

BACKGROUND

The Illawarra Pilot Joint Organisation of Councils (IPJO) represents the Municipality of Kiama, Shellharbour City, Shoalhaven City and Wollongong City Councils.

The IPJO's four member Councils were advised that merger proposals were not required of them by the State Government as they were judged "fit" on scale and capacity, and the IPART Report proposed "no alternatives to standing alone."

The four Councils have contributed substantially to the Office of Local Government Pilot Joint Organisation process, working closely with the Department of Premier and Cabinet, and the other four pilot regions to develop a viable and healthy model of regional co-operation for the future.

INTRODUCTION

The IPJO's Vision for the Illawarra/Shoalhaven is: A confident, vibrant and productive region that maximizes its potential and looks after its people and environment.

The IPJO will: Lead, advocate and collaborate to maximize the region's potential and serve the interests of regional communities.

Indications are that a JO will be required whether Council mergers take place or not. *The Local Government Act will require mandatory membership of Joint Organisations within designated areas based on clear communities of interest, within strategic regional growth planning boundaries.*¹

However the form, membership and direction of the IPJO may change from the current piloted approach of the IPJO should mergers take place as new entities adjust their priorities. The boundaries of JOs *will provide the strategic capacity to engage effectively, reflect strong communities of interest, and not adversely impact others. JO boundaries and membership will not alter without strong justification.*²

There is some evidence to suggest that the very successful joint activity detailed below may not be easily replicated by two larger new entities, particularly in their early merger and re-establishment phases.

THE FINANCIAL ADVANTAGES OR DISADVANTAGES TO THE RESIDENTS AND RATEPAYERS

Identified Gross savings of the State Government proposals for the four Councils over 20 years include:

1. streamlining senior management roles Kiama/Shoalhaven (KS) \$6million, Shellharbour /Wollongong(SW) \$8M, total IPJO 14M ;
2. redeployment of back office and administrative functions KS \$32million, SW \$56 total, IPJO \$88M;
3. efficiencies generated through increased purchasing power of materials and contracts KS \$8million, SW \$19M, total IPJO \$26M;
4. and a reduction in the overall number of elected officials that will in turn reduce expenditure on councillor fees estimated at (KS \$260,000), SW (\$2.5M), total IPJO (\$2.76M).

¹ Joint Organisations Emerging Directions Paper September 2015 - NSW Office of Local Government

² Joint Organisations Pilot First Interim Report December 2014 –NSW Office of Local Government

Efficiencies generated through increased purchasing power of materials and contracts

Commensurate efficiencies to those listed above have already been realised from many of the more obvious procurement areas of Council spending by the four Councils' individual efforts in the past few years. In the last two years, these efforts have been further advanced as SCG / IPJO have worked with member councils to:

- ▶ Review current contracts - improving planning, sharing of expertise and procurement savings.
- ▶ Identify regional, social and local procurement opportunities - strengthening the role council procurement can play in job creation, business and social enterprise development and addressing disadvantage.
- ▶ Strengthen policy, processes and data collection.
- ▶ Undertake opportunity analysis and project validation - strategic and intelligence-led procurement.

The IPJO has:

- ▶ Commissioned a "spend and opportunity" analysis for each individual council and the region to develop a Road Map of priority regional and council projects.
- ▶ Purchased a regional VendorPanel licence to allow IPJO member councils to obtain quotes for LGP, State Government and IPJO contracts.
- ▶ Purchased a TenderLink licence to advertise regional tenders, evaluate responses and increase probity.
- ▶ Increased opportunities for businesses to engage with Councils.
- ▶ Negotiated a greatly enhanced rebate to the JO on goods and services purchased through LGP contracts when all councils use LGP contracts – Final quarter of 2014-15 was \$47,000, 2015-16 will exceed \$100,000.
- ▶ Delivered collaborative procurement projects including fleet, trade services, legal services, construction materials, tree services - to deliver administrative efficiencies and savings with improved performance and practices.

Savings from collaborative activity to date are estimated to be in the order of \$250 to \$300K this year, and are expected to grow considerably now that baseline work has established opportunities; and could well match the NSW Government estimate of merger savings of \$8M (Shoalhaven Kiama merger) and \$19M (Wollongong Shellharbour merger) procurement efficiencies over 20 years. These savings are unlikely to be matched by two independent entities working alone.

