

10.1 DRAFT SNOWY VALLEYS COUNCIL DE-AMALGAMATION ROAD MAP - ATTACHMENTS

Attachment Titles:

1. Draft De-amalgamation Roadmap
2. Draft Consultant Brief - De-amalgamation Financial Sustainability Review

Attachment 1 - Draft De-amalgamation Roadmap



DE- AMALGAMATION ROAD MAP

PREPARING TO BUILD TWO NEW ORGANISATIONS

25 January 2024

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DE-AMALGAMATION PROCESS

This Road Map has been developed to enable the Elected Council of Snowy Valleys Council (SVC) to establish the feasibility of establishing two new councils similar to what existed prior to the 2016 amalgamation of Tumut Shire Council and Tumbarumba Shire Council.

The Road Map has been broken into two distinct Stages;

- Stage 1 – establishing the feasibility of de-amalgamating Snowy Valleys Council
- Stage 2 – if de-amalgamation is deemed feasible, ensuring that all actions required for two new Councils to operate effectively and efficiently are considered and completed.

The following processes need to occur before the NSW Minister for Local Government would be able to dissolve Snowy Valleys Council and proclaim two new Councils:

1. Local Government Boundaries Commission (LGBC) examination of SVC's current de-amalgamation proposal.

It is anticipated that the LGBC will advise Council when public consultation on Council's De-amalgamation proposal late February/early March 2024 and would make a recommendation to the NSW Minister for Local Government mid-year.

2. If the LGBC recommend to the NSW Minister for Local Government that SVC should de-amalgamate into two new councils, Council will need to complete the new De-amalgamation Pathway as released October 2023 by the NSW State Government.

It is proposed to immediately commence undertaking the requirements of the new De-amalgamation Pathway in parallel with the Local Government Boundaries Commission's examination as outlined in point 1 above. The purpose of this approach is to fast-track a final determination as to whether a de-amalgamation of SVC is feasible.

3. Identify funding opportunities to engage a suitably qualified consultant to test transfer methodologies for assets and liabilities and budget allocations.

This would occur through the SVC Finance Team (one of eight Working Teams) preparing Financial Sustainability Plans for SVC as well as any new Councils which may be created (assuming two).

STAGE 1 ROADMAP IMPLEMENTATION

Establishment of a De-amalgamation Steering Committee (the Steering Committee)

The De-amalgamation Steering Committee shall consist of the following Snowy Valleys Council staff members:

- Interim General Manager (Chair)
- Director Community and Corporate Services
- Director Infrastructure and Works
- Executive Director Growth and Development
- Manager Finance

Steering Committee Key Objectives

- Gather information required to determine the feasibility of two councils
- Through the Chair, develop and maintain a De-amalgamation Implementation Plan (DIP)
- Establish Working Teams which will provide information to the Steering Committee
- Establish through the Finance Working Team a Financial De-amalgamation Implementation Plan (FDIP)
- Develop interim organisational structures for two new Councils

The Steering Committee will meet on a **fortnightly** basis to overview progress of information-gathering to support (or otherwise) the de-amalgamation of Snowy Valleys Council. When necessary, the Committee will invite other members of staff to attend meetings.

The Steering Committee will report to Council via a formal report to the Councillor Workshop held on the first Thursday in each month.

The Steering Committee will continue for a period of six months following any future changeover date.

Working Teams

It is proposed to establish the following Working Teams to assist the Steering Committee in establishing the feasibility of the creation of two new Councils:

- Assets
- Communication
- Finance
- Governance
- Information Technology
- People and Culture
- Planning and
- Service Delivery

DE-AMALGAMATION IMPLEMENTATION PLAN (DIP)

The Chair of the Steering Committee will develop and maintain an up-to-date De-amalgamation Implementation Plan (DIP).

