



Merger

Enterprise Risk Report

CORP00010

Merger Risk Assessment Report

Risk Area CORP00010: Merger

Risk: Assets information inadequate to accurately assess impact of merger

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Assets information inadequate to accurately assess impact of merger	Corporate Gov	Severe	Independent assessment of status of each council's assets system and reliability of data undertaken to assure robustness of assets management systems. Upgrade processes to improve assets management processes identified and implemented.	Severe	Manager Financial Services/Manager Engineering Services	7744	No

Task	Owner	Status	Comment	End Date
Verify the validity of processes and data used to create Asset Management Plans (eg age profile vs condition rating, completeness of data across all assets classes, consideration of levels of service and impact differences make in the backlog and funding gap) using an independent assessment with all councils providing open access to asset management systems	Manager Financial Services/Manager Engineering Services	Progressing	Letter to Cabonne asking for agreement to participate in independent assessment and open access to assets data	01-12-2015
Establish the level of linkage between Asset Management Plans and Long Term Financial Plan to show how assets management and financial	Manager Financial Services/	Progressing	Preliminary assessment by Intentus	01-12-2015

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
planning are aligned at strategic level and are being jointly used to plan proficiently				
Variability between Treasury Corporation (TCorp) reports completed in 2013 and Asset Management Plans, Long Term Financial Plans and Special Schedule 7 to illustrate the integration of data to enable reliance on information provided	Manager Financial Services/Manager Engineering Services	Progressing	Review of Cabonne and Orange's TCorp reports as part of merger submission undertaken	01-12-2015

Risk: Financial sustainability is not delivered after merger

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Financial sustainability is not delivered after merger	Corporate Gov	Severe	Independent evaluation of savings/impact merger and monitoring of attainment of savings/impacts implemented. Strategies for financial re-assessment if estimated savings do not eventuate identified and implemented.	Severe	Manager Financial Services	7747	No

Task	Owner	Status	Comment	End Date
Independent assessment of potential savings		Completed	Morrison Low estimate of \$5.3M in savings.	30-06-2015

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
Identification and implementation of monitoring system of savings and impacts	Director Corporate and Commercial Services	Progressing	Identification of the savings in Morrison Low report offers starting point of a system to monitor savings attainment.	30-06-2017
Report and monitor financial position in quarterly reviews using the ratios used in Fit for Future assessment processes.	Manager Financial Services	Progressing	Staff have been tasked with developing management accounting reports via a dashboard for ratios in Fit for Future as well as other operational leading and lagging indicators.	30-06-2017
Assess ability of each council and a merged council to adapt to emergent issues and maintain financial sustainability including operational surpluses	Director Corporate and Commercial Services	Progressing	Item raised with Orange Audit and Risk Management Committee and report on issues to be provided to September 2015 meeting.	01-11-2015
Special Schedule 7 used to model the merger by Morrison Low developed using different approaches means councils should re-assess the assumptions and outcomes	Manager Financial Services	Progressing	Difference in Cabonne and Orange's approach to the population of Special Schedule 7 in the Financial Statements creates significant issues regarding the assessment of the merger case. A joint assessment using the same methodology to be investigated along with the work in the assets assessment processes of this risk plan	01-11-2016
As Morrison Low report does not identify how gaps in infrastructure spending are to be met, joint assessment of the	Manager Financial Services	Progressing	Deficiency in the analysis identified in Morrison Low report.	30-06-2016

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
financial treatment is required.				
Assess current data and forecast ratios to provide more contemporaneous information in the submission	Manager Financial Services	Progressing	Modelling of ratios for 2014/15 - 2019/20 completed. Compliance with all ratio benchmarks except Building Infrastructure Renewal achieved in 2016/17 and onwards.	30-06-2015
Assessment of water and sewer assets and operations must be undertaken if a merger is proposed given the enormous impact of these two asset areas on operational and financial sustainability	Manager Financial Services	Progressing	Identified in letter to Office of Local Government the flaw in not assessing water and sewer assets and operational costs given the significance of the impact the asset classes have on financial sustainability. Joint work by Cabonne and Orange has commenced on pipeline recently funded so this offers an opportunity to work together to understand assets and operations in both councils.	01-11-2015
Integration of rating structures and fees and charges regime	Manager Financial Services	Progressing	Morrison Low report undertook some very preliminary review. Highlighted disparity with rating structures and will need to contemplate how this impacts on levels of service.	30-06-2016
Information systems integration - planning needs to assess costs, systems integration issues, ability of systems to upscale, data conversion, compliance	Manager Information Services/Manager Administration and Governance	Progressing	Preliminary identification in Morrison Low report.	30-06-2016

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
with reporting requirements and legislation (eg Records management), changes to general ledger, customer service levels,				

Risk: Assessment of merger does not include Blayney so under estimates the financial and operational outcomes of the Independent Panel's assessment

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Assessment of merger does not include Blayney so under estimates the financial and operational outcomes of the Independent Panel's assessment	Corporate Gov	Severe	Commission independent assessment of Blayney as a merger partner. Engage Blayney to participate. Assessment of assets using same methodology applied to Orange and Cabonne to determine data and process verification and establish level of assets planning that exists.	Negligible	Director Corporate and Commercial Services	7750	Yes

Task	Owner	Status	Comment	End Date
Contact Blayney and seek concurrence to participate in same review process as undertaken by Orange and Cabonne to produce a comparable assessment	General Manager	Progressing	Blayney resolution identified may contemplate merger assessment after 30/6/2015.	01-01-2016

