type: External Representation

Name: Councillor Delegate to ** (External Body)**

Whilst not a group as such. The role of the Councillor as delegate on various bodies is a decision of Council. Council has traditionally determined these delegates at the beginning of each Mayoral term.

Type: Statutory Committee**Name: **** Committee**

Council is bound by other legislation in addition to the Act, or has created agreements with other organisations to establish various Committees or panels.

- Local Traffic Committee,
- Code of Conduct Review Panel,
- Consultative Committee,
- GM Performance Review Panel,
- Tuggerah Lakes Estuary, Coastal and Floodplain Management Committee

Some of these groups are managed internally by Council and others are managed externally by another authority. Membership is defined by the relevant agreement or legislation.

The legislative context of the Local Traffic Committee is provided below given the interest raised by Councillors at the briefing. The Traffic Management Act enables Council to delegate some of its functions to a staff member to deal with certain functions under the Traffic Management Act.

The Council has delegated these functions to the Manager of Roads. In accordance with the Act, the Officer delegated with such authority may not exercise these functions unless it or he/she has firstly consulted with a local traffic committee (LTC).

The Guidelines provided by the RMS require membership to be 1 representative of the Council, 1 representative of the RMS, 1 NSW Police and the Local Member of Parliament. Council currently has a Councillor as its representative. The Council may choose to have a staff member as its representative.

A flow chart indicating the legislative function of traffic management is attached.

Committee Type:- Regional Organisation of Councils (ROC)**Name:- *****Regional Organisation of Councils**

Section 355 d of the LGA enables Council to exercise its functions jointly by it and another Council or councils of which the councils concerned are members. Council currently is a joint member of the Central Coast Regional Organisation of Councils with Gosford City Council. There is no proposal at this point to amend this structure.

Committee Type:- Committees managing facilities on behalf of WSC.**Name:- ***** Facility Committee**

Section 355 (c) of the LGA enables Council to establish a group to exercise a function of Council. WSC has established Committees in the past to manage some of its community facilities on its behalf (eg some community halls). It is proposed to retain this structure.

4.5 Committee Review (contd)

A list of the current and proposed committees under the new structure is provided below:

Existing and Proposed Groups	Proposed Type	Proposed Name
Beach Liaison	Advisory	Beach Advisory Group
Heritage	Advisory	Heritage Advisory Group
Grants Committee	Advisory	Grants Advisory Group
Senior Citizens Committee	Advisory	Senior Citizens Advisory Group
Sports Committee	Advisory	Sports Advisory Group
Status of Women Committee	Advisory	Status of Women Advisory Group
Community Precinct Committee	Consultative Groups representing geographical precincts	Community Precinct Consultative Panel
Central Coast Business Mentor Services Board (trading as Central coast Business Enterprise Centre)	External	NA
Central Coast Group Training	External	NA
Central Coast Tourism	External	NA
Greater Toukley Vision Inc	External	NA
Hand Brake Turn - Central Coast Advisory Group	External	NA
Joint Regional Planning Panel	External	NA
Public Libraries NSW – Metropolitan	External	NA
Regional Development Australia - Central Coast	External	NA
The Entrance Town Centre Management Corporation Board	External	NA
Wallahah 2 Coal Project Community Liaison Committee	External	NA
Wyong Community Liaison Committee	External	NA
Wyong Council Community Environment Network and WyCare Liaison Group	External	NA
Wyong Regional Chamber of Commerce	External	NA
Governance Committee	No Change	NA
Strategic Finance Committee	No longer required included in Corporate Committee	NA
Environment Committee	No longer required included in Environment and Planning Committee	NA
Central Coast Regional Organisation of Councils	Regional Committee	NA

Existing and Proposed Groups	Proposed Type	Proposed Name
Community Halls Section 355 Committees	Section 355 Committees	Community Facilities Section 355 Committees
Bushfire Management Committee	Statutory External	NA
Centennial Coal/Myuna Colliery Community Consultative Committee	Statutory External	NA
Fire Control District Liaison Committee	Statutory External	NA
Manning Colliery Community Consultative Committee	Statutory External	NA
Conduct Review Panel	Statutory Internal	NA
Consultative Committee	Statutory Internal	NA
GM Performance Review Panel	Statutory Internal	NA
Local Traffic Committee	Statutory Internal	NA
Tuggerah Lakes Estuary, Coastal and Floodplain Management Committee	Statutory Internal	NA
Community and Recreation	Strategic Committee	Community and Recreation Committee
Corporate	Strategic Committee	Corporate Committee
Environment and Planning	Strategic Committee	Environment and Planning Committee
Infrastructure Management	Strategic Committee	Infrastructure Management Committee
Art House Working Party	Working Party	Art House Working Party

Chairperson of Committees and Other Bodies

The Act declares that the Mayor shall be the Chair of each committee and the GM has a right of attendance. The Act also provides for a Councillor elected as Chairperson by the Council in the event the Mayor chooses to pass over his/her statutory rights.

In practice the Mayor would nominate which Committees he/she intends to chair for the term of Office (eg 1 year). If the Mayor chooses not to be chairperson of a committee, the Council will elect another chairperson for the term of Office.

Some external and statutory Committees require membership by virtue of office. That is Mayor or Deputy Mayor are members or delegates of the Council. The review of these positions will occur annually after each Mayoral election.

OPTIONS

It is, of course, Council's option to make a recommendation to the incoming Council or otherwise, as it sees fit. Whilst an incoming Council will determine its own requirements there is considerable benefit in the outgoing Council providing a commentary on its experience in managing this complex aspect of community governance.

STRATEGIC LINKS

The proposal to provide Committees of Council with a strategic focus is designed to provide a greater examination of strategic issues to enable Council to make better informed decisions to contribute to its Strategic, 4 year and Annual Plans.

Budget Impact

Any new committees will attract an additional resource in terms of secretariat function and staff involvement. The level of resourcing to support the Committees and panels will be determined and standardised by category.

CONSULTATION

Consultation with Councillors has occurred during this term of Council via several briefings.

GOVERNANCE AND POLICY IMPLICATIONS

The Local Government Act (the Act) provides for the establishment of committees by the Council to carry out any of its functions. Specifically Section 355 (1a) – (e) states:

“S 355 How does a council exercise its functions?”