Income from the LGP contracts' rebate is expected to grow to \$250K per annum over the next 2 years, and will continue to grow as more joint contracts are developed and used. This income is only available to a JO. The less quantifiable financial advantages of this approach accrue to residents from

- ▶ More robust, equitable and transparent governance of procurement
- ▶ Increased opportunities for businesses to engage with Councils

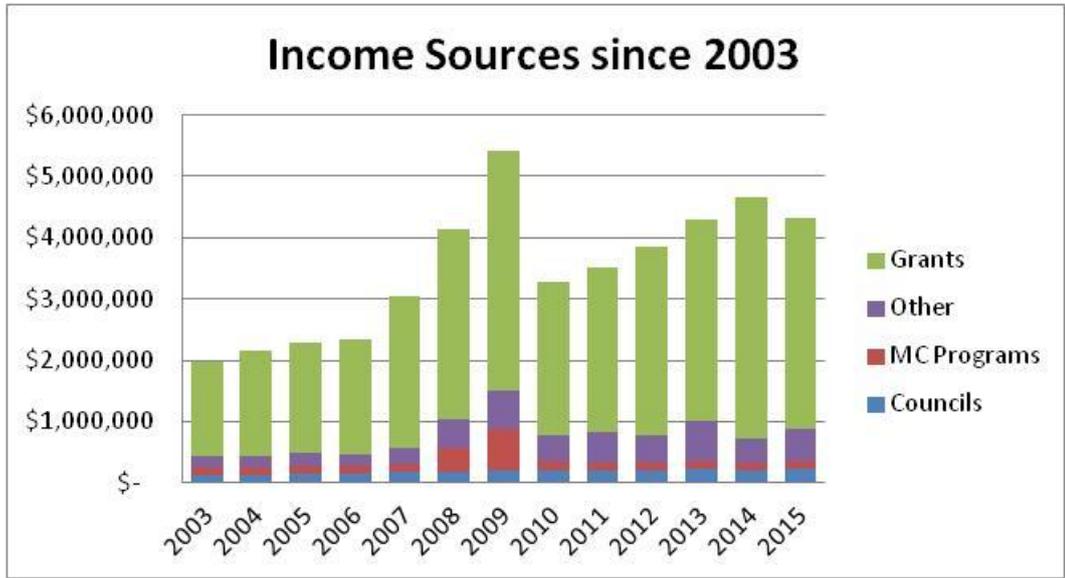
The IPJO was recognised for its work in this area with receipt of the inaugural Organisation award from Local Government Procurement NSW in November 2015.

Redeployment of back office and administrative functions

IPJO and its predecessor organisations have had considerable success with assisting streamline back office and administrative functions across member Councils. From the introduction of new software systems, rate payment methods, and accounting practices, to joint code of conduct panels, and legal panels, the ability of the Councils to share best practice approaches, run pilots or trial new ways of delivering functions, and research and adopt new practices has been enhanced by the General Managers identifying ways of working closely together and learning from each other. The best practice approach is not always the practice of the largest Council, but often that of the more nimble smaller entities.

Joint Organisation (or ROCs) efficiency and regional outcomes.

The following table illustrates the organisation’s success at attracting grants to the region since 2003. Member Council contributions have remained less than 9% of total revenue, and the staff-to-operations ratio of the organisation of less than 30% is well below the industry standard of 41.2%.



Financial advantages to the residents and ratepayers

In addition to its primary focus of working with State Government to oversee delivery of the Regional Plan, working together has evidenced many examples of recent or existing IPJO work which contribute to the financial advantage of residents and ratepayers of the region. These include (but are not limited to):

YOUTH EMPLOYMENT ACTION PLAN (YEAP)

The IPJO is partnering with the NSW and Australian Governments to deliver a Youth Employment Action Plan. This was deemed a high priority for our region with entrenched higher than average youth unemployment. Tangible outcomes of increasing the placement of young people in jobs in the region are expected from this current initiative. For regional businesses the tangible outcomes will come from the assistance they receive with funding, support and increased suitability of placements. This strategic planning exercise with State agencies operates in the complex landscape of multiple agencies and services.