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
Assess assets processes and data and determine the condition of assets and risks associated with merger	Manager Financial Services/Manager Engineering Services	Progressing	Methodology developed for snap shot style assessment as done by Morrison Low that would assess Special Schedule 7 data to enable comparison on level playing field.	01-11-2016

Risk: Operational impacts have not been adequately identified in initial assessment of industrial issues

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Operational impacts have not been adequately identified in initial assessment of industrial issues	Corporate Gov	Moderate	Morrison Low identified areas of operation where industrial issues could arise with reduction in staff identified. Assessment of the impacts considered. Involvement of staff through consultative committees at each council. Involvement of unions.	Negligible	Director Corporate and Commercial Services	7751	Yes

Task	Owner	Status	Comment	End Date
Review the Morrison Low report and critique the estimates of operational impacts. Seek industrial relations expert advice to ensure legislative compliance.	Manager Financial Services/. Manager Human Resources	Progressing	Preliminary assessment undertaken. Report highlights the need for more thorough due diligence given the data they worked with. Advice received from Council's legal advisor on industrial issues relating to redundancies of senior staff.	30-06-2017

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
Assess the operational impacts Morrison Low report estimated and investigate validity. Work with partner councils and transition panel to ensure engagement is thorough. Complete zero based budget assessment processes to baseline expenditure.	Manager Financial Services	Progressing	Preliminary assessment undertaken. Report identifies inadequacy of time and data the consultants had to assess operational issues highlighting a need for higher due diligence if NSW Government proceeds to implement merger.	30-06-2017
Senior staff (General Managers and Directors at Orange) redundancies will force recruitment of new senior staff	Manager Human Resources	Progressing	Industrial advice on redundancies received.	30-06-2017
Fully assess risks and costs associated with legislative requirement to preserve rural centres within an environment where operational efficiency and cost control is expected by NSW Government.	Manager Human Resources	Progressing	Preliminary advice from legal advisers sought. Information sessions held with staff.	01-11-2016
Planning for conflict of integration of organisations with very different operational and cultural approaches.	Manager Human Resources	Progressing	Some consideration in Morrison Low report identifies issues. Consideration of staffing numbers undertaken. Some joint work with Centroc projects will assist.	30-06-2017
Compare risk management approaches and sophistication of risk based analysis and systems	Manager Administration and Governance	Progressing	Common basis of Centroc template as starting point for each council. Basic assessment of risk in the Morrison Low report. Risk Plan commenced on	01-12-2017

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
			merger. Audit and Risk Management Committee considered risk issues of merger assessment.	
Communication plan to be developed to engage consultative committees, unions and others as required	Manager Community and Corporate Relations	Progressing	Consultative committee briefed on progress to date. General Manager held sessions with staff. E newsletter distributed. Unions have held meetings on site. Initial discussions with USU on impacts.	30-06-2016

Risk: Transition Panel (as defined by NSW Government) fail to finalise the structure and operating processes needed to establish the new council

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Transition Panel (as defined by NSW Government) fails to finalise the structure and operating processes needed to establish the new council	Corporate Gov	Severe	Identify and communicate concerns with Panel composition and time frames.	Moderate	General Manager	7752	No

Task	Owner	Status	Comment	End Date
Provide feedback to NSW Government on risks associated with limited timeframe to	General Manager	Completed	Letter sent to NSW Office of Local Government highlighting issues with inadequate time	30-06-2015

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
implement mergers and design operational activities of a new Council.			allocation for Fit for Future processes. Discussions with Office of Local Government staff on risks associated with Transition Panel processes given the breadth of tasks the group would have to consider. Highlighted to Office of Local Government staff the risk to Council of one vote per council in the current model does not adequately address the inequity in size of councils and risks the cross subsidisation of costs from ratepayers in other areas.	
Complete project planning of tasks for Transition Panel as soon as NSW Government advises if merger is to occur.	Director Corporate and Commercial Services	Progressing	Preliminary project plan commenced.	01-11-2015

Risk: Different levels of service create issues with community expectations

Risk	Category	Inherent Risk	Mitigation Strategy	Inherent Risk	Risk Owner	ID	Within Tolerance
Different levels of service create issues with community expectations	Corporate Gov	Major	Assessment and comparison of levels of service in councils to understand issues.	Moderate	Director Corporate and Commercial Services	7766	No

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
Compare levels of service and equate.	Director Corporate and Commercial Services	Progressing	Cabonne and Orange completed a joint preliminary assessment in Morrison Low of what services are currently offered. Need to assess Blayney levels of service if that merger is implemented by NSW Government. Higher level analysis is required to cost the services and establish where services that probably don't exist should exist.	03-06-2015
Identify where level of service gaps exist via assessment of councils Community Strategic Plans and current services delivered. Community consultation of what services a merged entity would have to assess is required The impact of enhancing levels of service would need to be incorporated into Long Term Financial Plan.	Manager Corporate and Community Relations	Progressing	Preliminary analysis of what services are offered completed in Morrison Low report. Needs more in depth analysis about level of service and community expectation.	01-11-2015
Assess and implement strategies to ensure levels of service can be maintained from day 1 of merger	Director Corporate and Commercial Services	Progressing	Preliminary levels of services assessed by Morrison Low. Project management plan required to assess legal issues, regulatory issues, community services and customer services will continue through and after transition period.	30-06-2017

Merger Risk Assessment Report

Task	Owner	Status	Comment	End Date
Communications plan designed and implemented	Manager Community and Corporate Relations	Progressing	Identified in Morrison Low report need for development of plan. Some consultation can be undertaken in the processes required for the 2016/17 Community Strategic Plan.	31-07-2017