1 *A function of a council may, subject to this Chapter, be exercised:*

(a) by the council by means of the councillors or employees, by its agents or contractors, by financial provision, by the provision of goods, equipment, services, amenities or facilities or by any other means, or

(b) by a committee of the council, or

(c) partly or jointly by the council and another person or persons, or

(d) jointly by the council and another council or councils (including by means of a Voluntary Regional Organisation of Councils of which the councils concerned are members), or

(e) by a delegate of the council (which may, for example, be a Voluntary Regional Organisation of Councils of which the council is a member).”

Subclauses (b), (c) and (d) are relevant to this proposal.

Section 355 (b)

Section 355 (b) of the Act provides a mechanism for a council to establish **committees** to exercise its functions.

By virtue of Clause 260 (b) of the Local Government (General) Regulation 2005 (the Regulation), a **committee** established by a council has a membership consisting of councillors only:

“Cl 260 Council may establish committees

(1) A council may, by resolution, establish such committees as it considers necessary.

(2) A committee is to consist of the mayor and such other councillors as are elected by the councillors or appointed by the council.”

A Strategic Committee would be established under this section.

Section 355 (c)

Section 355 (c) of the Act provides a mechanism for a council to establish a body to exercise its functions partly or jointly by the council and another person or persons. These bodies do not necessarily require that membership of a councillor or staff member and are not restricted to membership of Councillors only. Council by resolution may delegate certain powers to the body.

Advisory Groups, Working Parties and Community Precinct Consultative Panels would be established under this section.

Section 355 (d)

Section 355 (d) of the Act provides a mechanism for a council by resolution to establish a body to exercise its functions jointly by the council and another council or councils.

The distinction between the three establishment paths is critical in terms of other requirements of the Act and Regulation relating to “Committees” and their conduct.

The relationship Wyong and Gosford Councils have established as Central Coast Regional Organisation of Councils (CCROC) has been made under this section of the Act.

MATERIAL RISKS AND ISSUES

Nil

CONCLUSION

The ability to use committees in varying forms is a tool of governance available to Council within the confines of legislation.

Councillor time is at a premium and engagement with staff and the community on all things by all Councillors creates an onerous and unworkable workload.

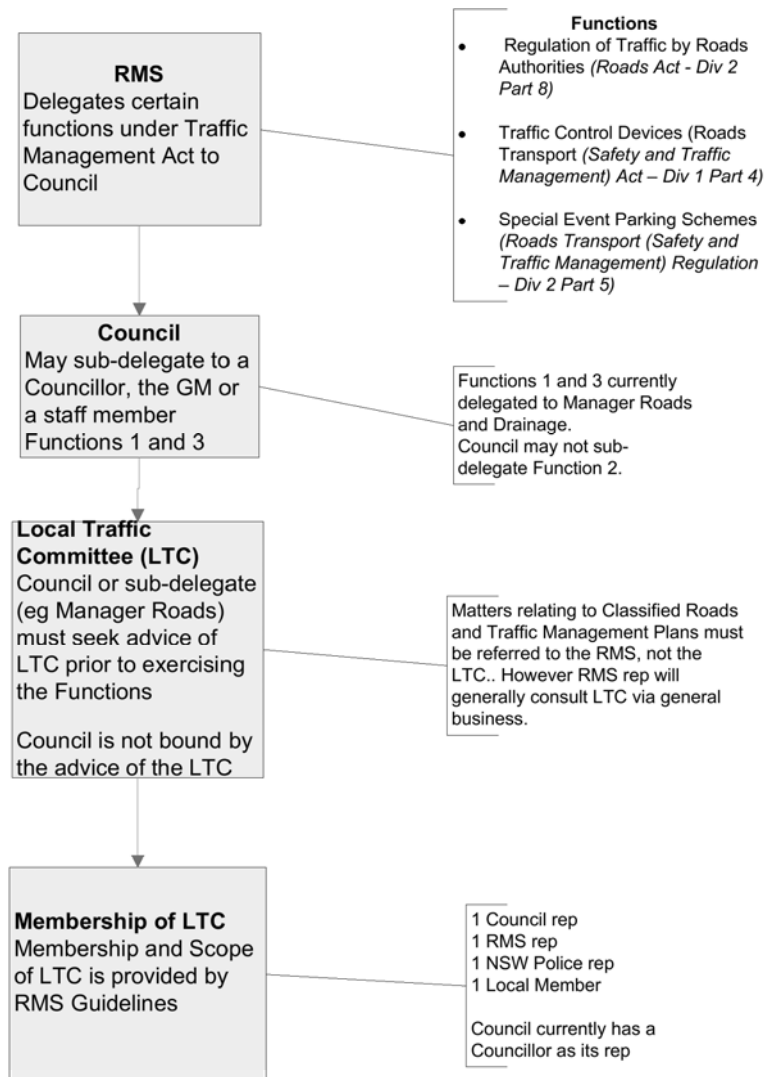
Spreading the workload among Councillors reduces the work of the whole of Council and provides for greater focus and depth on matters of strategic importance and community engagement.

The Council has indicated that it would like to recommend to the Council of 2012-2016 a Committee Structure which is consistent and adds value to Council decision making.

ATTACHMENTS

- 1 Traffic Committee Delegated Authority Flowchart D03096281

Local Traffic Committee Delegated Authority



5.1 Information Reports

TRIM REFERENCE: F2012/00026 - D03087727

MANAGER: Lesley Crawley; Manager Corporate Governance

AUTHOR: Monica Redmond; Councillor Services Officer

SUMMARY

In accordance with Council's Code of Meeting Practice reports for the Information of Council are provided for adoption either by nominated exception or in total.

RECOMMENDATION

That Council receive the report on Information Reports.

ATTACHMENTS

Nil.

5.2 CCWC/JSB Project Status Update - August 2012

TRIM REFERENCE: F2012/01246 - D03087003

AUTHOR/ MANAGERS: Brett Smith; Project Manager
Garry Casement; Manager Headworks
Martine Brieger; Manager Communications

SUMMARY

This report provides an update for the Central Coast Water Corporation / Joint Services Business establishment project.