DIP Key Function

The key function of the DIP is to consider *the feasibility* of the creation of two new councils from the existing Snowy Valleys Council. In doing so, the DIP will include consideration of works in progress and progressively document key steps with associated milestones, progress and completion deadlines required to ensure that should two new Councils be established, a smooth transition would occur as of any future changeover date.

The DIP must include:

- an overview,
- a statistical snapshot for two new councils,
- works in progress,
- a section highlighting key risk areas with detailed mitigation strategies for two new councils;
- key deliverable areas for two new councils such as:
 - Developing transfer methodology options
 - Financial matters, including the transfer of assets and liabilities
 - Staffing and interim organisational structures
 - Interim service delivery arrangements
 - Establishment and continuity of business systems
 - Information communications technology strategy
 - Details of contracts to be transferred to the new Council and any new contracts required
 - Transfer of legal proceedings
 - Planning
 - Community engagement and communications plan

Staffing and Structure

The Steering Committee will develop interim organisational structures for two new Councils. The interim structures would remain in place from any future changeover date until the new councils adopt a permanent structure.

In developing two new structures the following principles will apply:

- Consider the business needs and future sustainability of the new councils;
- Work within the terms of the *Local Government Act 1993* and the NSW Local Government (State) Award 2023;
- Communicate with all employees, Unions, and other relevant stakeholders in as timely a manner as possible.

Roles are to be identified taking into consideration the business needs and resources required to maintain service delivery standards for two new councils.

In the absence of new legislative arrangements, the arrangements for Council staff will be undertaken in accordance with Part 6 (Arrangements for Council staff affected by the

constitution, amalgamation of alteration of Council areas) of *the NSW Local Government Act 1993*

In accordance with section 354I of Part 6 of the *Local Government Act 1993* it is assumed that there will be no forced redundancy of staff for three years after a changeover date.

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FINANCIAL DE-AMALGAMATION IMPLEMENTATION PLAN

A key factor in prosecuting the case for the de-amalgamation of Snowy Valleys Council is demonstrating that if two new councils are created, they will be financially sustainable in the long term. This will necessitate the establishment through the Finance Working Team of a Financial De-amalgamation Implementation Plan (FDIP).

In readiness for any changeover date that may occur and having respect to the agreed methodology being applied to the separation of assets and liabilities the FDIP will:

- identify what steps are necessary to establish two new financial systems and processes;
- develop two interim budgets;
- develop two interim Long Term Financial Plans.

The Plan will consist of Stage 1 and Stage 2:

Stage 1 Financial De-amalgamation Implementation Plan

- Development of a methodology to separate assets and liabilities
Indicative assets and liabilities split methodology is included as Attachment 1;
- Development of a methodology to separate budget allocations
Indicative budget allocation split is included as Attachment 2 (yet to be finalised);
- Formulation of a position on operational assets e.g. subdivisions, FOGO operations etc.;
- Determination of the allocation of plant and equipment to satisfy the needs of two new councils to be able to meet service delivery targets from changeover day;
- Investigation shared service arrangements both interim and long term.
- Investigation of banking options for two new councils with preferred interim banking providers identified to ensure banking services including EFTPOS facilities can be fully functional and compliant on changeover day.

Finalise Stage 1 Implementation

Further develop the De-amalgamation Implementation Plan and Financial De-amalgamation Plan into a *detailed* action plan that specifies all necessary steps required should two new councils occur, including but not limited to:

- Key stakeholders
- Responsible Officers
- Resources required
- Deadlines
- Other actions as determined.

STAGE 2 ROADMAP IMPLEMENTATION

Should Council be invited by the NSW Minister of Local Government to develop a detailed implementation plan via completion of the new De-amalgamation Pathway, the following steps will be required:

Reconcile De-amalgamation Costs

Initial payment and recovery of de-amalgamation costs

In the lead-up to the **proposed** de-amalgamation, all costs shall be borne by Snowy Valleys Council **however should the de-amalgamation proceed**, on changeover date this would be shared between the two new Councils on an agreed methodology.