With Department of Premier & Cabinet, a strategic approach has been collaboratively developed and University of Technology Sydney Centre for Local Government Excellence appointed as consultant to work with the key stakeholders in the region. The work will develop an action plan and broker commitments to address youth unemployment across the four existing Council areas of the Illawarra and Shoalhaven.

The IPJO has also sponsored the roll-out of a new round of a highly acclaimed program called “Young at Heart” which prepares places and mentors young people into the growing aged care services industry.

PROMOTION OF THE REGIONAL ADVANTAGE

With the assistance of Advantage Wollongong, the IPJO recently prepared a regional promotional brochure as part of its regional economic development work.

The brochure outlines major regional strengths, contains messages from each of the four Mayors and gives an overview of each of our distinctly different local areas. The brochure was tested by the IPJO Chairman’s recent visit to China as an important tool for use to promote economic opportunities. Translated into Mandarin initially, other language versions will now be prepared, along with additional regional showcasing information to be incorporated.

Business across the region can expect to reap the benefits of this joint promotion and showcasing of regional strengths and opportunities by the Councils.

TRANSPORT INITIATIVES

From 2003 to 2013, the former Southern Councils Group maintained a vigorous series of campaigns for upgrades to the Princes Highway as the major transport link between the Victorian Border and Wollongong. These campaigns saw the allocation of well over \$150M of previously uncommitted funding from the Federal Government which allowed projects at South Nowra, Conjola Mountain and further south to proceed, with more-than-matched multi-millions of dollars of local and State Government contributions. They also saw long-standing commitments, promised but never realized by successive State governments, finally coming to fruition with the multi-million dollar upgrades to the Gerringong to Bomaderry projects that are recently completed or still underway. Tangible outcomes for regional business include reduced crash rates, reduced travel times, fuel savings, and security of access. New opportunities are also expected such as increased tourism visitation as an outcome of easier access.

SCG has also maintained membership in South East Transport Strategy (SEATS INC) and with them and other partners, researched and advocated successfully for improved East-West links, both road and rail; rail improvements (from electrification of the Southern rail line to Kiama, first confirmed in correspondence from the Premier to the organisation in 1991, onwards). For many years, the T-Team managed by IROC and later SCG represented the first regional transport planning work undertaken in the state and was instrumental in successful collaboration across State, local and industry transport initiatives.

BUSINESS TREADING LIGHTLY

With \$2M of seed funding from the NSW Environment Trust, Southern Councils Group designed and delivered a highly successful 5 year program across the region from 2007 to 2012 which delivered very real savings to business in waste, water and energy efficiencies. Tangible outcomes for over 200 businesses, ranging from Australia's largest aged care provider, to malls, 60% of region's club sector, and smaller tourism-based businesses included significant energy and water savings achieved and significant business investment in energy and water efficiency materials and services. The program also underpinned a changed attitude to the economic benefits of environmentally sustainable practices across both the regional business community and local government which was further advanced by the RDA Illawarra Inc. Green Jobs Illawarra Initiative.

Key Statistics

- Businesses/facilities engaged, comprised 90%+ of regional aged care sector, 50%+ of club sector and other high profile businesses – malls, law firms, manufacturers, tourism sector;
- Combined employee base of 10,000;
- 75%+ with prioritized Action Plans;
- Regional “firsts” included applicability of heat reflective roof paint installations, waste partnerships and organic (food waste) trials, hard data on benefits of behavioral change initiatives, innovative commercial cooling technologies and reduced fertilizer and water use practices;
- Businesses moving from participants, to action, to being advocates,
- Businesses talking to staff, customers, suppliers about their sustainability plan and journey.

ECONOMIC DEVELOPMENT FRAMEWORK

Early in 2015 the IPJO commissioned a Regional Economic Development Review Report as preparatory work for a new economic development framework under the Regional Plan. The IPJO met with NSW Department of Industry to commence this work to tie together and strengthen work across the region to grow employment, diversify the economy, attract business investment and relocation, and deliver enabling and transformative infrastructure.

RESEARCH AND DATA COLLECTION

Recent economic structural adjustment challenges for the region have seen bi-partisan commitment of the regional local, state and federal elected representatives to work together. The IPJO has worked with other stakeholders to advocate:

- ▶ for the future of the steel industry within the region;
- ▶ for the development of a case for attraction of defence industries to Port Kembla and the wider region; and
- ▶ by preparing input for the NSW Government review of Development Corporations.