RECOMMENDATION

That Council receive and note the report on the CCWC/JSB Project Status Update - August 2012.

BACKGROUND

Following the Central Coast Regional Organisation of Councils (CCROC) meeting of 28 June 2012 the Councils made the following resolutions in relation to the Joint Service Business and Central Coast Water Corporation. These included a request to provide an update report on the actions of the Project Control Group to the councils.

Proposed Legal and Governance Framework for Shared Services - Gosford City Council and Wyong Shire Council

- "1 That Council adopt the Interim Strategic Alliance model to facilitate the initial stages of the implementation of the JSB.*
- 2 That Council note that the Interim Strategic Alliance Legal and Governance Framework is to ensure:-*
 - a Continued Job Security in accordance with the legislative requirements of the Central Coast Water Corporation Act 2006 (NSW) and the resolutions of the two Councils.*
 - b Continued ownership of the assets by the Central Coast Community*
 - c Capture and share knowledge and innovation*
 - d Connect Councils in maximising service delivery opportunities to meet common community needs*
 - e Access economies of scale*
 - f Reduce costs through the elimination of duplication*

- 3 That Council direct the General Manager to enter into a Memorandum of Understanding with Gosford City Council and the Unions for the Interim Strategic Alliance Framework herein called the 'Central Coast Corporation Alliance'.
- 4 That the Council endorse a study tour consisting of the General Manager and four (4) staff from each Council be undertaken to review the jointly owned corporate entities that have been successfully developed by Auckland and Bay of Plenty Councils in New Zealand.
- 5 That Council note that a detailed report will then be presented to both Councils in mid 2013, detailing progress to date, the implementation progress of the interim Strategic Alliance model and progression towards a long term preferred legal and governance models for the JSB once fully established in July 2017.

This report will include the following:-

- a Current update in respect of the Strategic Joint Alliance
 - b Clarification of Key Performance indicators.
 - c Key Dates and Responsibilities for various models
 - d Alternate legal and governance frameworks for Council's consideration and progress for a preferred long term legal and governance frameworks for Council's consideration.
- 6 That Council authorise the Mayor and General Manager meet with the Division of Local Government together with the Mayor and General Manager of Gosford City Council to seek funding assistance of approximately \$250,000 for the development and implementation of a preferred legal & governance framework for the Joint Services Business.
 - 7 That Council request the General Manager to provide reports on the actions of the Project Control Group and note that these reports will also be considered by both councils.
 - 8 That Council request the CCROC to meet bi-monthly, or as required."

Implementation of the CCWC & JSB Under the Council's Adopted Model

- "1 That Council adopt the attached Central Coast Water Corporation and Joint Services Business Implementation Workplan and refer to the Central Coast Water Corporation and to the NSW Minister for Water in accordance with the Memorandum of Understanding (MoU).
- 2 That as a consequences of one (1) above Council write to the Minister for Water to confirm that obligations under the MoU have been completed and that the MoU be terminated.

- 3 That Council note the attached working draft Strategic Project Management Plan, including specifically the change in the program management office resourcing and costs as a result of the adopted operating model and implementation timetable.
- 4 That Council note the attached working draft Project Management Plans for each of the Finance, Human Resources, Information Management, Plant/Fleet and Water and Wastewater working groups.
- 5 That Council endorse a delegation comprising the Councils' General Managers and Mayors meet with the Minister for Primary Industries and Minister for the Central Coast to discuss the Councils' resolutions in relation to the implementation of the Central Coast Water Corporation and Joint Services Business and any legislative changes required to accommodate the Councils' adopted operating model.
- 6 That Council submit an application for funding to the Division of Local Government to assist with the cost of implementing the Councils' adopted operating model.
- 7 That Council delegate the General Manager and Gosford City Council General Manager to commence, on behalf of the Councils, discussions with the unions to develop a new industrial instrument to cover staff under the new operating arrangements."

Corporate Governance

"That Council adopt the appointment of Mr Stephen Glen as Gosford City Council's Deputy Director and Mr Greg McDonald as Wyong Shire Council's Deputy Director to attend meetings of the Central Coast Water Corporation Board of Director's in the absence of the Councils' nominated Directors."

Implementation Of The Central Coast Water Corporation

- "1 That Council resolve, in relation to the Constitution of the Central Coast Water Corporation, as follows:
 - a To revoke the current Constitution of Central Coast Water Corporation and replace it with the tabled Constitution of Central Water Corporation which shall be the constitution of the Corporation for the purposes of section 8 of the Central Coast Water Corporation Act 2006 (NSW).
 - b To execute the Constitution under Council seal
 - c To authorise the Mayor and General Manager sign the tabled written resolution
 - d To request the General Manager to provide a copy of the adopted Constitution to the Minister for Primary Industry for tabling in Parliament within 14 days of its adoption

- 2 That Council resolve, in relation to the Voting Shareholders' Agreement, as follows:
 - a To approve the tabled Voting Shareholders' Agreement as the voting shareholders agreement for the Corporation for the purposes of section 10 of the Central Coast Water Corporation Act 2006 (NSW) and executed under Council seal
- 3 That Council approve the tabled Service Level and Funding Agreement and authorise execution under Council seal
- 4 That Council approve the tabled Joint Scheme Funding Agreement and authorise execution under Council seal
- 5 That Council direct the GM to contact Minister for Primary Industry requesting amendment of the Central Coast Water Corporation Act 2006, Water Management Act 2000 and Local Government Act 1993 to
 - a enable the leasing of water and wastewater infrastructure assets from the Councils to the Corporation
 - b increase the number of Council representative Board members from two (2) to four (4)
 - c make other changes as outlined in the tabled Schedule of Legislative Amendments."

CURRENT STATUS

The status report regarding the Joint Service Business and Central Coast Water Corporation is attached.