Costs may include the procurement of Business Software Systems, Document Management Systems, Asset Management Systems etc. required for a new Council, but already in existence for Snowy Valleys Council.

It is possible that some costs could be specific to the existing or new council and those costs would be allocated accordingly.

De-amalgamation Costs Statement

A monthly de-amalgamation costs statement (DCS) will be prepared for each Council. This statement will be prepared by the Steering Committee Chair whilst the Committee remains in place until any future changeover day and thereafter jointly prepared by both General Managers of the new councils until the Steering Committee is disbanded.

The DCS must be certified by both General Managers and provided to each new Council within 14 days of the end of the month.

Stage 2 Financial De-amalgamation Implementation Plan

- Ensure the necessary taxation requirements are investigated including ABN, GST, Revenue NSW for two new councils to secure trading names and ensure appropriate legal compliance;
- Develop a new financial system chart of accounts and preparation of an interim account structure;
- Ensure financial reporting requirements are in place for any future changeover day;
- Ensure key supplier arrangements are in place for any future changeover day including for such items as utilities, registrations, ICT, Insurances, contractors, plant hire etc.;
- Establish a process for the receipt and payment of creditors pre and post any future changeover day including communication of changes to existing suppliers;
- Review and audit existing stores arrangements and establish interim and future stores arrangements;
- Review existing procurement processes to ensure they are compliant and operational for any future changeover day;
- Financial system module design and testing for key modules such as payroll, accounts payable, financial assets, rating and property, general ledger, purchase cards etc.;
- Review and establish new Fees and Charges schedules.
- Agreed methodology for the reimbursement to SVC of costs associated with any future de-amalgamation.

Service Delivery

The Interim General Manager of Snowy Valleys Council with the support of the Steering Committee shall ensure that should de-amalgamation occur, any new councils are business ready and able to provide continuity of service to both new council areas and to meet statutory requirements from changeover day.

In order to maintain current service levels as well as establish necessary arrangements for two new councils, each existing SVC service, its location and service level will need to be documented.

Any service delivery decisions made for two new councils will be made on an interim basis to enable the new councils to make the final decisions within their budget allocations post changeover day.

Consideration must be given to the benefits of maintaining a shared service arrangement for service delivery, both in the interim and longer term.

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ATTACHMENT 1

Transfer methodology

It is considered that the transfer methodology for Assets and Liabilities will be relatively straightforward and have the following key principles:

1. Community assets such as public halls, sportsgrounds, parks and reserves, public toilets etc. will be allocated to the new council where they lay.
2. All other assets and liabilities will be allocated on the contribution that the former Tumut and Tumbarumba councils made to Snowy Valleys Council on 12 May 2016 being:
 - Tumbarumba Shire Council – 39.7%
 - Tumut Shire Council - 60.3%

(Refer Attachment 2)

Table 1 outlines the transfer methodology for Assets and Liabilities.

3. In constructing the initial budget for the new councils it is likely that income and expenditure will need to be considered on a Cost Centre/Project basis e.g. roads budgets could be split on road length/sq.m. of pavement whereas Governance costs could be determined on the 60.3/39.7 split or another methodology as detailed below:

Method A: Based on LGA location

Method B: Asset/liabilities Split - 60.3%/39.7%

Method C: Road length – sealed local, Unsealed local, sealed regional, unsealed regional, Road Maintenance Council Contract (RMCC) – State Highways

Method D: Population, No. rateable assessments

	Population	No. of rate assess.
Tumut	11,429 – 76.5%	2,636 – 72.3% = 25.6%
Tumbarumba	3,517 – 23.5%	6,884 – 27.7% = 74.4%