THE EXISTING HISTORICAL AND TRADITIONAL VALUES IN THE EXISTING AREAS AND THE IMPACT OF CHANGE ON THEM

Councils in the region have a long history of shared historical and traditional values of co-operation and collaboration which has produced solid outcomes for their communities.

The IPJO came into effect as the replacement organisation for Southern Councils Group on 1st July 2015, in a seamless transition from the Southern Councils Group, which held its final meeting on 5th June 2015. SCG had been preceded by the Illawarra Region of Councils, first formed in 1975. This represents over 40 years of working together.

In transitioning from SCG covering the whole south coast and the Southern Highlands (Wingecarribee Council) the Group set out with some key principles to underpin the pilot JO phase and it now counts its success as a pilot on this approach. These included:

- ▶ Goodwill and respect among member Councils;
- ▶ Being proactive and adjusting;
- ▶ Working closer with the NSW Government;
- ▶ Setting agreed shared priorities, and
- ▶ Collaborating between member Councils on a more substantial scale.

The strength of the long and successful history of working together stood the former Region of Council in good stead when change was seen as necessary. Levels of goodwill and respect were well established and able to stand the test of new approaches. There was a commitment to a “no going back, making it work” approach.

The new organisation brought four “Fit for the Future” councils to the pilot and is assisting to keep them in that shape. The region benefited from having all four of its member councils identified by the ILGRP Report as having the scale and capacity to stand alone, and has been selective in what it undertakes jointly.

Moreover, the cooperative approach taken by the four councils has been enhanced by harvesting the best-of-breed methodologies untitled by the various organisations. That is, the differences between the organisations has facilitated innovation, as each of the four councils offers to and takes from each of the other three, improved ways of approaching the operational functions of local government. Homogenising the four councils into two larger councils may work against this incremental improvement in operations.

Evidence that the Councils in the IPJO region co-operate so capably with each other and their other neighbors is not considered evidence to merge them (State Proposals). It is merely evidence that activities such as best practice procurement, administrative savings, and such things as regional land-use and infrastructure planning can be achieved capably in healthy regional areas such as the IPJO region through collaboration.

THE IMPACT ON THE ABILITY OF THE COUNCILS OF THE AREAS CONCERNED TO PROVIDE ADEQUATE, EQUITABLE AND APPROPRIATE SERVICES AND FACILITIES

All four IPJO Councils can meet (and in many instances exceed) this requirement already.

The IPJO is strong and progressive because of its membership. All four Councils have demonstrated appropriate scale and capacity, can meet the financial milestones put forward to IPART by the State Government (having clarified their reports) and their Fit for the Future proposals demonstrate ability to provide adequate, equitable and appropriate services and facilities, well-tailored to the differing communities of their current areas. They have long been recognized as four of the better performing regional Councils in NSW. For example, Wollongong and Shellharbour Councils placed first and second in the state in the LG Professionals NSW Management Challenge in 2014.

All four Councils enjoy stable, structurally sound governance models following a period of recognised disruption in the last decade, two under administrator-ships and the other two benefiting from the learnings shared as a result of close proximity. New entity elected bodies may well need quite some time to ensure that conflicting values and interests are successfully managed, given the following.

The four existing Councils have very dissimilar services and facilities, and levels of service which may be difficult to reconcile.

Services and facilities across the region differ markedly, not because of any inadequacies of the Councils, but because of differing physical constraints such as geography, weather, coastal morphology, etc: or because of lifestyles, aspirations, cultures and priorities of the communities. Councils have responded to these differences in the past, informed by evidence-based community strategic planning processes and sound management planning.

Achieving service and facility efficiencies without mergers.

SCG, and the IPJO have forged strong relationships to underpin service and facility efficiencies. For example, the SCG/IPJO is contracted to deliver the Waste Less Recycle More (WLRM) program funded by the EPA until 2017. This allows each of the five Councils (Includes Wingecarribee) to retain its own uniquely tailored waste services and facilities while achieving efficiencies from joint data collection, staff training, community consultation and education, trials, research and evaluation. Joint facilities are under constant review as new technologies emerge and transport costs are monitored. It conceived and piloted a new approach with the EPA to combating illegal dumping across the seven SCG Councils which has now also been incorporated into the WLRM program until 2017, and similarly, manages the new approaches to combating littering, one of the Premier's priority areas for NSW.

In this vein, one of the key pieces of work that the Illawarra Pilot JO undertook last year with Department of Premier and Cabinet was to streamline the previously complex way of Councils coming together with regional State agencies to share information, identify opportunities and report on activity. The trial 'Illawarra Shoalhaven Government Network' was formed, with a framework and Terms of Reference adopted and tested over two joint meetings held in July and November 2015 and a third scheduled for early March 2016. The ability of this approach to deliver on inter-government initiatives is already proving its value within the region with such things as the YEAP initiative detailed above and the Regional Plan delivery, detailed below.

The Illawarra-Shoalhaven Regional Plan

The NSW Government regional planning process in the Illawarra-Shoalhaven has been a highly collaborative process over the past two years, work which has seen the region the first to have its plan released. The four Councils are fully committed to continuing to work closely with the Department of Planning and other NSW Government Agencies through IPJO in the monitoring and implementation of the actions in the Plan; work which will see services and facilities in the region delivered in a timely manner to meet the changing needs of the community; including implementation of the Regional Transport Plan released in early 2014.

THE IMPACT ON RURAL COMMUNITIES;

IPJO/ SCG work with rural communities.

The Illawarra District Noxious Weeds Authority is a joint venture approach of Wollongong, Shellharbour and Kiama Councils to the regulatory control function of noxious weeds, managed by the IPJO/SCG. It reflects the natural rural boundaries between broader acre dairying and grazing pursuits in the Shoalhaven and smaller lifestyle acreages across Wollongong Shellharbour and Kiama. The Kiama-Shoalhaven boundary is commonly used to delineate the extent and (declarations) of weeds with climatic variations.

The Authority also delivers savings to the agricultural economy, and cost efficiencies in its management to the three Councils. “Savings” are incalculable, but it is recognised that weeds cost the state \$2.5B annually in lost production alone. Now in its 23rd year of operations, management savings for the three member Councils are in the order of \$100,000 per annum.

Both agricultural enterprises and many “lifestyle” properties in parts of the region fear encroachment of urban sprawl and the loss of productive agricultural land. This is evidenced through feedback from the long-running SCG Small Farms Network initiative funded through the Local Land Services (and earlier, the CMA), which connects and helps maintain the viability of over 700 small rural landowners. The rural areas are also highly valued for their scenic appeal by all the resident population and form a significant part of the tourism and visitor appeal of the south coast. Evidence for this was provided in the Agricultural Diversification Strategy developed with federal government financial assistance and released by SCG in 2004.

SUCH OTHER FACTORS AS IT CONSIDERS RELEVANT TO THE PROVISIONS OF EFFICIENT AND EFFECTIVE LOCAL GOVERNMENT IN THE EXISTING AND PROPOSED NEW AREAS.

The impact of additional change on a region already struggling with globally influenced changes and significant structural adjustment challenges.

The IPJO region’s economy is currently characterized as facing significant structural adjustments. Stable, collaborative and focused government activity has been acknowledged as essential to assisting the region meet the challenges it faces, and embraced by the IPJO delegates. The experience of the region during the tumult of two Councils under administration was that joint regional activity declined as the interest and capacity of the affected Councils was focused on significant internal changes.

Strong commitment to regional activity has been evident since the introduction of a clear and agreed regional approach under the IPJO with much good work, and momentum at stake.

SUMMARY

The IPJO region is now characterised by regionally geographically-cohesive, strong, long-established and highly performing Councils which reflect local geographic and cultural diversity, historical values and communities of interest.

The IPJO and its predecessor organisations have contributed substantially to the strength of the member Councils and IPJO is well placed to deliver substantially more. With State government support and commitment, the region has built on previous collaborative processes to successfully initiate new ways of working together in the IPJO that can bring the desired advantages sought by the State Government.

The IPJO can deliver outcomes that negate the need for the proposed Council mergers and with further collaboration between member Councils greater efficiencies can be achieved. This will also be contingent upon the legislative underpinning of the Joint Organisation models enabling and empowerment.

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The Illawarra Pilot Joint Organisation (IPJO), represents Local Government from the Illawarra to the Shoalhaven of NSW.

Member Councils include Kiama Municipal, Shellharbour City, Shoalhaven City, and Wollongong City Councils.