ATTACHMENTS

- | | | |
|---|---|-----------|
| 1 | CCWC-JSB Project Status Report | D03094073 |
| 2 | Project Newsletter - August 2012 | D03099838 |
| 3 | CBA - a new water authority for the Central Coast | D03099853 |



CENTRAL COAST JOINT SERVICES PROJECT

STATUS REPORT

7 August 2012

DOCUMENT CONTROL**Version Control**

Version	Date	Description	Amended by

Approval

Authorised by	Signature	Date
B Koizumi-Smith		

References

Document Name	Version
Finance Working Group Project Management Plan	1
Human Resources Working Group Project Management Plan	1
Information Technology Working Group Project Management Plan	1
Plant & Fleet Working Group Project Management Plan	1
Water & Sewerage Working Group Project Management Plan	1
Central Coast Water Corporation & Joint Services Business Implementation Workplan	2.2
Central Coast Water Corporation Cost Benefit Analysis Study – Final Report	1.1

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1 INTRODUCTION

This report provides an update on the implementation of the Central Coast Water Corporation (CCWC) and Joint Services Business (JSB) in accordance with the resolutions of Gosford and Wyong Councils (the Councils) on 30 May and 28 June 2012

1.1 Project Scope

Establish the CCWC

- Assets and regulatory services staff transferred on 1 July 2014
- Remainder of Water and Sewerage staff transferred by 1 July 2017

Establish a JSB by 1 July 2017 providing the following services to GCC, WSC and CCWC:-

- Information Systems
- Human Resources
- Finance
- Plant and Fleet

1.2 Project Milestones

The Implementation Workplan approved by the Councils provided for the delivery of the project according to nine (9) stages:

Major Project Delivery Stages	Start Date	Finish Date
Stage 1 – Set the Course	July 2012	Nov 2012
Stage 2 – Design Interim State – CCWC Asset Management	Nov 2012	Mar 2013
Stage 3 – Build Interim State – CCWC Asset Manager	Mar 2013	Mar 2014
Stage 4 – Trial & Transition – CCWC Asset Manager Interim Operations	Jul 2013	Jun 2014
Stage 5 – Cut Over & Operate CCWC Asset Manager Interim State	Jul 2014	Jun 2017
Stage 6 – Design Final State – CCWC & JSB	Feb 2013	Jun 2014
Stage 7 – Build Future State	Jul 2013	Jun 2016
Stage 8 – Trial & Transition to Future Stage – Integrated CCWC & JSB	Jul 2014	Jun 2017
Stage 9 – Cut Over & Operate Integrated CCWC & JSB	Jul 2017	Onwards

2

PROJECT STATUS

2.1 Overview

Key Activities	Due Date	Status	Commentary
Cost Benefit Analysis	May 2012	completed	Implementation Plan finalised 21 June
Finance Project	Ongoing	On track	Draft Project Management Plan prepared
Human Resource Project	Ongoing	On track	Draft Project Management Plan prepared
Information Technology Project	Ongoing	On track	Draft Project Management Plan prepared
Plant & Fleet Project	Ongoing	On track	Draft Project Management Plan prepared
Water & Sewerage Project	Ongoing	On track	Draft Project Management Plan prepared
Communications	Ongoing	On track	W&S staff updates completed

LEGEND:

MAJOR PROBLEMS	WARNING	MANAGEABLE IMPACT/ISSUES
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2.2 Key Activities

i. Program Control Group

The PCG has met on a number of times since the CCROC meeting of 28 June 2012

Key activities undertaken during the period 29 June – 12 August include

- Workgroups established for IT, HR, Finance, Plant/Fleet and Water & Sewerage
- Cost Benefit Analysis issued to the Minister for Primary Industries
- Implementation Workplan issued to the Minister for Primary Industries and other relevant members of Parliament
- CCWC Constitution (updated 28 June) issued to the Minister for Primary Industries
- Office accommodation selected at 53 Mann St, adjacent to the Gosford Council Chambers, and made available for project activities at no cost
- Discussions with IPART officers has taken place regarding the recovery of the CCWC establishment costs
- Mr Stephen Glen and Mr Greg McDonald have been appointed as Deputy Directors to the CCWC in accordance with c9.13 of the CCWC's Constitution
- Six staff information sessions held (GM's briefing), one combined HR staff forum.
- Combined Managers Forum held including guest speaker from the Australian Centre of Excellence in Local Government discussing current review of local government and opportunities within shared services and partnership arrangements.
- Staff newsletter issued August 2012. Intranets updated.

Key activities upcoming include:

- The GMs and Workgroup Leader will undertake a study tour to New Zealand meeting with Auckland Council, Bay of Plenty Local Authority Shared Services and Watercare to discuss experiences in the formation of new entities (October or November 2012)
- A delegation is scheduled to meet with the Minister for Primary Industries and the Minister for the Central Coast to discuss the Central Coast Joint Services Project and any legislative changes required to accommodate the Councils' adopted operation model (August 2012)

ii. Finance Workgroup

- Implementation of the Draft Project Management Plan commenced
- IPART pricing submissions almost complete, with a provision to recover 50% of the CCWC/JSB project implementation costs over two determination periods to minimise the impact on the water related fees and charges
- Handover of the PwC CBA economic model including training provided to relevant staff

iii. Human Resource Workgroup

- Implementation of the Draft Project Management Plan commenced
- Discussions commenced with the Industrial Relations Commission's Deputy President Harrison regarding potential industrial instruments. The discussions involved the GMs, union representatives and HR managers
- Joint tender for provision of Employee Assistance Program - tender evaluated
- Joint recruitment review (internal & external) underway

iv. Information Management Workgroup

- Implementation of the Draft Project Management Plan commenced
- Development of Information Management Guiding Principles
- Consultant engaged to identify the most appropriate Asset Management Information System (AMIS). Awaiting final report

v. Plant & Fleet Workgroup

- Implementation of the Draft Project Management Plan commenced
- Arrangements underway for GCC staff to work out of WSC depot fabrication shop to build truck bodies for GCC

vi. Water & Sewerage Workgroup

- Implementation of the Draft Project Management Plan commenced
- Initial Work Breakdown Structure and Gantt chart prepared
- CCWC Business Strategy, Vision and Mission developed by CCWC Board.