Method E: Number of business assessments

Tumut 397 – 67.5%

Tumbarumba 191 – 32.5%

DISTRIBUTION OF ASSETS AND LIABILITIES**Table 1**

Sharing of Assets and Liabilities	Transfer basis
<u>Current assets</u>	
Cash, investments, receivables etc.	Split on methodology
<u>Non current assets</u>	
Inventories	Split on methodology
Community Assets, swimming pools sportsground etc.	Allocated to the Council where they lie - any loans accompany the asset
<u>Operational Assets</u>	
Administrative buildings, libraries, Information Centres etc.	Allocated to the Council where they lie - any loans accompany nthe asset
Water Supply Assets	Allocated to the Council where they lie
Sewerage Supply Assets	Allocated to the Council where they lie
Waste Management	
Waste Management Facilities	Allocated to the Council where they lie
FOGO site and equipment	Split on formula basis
Realisable assets (land held for resale)	Split on formula basis
Staff	Split on formula basis
Plant and Equipment	Split on formula basis
<u>Current and non current liabilities</u>	
Payables	split on formula basis
Borrowings	Loans taken out prior to amalgamation go back to original Council. Loans taken out after amalgamtion should be attached to the asset acquired.
Provisions - Annual, LSL and TOIL	Attached to employee
Provisions - Asset remediation - Landfills and quarries	Attached to site

ATTACHMENT 2

DISTRIBUTION OF BUDGET ITEMS (INSERT TABLE)

This is a work in progress

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Attachment 2 - Draft Consultant Brief - De-amalgamation Financial Sustainability Review



Snowy Valleys Council

SNOWY VALLEYS COUNCIL

REQUEST FOR QUOTATION

Financial Consultancy Services

Minor Consultancy Services Brief and Contract Conditions

De-amalgamation Financial Sustainability Review

[Date]

Prepared by Steven Pinnuck, Interim General Manager



1. INTRODUCTION

The purpose of this brief is to formally seek a quotation from suitably qualified consultants for the following services; to undertake a Financial Sustainability Review of Snowy Valleys Council as it is currently constituted and a financial sustainability review of two new Councils that would meet the de-amalgamation pathway released by the NSW Minister for Local Government in October 2023.

This brief sets out the requirements and deliverables for De-amalgamation Financial Sustainability Review.

2. BACKGROUND

Council at their Ordinary meeting on 9 June 2023 resolved the following after a notice of motion was submitted.

L7.1 PREPARATION OF BUSINESS CASE FOR THE POSSIBLE DEMERGE OF SNOWY VALLEYS COUNCIL

MOTION:

THAT COUNCIL:

1. Seeks proposals for the preparation of a business case for the demerger of Snowy Valleys Council and the reinstatement of the former councils of Tumut and Tumbarumba subject to the Minister deciding to allow the demerger of Cootamundra Gundagai Regional Council;
2. Notifies the NSW Government of the intention to develop a business case for demerger;
3. Should the Minister allow the demerger of Cootamundra Gundagai Regional Council, follow the process for demerger that is set out in section 218CC of the Local Government Act.

Cr James Hayes/Cr John Larter

The University of Newcastle Institute of Regional Futures led by Prof. Joseph Drew was engaged to prepare the Business Case on Council's behalf. The completed Business Case was presented to Council at the June 2023 meeting where the following was resolved:

M92/23 RESOLVED:

THAT

1. Council receive the report 'Snowy Valleys Council – Evidence Regarding Advantages and Disadvantages of De-amalgamation';
2. Council commit to pursuing de-amalgamation subject to State funding;
3. Council provide the final report to the Minister and invite the Minister to meet with the full Council to discuss same;
4. The local members, Dr Joe McGirr MP and Justin Clancy MP, be asked to assist and participate with the meeting proposed in Part 3 above.
5. The matter be further considered after the meeting with the Minister.

Cr James Hayes/Cr Brent Livermore

CARRIED UNANIMOUSLY

The Mayor, Deputy Mayor and Dr Joe McGirr MP met with the Minister for Local Government on 5 July 2023. The proposal to de-amalgamate Snowy Valleys Council was then submitted to the Minister on 5 September 2023. As required under section 218 CC (2) the Minister then referred it to the Local Government Boundaries Commission for examination.