3 FINANCIALS REPORT

Deliverables	Total Project (\$'000)				2012-2013 (\$'000)		Commentary
	Total Budget	Forecast to Complete	Total Expended & Committed	Total to date	Budget	Expenditure to date	
External Resources							
Consultants	1,988	1,988	965	920	700	56	Changes to CCWC documents
Internal Resources							
Project Management Team	1,613	1,613	682	682	750	44	
Accommodation	300	195	145	104	150	7	
Delivery (stand up) Team	810	810	0	0	810	0	
Total	4,711	4,606	1,792	1,706	2,410	107	

¹ As at end of July 2012



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August
2012



Central Coast Joint Services

PROJECT

News

Time to H₂Go

Now that the research is finished and decisions made, it's time to plan carefully how we will maximise the benefits - to the Councils, our staff and our community - from establishing both a Water Corporation and a Joint Services Business by 1 July 2017.

In May and June this year, our two Councils met under the umbrella of the Central Coast Regional Organisation of Councils and agreed to:

- Transfer staff and responsibility for water and wastewater services to the Central Coast Water Corporation (CCWC) by 1 July 2017
- Staff transfers for the CCWC would start in 1 July 2014
- Lease water and wastewater assets to the CCWC under a long term agreement from 1 July 2017
- Set up a Joint Services Business to provide Finance, HR, IT and Plant & Fleet services to the Councils and the CCWC by 1 July 2017
- Apply a protected redundancy period to all permanent Award staff until 30 June 2020 (see more detail page 3).

While change on this scale will take several years, it is exciting to be in a position where both Councils have committed to a clear and singular vision for the future.

The costs and benefits have been independently examined and the Councils agreed that while implementation will involve considerable expense and challenge, and that mistakes will be made along the way, the benefits will be worthwhile - particularly when viewed over the long term.

In brief, we expect to achieve better planning and decision making in water and wastewater and economies of scale and scope from the JSB. The change process in itself provides a fantastic opportunity to incorporate better practices across *all* our operations and to reinvest the savings in services to offset the expected growth in population and demand.

*Stephen Glen, Acting General Manager, GCC
Michael Whittaker, General Manager, WSC*

Key dates

8 September 2012
Local Council elections

1 July 2013

- Trials of new processes for CCWC commence
- Water & Wastewater price determination

1 November 2013

New Award due

by **30 June 2014**

CCWC CEO appointed

1 July 2014

Asset and regulatory services staff transfer to CCWC

September 2016

Local Council elections

November 2016

New award due

1 January 2017

End of Wyong's five year IT agreement for Councils Online

1 July 2017

- Remaining water and wastewater staff and responsibilities transferred to CCWC
- Joint Services Business (JSB) commences operation
- Long term lease of assets to CCWC from Councils commences
- Water & Wastewater price determination



YOUR COMMENTS

Gosford City Council

I'm keen to provide assistance to the CCWC to make good decisions around asset planning and minimising risks to vital water and sewer infrastructure from the impacts of climate change.



Louise Pilkington
Project Officer Climate Change



It would be good to know sooner rather than later how the CCWC and Councils will function on an everyday operational level so staff can plan their work as well as make personal plans for their careers and retirement.

Rhonda Marchant, Corporate Information Co-ordinator

I'm reasonably happy that my future is secure and that CCWC will be good for me and the Central Coast.



Brian Martin
Water Headworks Engineer



I'm interested in the future job opportunities CCWC may provide.

Michael Ebert
Regulatory Services Officer

The more info given to the staff at both Councils the better.



Katie Wallace,
Admin Officer,
Environment & Planning



I accept that the CCWC is the future for the water industry on the Central Coast. But my concern

is for long term employees - that conditions like super and sick leave from the old schemes are not lost in the changeover.

Ken Wain, Water Resource Protection Officer, Mangrove Creek Dam

Workstream

Water & Wastewater

Water and wastewater staff and responsibilities will be transferred to the CCWC by 1 July 2017

Now that a business model has been chosen by the Councils with clear timeframes, the next step is to develop a detailed implementation plan for the first phase of the project.

This phase will focus on bringing together the staff and systems in the areas of water and wastewater asset management and regulatory services which are the first to transfer to the CCWC on 1 July 2014.

The task has been taken on by Gosford's Manager of Asset Management & Planning Pam McCann and Wyong's Water & Sewer Commercial Manager Greg Cashin due to their expertise in asset and regulatory services.

They are working closely with the water and wastewater managers in both councils - known as the Technical Advisory Group or TAG - and their first job is to map out their key business processes and determine what support services they will require from the JSB.

It's a big job but some things are already set in stone:

- all permanent Award staff are protected
- there is to be no disruption to services
- regulatory obligations must be met throughout the transition period.



Workgroup Leaders:
Pam McCann and Greg Cashin mapping out a transition plan that will impact around 400 staff transferring to the CCWC by 1 July 2017

YOUR QUESTIONS

Has a CEO been appointed yet?

No. There is no funding for a CEO in the 2012/13 budget.

A CEO will be appointed before the first staff transfer on **1 July 2014**.

Why aren't operations and maintenance staff transferring to the CCWC in 2014 like assets and regulatory services staff?

The phased approach has been chosen to minimise the risk of business disruption. It gives us more time to bed down processes and systems before transferring critical functions. It also gives us more time to get the JSB up and running to support the CCWC.

Why did Council decide not to transfer the assets to the CCWC?

The Councils considered this option which would have provided a large upfront injection of funds. However, they choose a better long term outcome - by retaining ownership and leasing them it provides a recurrent income stream. If the Councils view this differently in the future, this arrangement does not prevent them being transferred at a later date.

What involvement does the CCWC Board have in current decisions?

The Board has representation on the Project Control Group and input on the water plan.

Is drainage definitely out of the CCWC?

Yes. There are a lot of functions that are integrated or closely related and will take a long time to 'detangle' them all - another reason to take things slowly and carefully.

Where will money come from to upgrade assets?

Capital investment will still be funded by the Councils through customer revenue and borrowings.

Will the CCWC put up prices for water?

Prices are set by the Independent Pricing and Regulatory Tribunal every four years. The prices for 1 July 2013 - 1 July 2017 are under review now. Info: www.ipart.nsw.gov.au



Workstream

Joint Services Business

Sharing our 'back office' resources and providing services together makes plain good sense - but no one is saying it will be easy!

A Joint Services Business (JSB) is a new way of organising the services we already provide in Finance, HR, IT and Plant & Fleet in our two Councils separately.

With a brief to start operating on 1 July 2017 it is hoped that there is enough time to work through the tougher challenges and look beyond current contracts and commitments.

Four workgroup leaders - two from each councils - have been asked to work on developing detailed project plans by the end of this year and a number of actions have already started:

- Defining 'core' functions in each area
- Design of a shared IT operating environment
- Review of worker's compensation insurance
- Investigating a new industrial framework.

Top: Workgroup Leaders **Peter Armour** GCC (Plant & Fleet) and **Jennie Keato** GCC (HR). Single boxes: WSC Plant & Fleet Manager **John Barnard** and HR Manager **Marie Hanson-Kentwell**.

Middle: Sharon Hutch, Manager Finance GCC with Finance Workgroup Leader **Kim Futcher** WSC. Bottom: Gregory Punshon, IT Manager GCC with IT Workgroup Leader and WSC Chief Information Officer **Bob Platt**



YOUR QUESTIONS

Is there an agenda for amalgamation?

No. Amalgamation was raised in 2011 and the Councils agreed not to proceed any further. Sharing services is an alternative way to achieve some of the same efficiencies of scale and scope often argued in support of amalgamation but, importantly, without losing the autonomy of each Council.

Who will negotiate the new award?

Representatives from both Councils, the CCWC and the relevant unions with assistance from the Industrial Relations Commission. Any new agreement will be under NSW jurisdiction.

What does the increased protection period mean?

If your job is affected due to changes arising from these projects you will not be made redundant.

It covers all current Award based permanent staff at the Councils and CCWC until 30 June 2020.

The program objectives of the implementation plan adopted by the Councils also say that proper respect and consideration for all employees will be taken into account regarding tenure and entitlements.

Are other areas of Council being considered for inclusion in the JSB?

A clear list of 'core' functions for inclusion in the JSB is being developed

by Work Group leaders as part of their detailed plans.

While more functions could be considered, the Councils have made a deliberate decision to keep the project scale manageable to minimise the risk of service disruptions. Any decision to include new areas in the JSB would be made by the two Councils.

Who will be the employer of JSB staff?

JSB staff will continue to be employed by their current Council. The JSB will be set up as a strategic alliance between the Councils under a Memorandum of Understanding.

Send your questions to: ccwc@wyong.nsw.gov.au
ccwc@gosford.nsw.gov.au

YOUR COMMENTS

Wyong Shire Council



I'm feeling optimistic about the CCWC. I think it's a great opportunity for a new identity. Bring it on.

Greg Hammill, Operator in Charge, Toukley Treatment Plant

I'd like more information on the recruitment process. Will we have to apply to work in the JSB or CCWC or will we transfer automatically?



Kathy Greentree
Rates Revenue Officer



I'm one of those people who thinks amalgamation would be the best thing for the Central Coast.

Planning and delivering more services together is a positive step in the right direction.

Rob Fulcher
Manager Asset Management

I can't see how the benefits will outweigh the disadvantages or how four organisations can be more cost effective than two.



Ken Durie
Asset Management Engineer



I wasn't too surprised by the decision. Happy to get involved.

Natalie Burns
Customer Contact Officer

I think the formation of CCWC is long overdue and is in the best interest of Central Coast ratepayers. Strong positive decisions need to be made by an experienced management team.



Paul Watson, Technical Officer

Central Coast Joint Services Project Update

Talking HR & IR

At the beginning of this year a forum was established for the discussion of Human Resources and Industrial Relations issues associated with the implementation of the CCWC and JSB.

The Central Coast Joint Services Engagement Forum includes eight union representatives from four unions. (See full membership at right.)

The group meets bi-monthly and reports back to each Council's respective Consultative Committee as well as posting minutes on each intranet.

To further strengthen the project's commitment to genuinely seek the views, ideas and feelings of employees before a decision is made, two union representatives - Rob Potter and Max Bugdon - are also members of the Project Control Group.

Investigations are now commencing into a potential new industrial framework to replace the current Local Government (State) Award that expires in November 2013. The Forum will play a key part of representing staff interests in this process.

Forum Members

Peter Leslie
Electrical Trades Union, Gosford City Council

John Reid
Electrical Trades Union, Wyong Shire Council

Joe Weston
Local Government Engineers Assn, Gosford City Council

David Irving
Local Government Engineers Assn, Wyong Shire Council

Max Bugden
United Services Union, Gosford City Council

Daryel Harrison
United Services Union, Wyong Shire Council

Bruce Sinclair
United Services Union, Gosford City Council

Marianne Cowan
United Services Union, Wyong Shire Council

Rod Williams
Director, Water & Sewer, Gosford City Council

Greg McDonald
Director, Infrastructure Management, Wyong Shire

Jennie Keato
Manager Organisational Development, Gosford City Council

Marie Hanson-Kentwell
Manager Human Resources, Wyong Shire Council

Brett Koizumi-Smith
Project Manager CCWC Project

Daryl Mann
Manager Water & Sewer, Wyong Shire Council

**Congrats to our
survey movie
ticket winners**

Tim Stokes, Water & Sewer
Operations (GCC)

Josh Nagle, Water &
Sewer South (WSC)

And the survey said

In February & March the project management office conducted a survey of staff at both Councils focusing on knowledge and attitudes around the establishment of the CCWC.

There were 338 surveys received - 174 from Gosford (52%), 162 from Wyong (48%), and 2 anonymous.

The breakdown by staff function was 214 Water & Sewer (W&S) (64%) and 122 non W&S staff (36%)

The survey showed no material differences between staff at Gosford and Wyong Councils in knowledge and support, but differences in communication preferences reflecting the different practices and channels available in the two organisations.

Overall, 85% of respondents agreed that the CCWC presents a great opportunity to improve the way we deliver water and wastewater services to our customers.

73% of respondents strongly supported the idea of the CCWC being set up as a separate business.

68% of respondents agreed that they felt comfortable that decisions would be made in the best interests of staff and the community.

71% of respondents were 'happy' to get concise information on a need-to-know basis, however an overwhelming 89% of staff (and 94% of W&S staff) prefer regular information 'just to keep in the loop'.

Want to know more?

Key documents are located on your intranet including:

- CCWC/JSB Implementation Workplan
- Cost Benefit Analysis by PricewaterhouseCoopers
- Plain English Summary of the CBA
- Project Control Group Meeting Minutes
- Recent newsletters and staff communication
- Results of the staff survey in February/March 2012



CENTRAL COAST

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Printed on 50% recycled paper

A new era for regional co-operation

1

The CCWC is the Central Coast's new, standalone water authority.

A new water authority for the Central Coast

The Central Coast Water Corporation

The Central Coast Water Corporation (CCWC) has been created to manage the Central Coast's water and wastewater services, replacing the former Gosford/Wyong Councils' Water Authority.

The CCWC was created under legislation by the NSW Government and came into existence on 1 July 2011. Under the legislation the Councils are equal (50%) shareholders in the CCWC and shares cannot be sold or transferred. The CCWC is governed by an independent Board of Directors according to a set of principal objectives outlined in the CCWC legislation.

Although the legislation established the CCWC, it did not mandate how it would work. So in order to understand what operating structures were feasible, the Councils engaged PricewaterhouseCoopers (PwC) to conduct a cost-benefit analysis of transferring the Councils' water and wastewater businesses into the CCWC.

Following an extensive review of a number of different operating models, PwC concluded there were several models that could be implemented and which would meet the Councils' objectives for the project, including protecting job security and ensuring no material impact on the Councils or the community.

The Councils have now considered PwC's report and endorsed a new business model for the structure and operations of the Central Coast's



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A new era for regional co-operation

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An extensive cost-benefit analysis was conducted, starting with 20 possible operating models, a five-stage transfer of the core functions, and four modes of service delivery for support functions.

How the costs/benefits were assessed

In November 2011, PwC was asked to evaluate potential operating models for the CCWC, including how best to provide support functions like HR, IT, finance and plant & fleet. This was a comprehensive exercise that required investigation of many different options and parameters.

Twenty potential operating models were considered, covering a five phase transfer with four different service delivery modes for support functions.

- **Current state:** The first step was for PwC to review the way water, wastewater and drainage services are currently provided to the Central Coast community, including how the support services are provided, establishing a 'base case' to compare against future projections.
- **Evaluation criteria:** Secondly, PwC examined the potential operating models against priority evaluation criteria: for example, that any change must deliver net benefits to the Central Coast community.
- **Phased transfer:** An early finding was that a five-phase transfer would be inefficient as both Councils have high numbers of staff working across both water and wastewater operations. The five phases were reduced to two core functional operating models - asset manager only or asset management plus operations and maintenance - that could be compared with the base case.
- **Drainage:** Investigations showed it made sense to leave the drainage functions as a Council responsibility because drainage systems have close links with roads, planning and open space.
- **Support services:** Significant benefits were identified as arising from the alignment of business processes – for example, reducing the duplication in IT systems. A joint services business (JSB) was seen as the most efficient way to achieve these benefits, not only for the CCWC but also for the Councils in providing other community services such as roads, parks, etc.

After the initial research, five options underwent detailed investigation. The financial costs and benefits were compared with the base case by examining the operating costs, capital structure and financial returns of each option.

The investigation found all five options could provide positive financial returns to both Councils without any material impact on non-financial factors.

The two options showing the greatest benefits both saw the CCWC responsible for asset management and operations and maintenance, and both were supported by a JSB. The only difference was whether water and wastewater assets would be transferred or leased.

The two Councils met as the Central Coast Regional Organisation of Councils on 31 May 2012 and agreed upon one model.



A new era for regional co-operation

3

Benefits include better planning, more efficient processes, cost savings which can be reinvested, more effective resource use, and standardisation of asset management, while retaining job security for staff.

The CCWC operating model

The operating model for the CCWC includes the following key features:

- **Staff and functions:** all water and wastewater staff and functions will be transferred to the CCWC in phases beginning on 1 July 2014 and completed by 1 July 2017.
- **Shared services:** a JSB will be established by 1 July 2017 to provide support services to the CCWC and both Councils. The JSB will provide IT, HR, finance and plant & fleet services although the detail will require further investigation by the Councils.
- **Assets:** Councils will maintain ownership of the water and wastewater assets and the CCWC will lease the assets via a long-term commercial arrangement.

Benefits to the Central Coast

The new arrangements are expected to produce the following benefits:

- **Planning:** a co-ordinated regional approach to water and wastewater services and decision-making.
- **Efficiency:** more efficient processes – for example, regulatory management, asset management, operations and management, asset creation, and customer management – through developing a common approach.
- **Savings:** savings from the procurement of services, equipment, property, logistics and supply, through opportunities to rationalise suppliers and review contractual arrangements to ensure 'best value' is being achieved, particularly for the outsourcing of capital works.
- **Resources and rostering:** more effective rostering and use of the field force and fleet to address peaks and troughs in operations and maintenance activities. A JSB will lead to increased specialisation and expertise which will in turn improve service delivery.
- **Assets:** streamlining of planning and design through the standardisation of asset management strategies and engineering design, and the pooling of engineering functions; improved use of plant and fleet assets. Assets remain owned by the Councils on behalf of the Central Coast community.
- **Job security:** a strong and clear commitment that permanent employees will not be worse off from the decision, with entitlements protected and transfers timed sensitively.



A new era for regional co-operation

4

How will the CCWC work?