Council understands that the Local Government Boundaries Commission will commence the examination of Council's proposal in February 2024 and will make a recommendation to the Minister by mid-2024. If a favourable recommendation is made, then it is assumed that Snowy Valleys Council will be required to prepare an Implementation Plan in accordance with the new Pathway released by the Office of Local Government in October 2023.

A key plank of the new De-Amalgamation Pathway is satisfying the Minister that the de-amalgamation proposal will achieve two sustainable councils.

In this regard Snowy Valleys Council is seeking quotations from suitably qualified Consultants to assess the long-term financial sustainability of the existing Snowy Valleys Council and the proposed two new councils.

3. LEGAL AGREEMENT

This document serves as a Legal Agreement which shall be entered into between the Consultant and Snowy Valleys Council.

The Consultant will also be required to sign a Confidentiality Agreement, which prevents the Consultant from communicating with any party, except for Council's General Manager, Directors, Executive Manager Growth and Activation and Manager of Finance.

4. THE PROJECT

Snowy Valleys Council is seeking quotations from suitably qualified Consultants to assess the long-term financial sustainability of the existing Snowy Valleys Council and the proposed two new councils as well as the key deliverables outlined at 5. Detail.

5. DETAIL

Key deliverables for the project are as follows:

- 1. Review the document prepared by Snowy Valleys Council – Evidence Regarding Advantages and Disadvantages of De-Amalgamation.*
- 2. Based on the 2024/2025 Draft budget assess the long-term financial sustainability of Snowy Valleys Council and the proposed two new councils.*
- 3. Review Council's De-Amalgamation Implementation Plan for completeness including the methodologies for the distribution of assets and liabilities and the distribution of the 2024/2025 budget items to the proposed two new councils.*

4. *With the assistance of Council's Finance Team construct a nominal 2024/2025 budget and long-term financial plan for the two proposed new entities based on currently available information. **Note it is not proposed that the two new councils would be operational by 1 July 2024 hence the term 'nominal'.***
5. *Identify opportunities to increase revenue streams and decrease expenditures for Snowy Valleys Council and the proposed two new entities.*
6. *Explore and make recommendations on potential shared service arrangements in the short and longer term.*

The Consultant is to insert their fee structure into Schedule 1 located at the back of this brief. It allows for other sub consultants fees if required – Hourly rates – Variation work.

6. METHODOLOGY AND DELIVERABLES

It is expected that the successful Consultant will do a deep dive into Council current financial position and forward estimates for the amalgamated entity. The Consultant will also assess the long-term sustainability of Snowy Valleys Council and the proposed two new councils by preparing 10-year plans for the existing Council and the proposed new councils.

Snowy Valleys Council utilises the TechOne CIA Integrated Business Software System (IBSS) and it would be advantageous if Consultants had the capacity in-house to extract the information from the IBSS.

Consultants should outline their methodology and deliverables timeframe.

7. INFORMATION TO BE PROVIDED BY COUNCIL

The following information has been provided with this request:

1. Council's De-amalgamation Road Map

8. QUESTIONS AND ENQUIRES REGARDING THE BRIEF

Steven Pinnuck, General Manager

P: +61 2 6941 2567 **M** +61 0429 310 205 (preferred)

E: spinnuck@svc.nsw.gov.au

9. DOCUMENT DELIVERABLES

- All documents and emails regarding this matter must be marked 'Commercial in Confidence'.

- Final documentation must be emailed to Council at info@svc.nsw.gov.au or hard copies must be sent to 76 Capper Street, Tumut NSW 2720 or hand delivered to Customer Service at Council Chambers.

10. PROJECT SCHEDULE

It is anticipated that the project will commence in early March 2024 and should be completed by 30 June 2024.