Governance

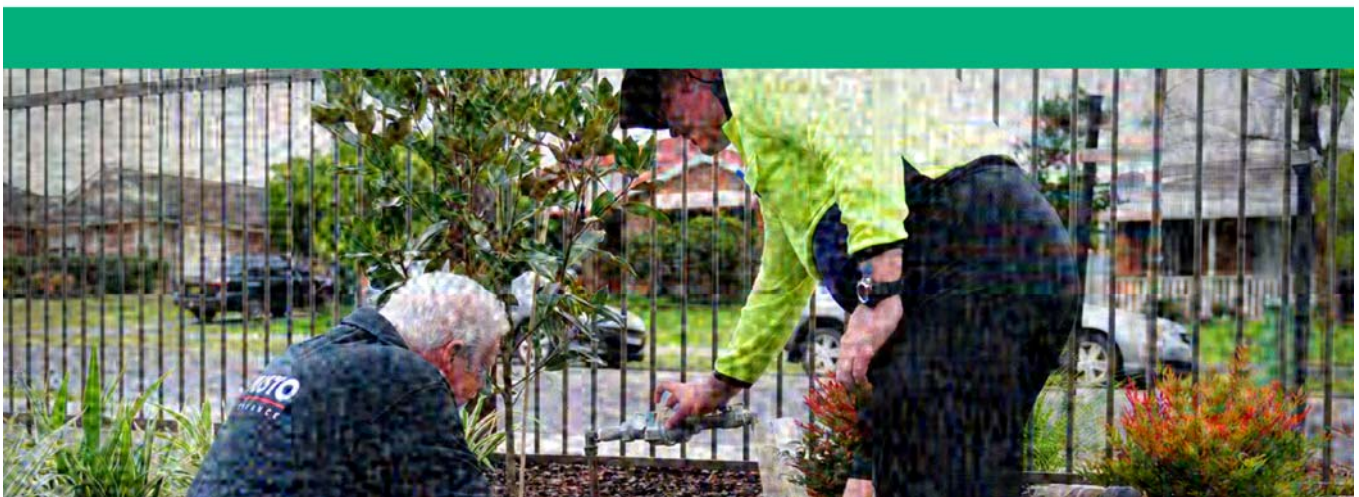
- The CCWC will operate in accordance with the *CCWC Act 2006* (amended in 2010) and a constitution adopted by both Councils in February 2011.
- The CCWC Board, appointed in December 2011, consists of five directors: two Council representatives, and three non-Council directors chosen for their relevant corporate experience.
- Fees and charges will continue to be regulated by the NSW Independent Pricing and Regulatory Tribunal (IPART) and the Councils will review and approve a budget each year.

Ownership and management of assets

- The Councils retain ownership of the water and wastewater assets and lease them to the CCWC under a long-term agreement.
- The CCWC is legally responsible for managing those assets and employees in the most cost-effective manner to deliver improved water and wastewater services to the community.
- Service levels will be established in consultation with the community and independently regulated by IPART.
- Each Council has a 'shareholder governance' framework, which accounts for its changed role from utility manager to utility owner.

Accountability

- The CCWC has formal processes which account for the priorities and roles of its Council owners. These processes include:
 - the frequency and format of reporting to the Councils
 - broader corporate communications
 - arrangements for collaboration in urban and regional planning which recognise the relationship between the provision/management of utility services and the Councils' role in managing economic and social development.



A new era for regional co-operation

5

A JSB will bring together functions that each Council has been providing separately, achieving economies in scale and scope.

A Central Coast joint services business

In providing community services and meeting their legislative requirements, each Council has been supported by a range of support functions. Not only are these functions nearly identical in each Council, but they also involve a large number of high volume transactions and many manual and cumbersome processes.

PwC's report identified how sharing the Councils' support functions – including HR, IT, finance, and plant & fleet – can set the scene for improved operations and ultimately save money that can be reinvested in services to the community.

PwC recommended a JSB as a cost-effective opportunity to streamline operations. It will benefit the community through greater flexibility and economies of scope and scale. For example, some of the benefits are:

- reduced costs, through the creation of common administrative systems
- opportunities to improve efficiency by aligning policies and procedures
- greater organisational resilience (through pooled resources)
- a large reduction in IT costs, from moving to a single set of IT systems with better functionality.
- savings can be reinvested to improve existing or new community services such as parks, libraries, childcare, roads, etc.

The operating model the Councils have chosen for the CCWC includes the establishment of a JSB where staff in these functional areas are brought together into one body which will then provide services to both Councils and to the CCWC.

More work is required on this issue to determine the details of the JSB services.



A new water authority for the Central Coast

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Impacts of the change

The new arrangements will offer major benefits and changes for the staff of both Gosford and Wyong Councils, including:

- More opportunities to increase skills and experience, from the knowledge transfer arising from working in a larger organisation.
- Greater career development opportunities and flexibility arising from working in a larger organisation.
- Continued coverage under the current award, with the possibility of moving to a new award via union agreement.

Both Gosford and Wyong Councils are committed to preserving the job security of permanent staff. Any rationalisation of staff levels would occur through natural attrition or retraining and redeployment as necessary.

What about water quality and the environment?

The CCWC legislation includes Principal Objectives for the CCWC which enshrine the obligation to protect the environment along with resource conservation and social responsibility.

The Principal Objectives are:

- Promote the efficient delivery of water services for the long-term interests of consumers with respect to price, quality, safety, reliability and security of supply.
- Maximise water conservation, demand management and the use of recycled water.
- Operate at least as efficiently as any comparable business; and maximise the net worth of the Councils' investment in it.
- Demonstrate social responsibility by having regard to the interests of the community in which it operates.
- Operate in compliance with the principles of ecologically sustainable development of the *Protection of the Environment Administration Act 1991 (NSW)*, section 6(2).

The cost-benefit study did not find any evidence to suggest that there would be a negative impact on water quality and reliability, or a deterioration in compliance with environmental obligations or in customer service levels, from the business model.



A new water authority for the Central Coast

7

What about fees and charges?

Fees and charges, and levels of service, will be independently regulated by the Independent Pricing and Regulatory Tribunal which will continue to set them under the new arrangement.

Under the CCWC, fees and charges will become standardised across the Central Coast.

What happens next?

A Transition Action Plan will be considered by two Councils on 28 June 2012 with the following major milestones:

Transition Action Plan	
Date	Action
1 July 2013	Commence trials of CCWC and JSB business processes well in advance of formal staff transfers.
From 1 July 2014	Asset and regulatory services staff to transfer to the CCWC. Remaining water and wastewater functions and staff to transfer to the CCWC on a phased basis.
By 1 July 2017	Formally establish the JSB to provide corporate services to the CCWC and both Councils. Commence long-term lease of water and wastewater assets to the CCWC by this date. Councils transfer their WSA responsibility to the CCWC.