11. BUDGET

- Quotes should be separated into itemised costs for the deliverables.
- Please provide a list of hourly rates for members of the project team at which any additional work that is required outside the scope of the agreement would be charged.

12. CONSULTANT PROPOSAL

The fee proposal should include the following:

- Appreciation of the Brief.
- Methodology for carrying out the acquisition services.
- Note: Council's bidding and the agent representing Council must not disclose the purpose of Council's interest in the [Service/s Required], which is confidential.

13. INSURANCES

The submission is to include certificates of currency for all relevant consultants:

- public liability insurance, with a limit of indemnity of at least \$20,000,000 (AUD).
- professional indemnity insurance, with a limit of indemnity of at least \$5,000,000 (AUD); and
- workers compensation insurance.

14. SUBMISSION REQUIREMENTS

The proposal should be clearly marked;

**Request for Quotation
Financial Consultancy Services for De-amalgamation Financial
Sustainability Review**

And addressed to

POST: The General Manager
76 Capper Street
Tumut NSW 2720

or

IN PERSON: 76 Capper Street, Tumut NSW 2720

EMAIL: info@svc.nsw.gov.au
Cc: spinnuck@svc.nsw.gov.au

The fee proposal should be submitted to Council by Close of Business, [Day] [Date]

15. CONDITIONS OF ENGAGEMENT

15.1 Copyright & Confidentiality

Council will be the exclusive copyright owner of all material arising out of the engagement. All intellectual property rights arising from or created by work involved in the deliverables shall vest solely with the Client (Council) and will be the Client's exclusive property. This shall include all Intellectual Property rights created by the Consultant, either alone or with others or by a third party in connection with the Contract. The Consultant shall ensure that all deliverables or anything else relating to this Contract are not used, copied, supplied, or reproduced for any purposes other than as required by the Contract without the written approval of the Client (Council). All deliverables produced as part of this project are to remain confidential and are not to be shared with third parties without written approval from Council. The Consultant will also be required to sign a Confidentiality Agreement in relation to this engagement.

15.2 Conflict of Interest

Prior to signing the agreement with Council, any conflict of interest must be disclosed to Council.

15.3 Agreement

The consultant is required to sign this agreement with Council that incorporates the agreed methodology, timeframe, and fee.

15.4 Termination

Council reserves the right to terminate the Agreement for any reason by notice in writing, effective immediately.

15.5 Variations

The agreement may only be varied in writing and both parties shall sign such variations.

15.6 Compliance with Council's Procurement Policy

Consultants are required to comply with Council's Procurement Policy.

This document can be found on the Snowy Valleys Council website;
[Home - Snowy Valleys \(nsw.gov.au\)](#)

- navigate to the 'Council' dropdown menu at the top
- click 'Council Forms and Policies'
- search for "procurement" in the search box at the top right.
- download Council's Procurement Policy

15.7 Schedules of Amounts & Rates

The Consultant shall be deemed to have satisfied himself/herself before submitting his/her offer as to the correctness and sufficiency of the lump sum prices stated by him/her in the Schedules of Amounts and Rates which shall (except insofar as it is otherwise provided in the Contract) cover all his/her obligations under the Consultancy agreement.

The amounts shown below shall be inclusive of all fees and expenses of the Consultant and any associated sub-consultants:

Schedule 1. Detail breakdown of Consultant and Sub Consultant Fees undertaking a Valuation including Professional Advice

CONSULTANT (Principal Consultant)	DISCIPLINE	LUMP-SUM FEE excl GST	
		\$	
SUB-CONSULTANT	DISCIPLINE	LUMP-SUM FEE excl GST	
		\$	
		\$	
		\$	
		\$	
	SUB-TOTAL	\$	
	10% GST		
	GRAND TOTAL		

Agreed methodology, timeframe and fee

Signed:

Signed by:
(Name & Title)

Company:

Date:

