
**PROPOSED MERGER OF
GLOUCESTER SHIRE, GREAT LAKES AND
GREATER TAREE CITY COUNCILS**

**Comments by the NSW Local
Government Boundaries Commission
on the Report by the Delegate
of the Acting Chief Executive Officer
of the Office of the Local Government**



MAY 2016



Local Government Boundaries Commission
GPO Box 5341
Sydney NSW 2001

The Hon Paul Toole MP
Minister for Local Government
Level 17 NE
52 Martin Place, SYDNEY NSW 2000

Dear Minister

Proposed merger of Gloucester Shire, Great Lakes and Greater Taree City councils

The Local Government Boundaries Commission provides its comments on the Delegate's Report into the above merger proposal under section 218F(6) of the *Local Government Act 1993*.

Yours sincerely

A handwritten signature in black ink that reads 'Bob Sendt'.

RJ Sendt
Chairperson
3 May 2016

1. Summary of Local Government Boundaries Commission comments

The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Gloucester Shire Council, Great Lakes Council, and Greater Taree City Council to determine whether it shows the legislative process has been followed and the Delegate has taken into account all the factors required under the *Local Government Act 1993* (the Act).

The Commission has assessed that:

- the Delegate's Report shows that the Delegate has undertaken all the processes required by section 263 of the Act,
- the Delegate's Report shows that the Delegate has adequately considered all the factors required by section 263(3) of the Act with the exception of the factors listed under subsections 263(3)(e1) (service delivery) and 263(3)(e5) (diverse communities), and
- the Delegate's recommendation in relation to the proposed merger is supported by the Delegate's assessment of the factors.

2. Summary of the merger proposal

On 8 March 2016 the Minister for Local Government referred a proposal to merge the local government areas of Gloucester, Great Lakes and Greater Taree to the Acting Chief Executive of the Office of Local Government for examination and report under the Act. The following map shows the proposed new council area (shaded in green).



The proposal would have the following impacts on population across the three councils.

Council	2016	2031
Gloucester Shire Council	5,000	4,850
Great Lakes Council	36,700	38,500
Greater Taree City Council	49,450	51,900
New Council	91,150	95,250

Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings).

The Acting Chief Executive delegated the function of examining and reporting on each of the proposals to a number of people, known as 'Delegates'. Delegates were required to examine and report upon each merger proposal rigorously and fairly. The examination process included Delegates calling for submissions and holding a public inquiry on each proposed council merger. Delegates prepared a report on the proposal and provided that report to the Local Government Boundaries Commission.

3. Role of the Local Government Boundaries Commission

The Local Government Boundaries Commission is an independent statutory authority constituted under section 260 of the Act. The Boundaries Commission examines and reports on any matter referred to it by the Minister in relation to the boundaries of local government areas and the areas of operation of county councils.

The Boundaries Commission has several functions under the Act. In the current context (where the Minister has elected to refer the proposal to the Office of Local Government, rather than the Boundaries Commission, for examination), the most relevant Commission functions are set out in section 218F(6) of the Act. This section requires:

- the Chief Executive to furnish the report on the examination of the merger proposal to the Boundaries Commission for review and comment, and
- the Boundaries Commission to review the report and send its comments to the Minister.

The Commission's role does not involve re-examining the advantages and disadvantages of the proposed mergers, accepting submissions or holding public inquiries.

4. Delegate's Recommendations

The Delegate's key recommendation is that:

"That the Greater Taree City Council, Great Lakes Council and Gloucester Shire Council merger proposal proceed..."

The Delegate also made the following recommendations:

- *"That optimal representation would be provided with an undivided area (i.e. without wards), a council comprising nine elected representatives, and the council electing the Mayor.*
- *That the NSW Government's proposed four year fixed rate path policy not be applied.*

- *That an administrative centre be retained in Gloucester to enable residents and surrounding rural communities to conduct their council business locally.*
- *That at least those essential outdoor staff local services at GSC are maintained with a local works depot presence.*
- *That a council business unit, or alternatively a council-owned water and sewerage corporation, with a small board of directors having appropriate skills and expertise, would be suitable models for the merged council for total water cycle management.”*
- *“That a merged entity be named ‘Manning Great Lakes Council’.”*

5. The Commission’s detailed comments

5.1 Review of the process followed by the Delegate

Under the Act, the Delegate is required to undertake certain processes in examining a merger proposal. These processes include holding an inquiry, allowing members of the public to attend meetings as part of the inquiry and calling for submissions. As part of its review of the Delegate’s Report, the Commission has looked at whether these processes were followed.

In total, the Delegate considered 589 written and verbal submissions from the public, community and other organisations and councils.

The Delegate held one public inquiry on 4 April 2016 at Club Taree, two public inquiries on 5 April 2016 at Club Forster and Bulahdelah Bowling Club, and one public inquiry on 6 April 2016 at the Gloucester Soldiers Club.

The Commission’s view is that the Delegate has met the relevant requirements.

5.2 Review of the Delegate’s consideration of the factors specified in the Act

Under section 263(3) of the Act, the Delegate is required to have regard to a range of factors when considering a merger proposal.

Overall, the Commission’s view is that the Report shows the Delegate adequately considered all the factors, with the exception of service delivery and diverse communities.

The Commission has formed this view based on its review of the discussion presented in the Delegate’s Report. The Commission specifically considered whether the extent of that discussion adequately canvassed the range of issues raised in the written submissions made to the Delegate, the views expressed at the public hearings and other information that would have been available to the Delegate.

The Commission makes the following comments relating to each factor:

5.2.1 Financial factors

Section 263(3)(a) of the Act requires the Delegate to have regard to:

“the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned”.

The Delegate noted that Great Lakes Council was deemed ‘fit’ by IPART during the Fit for the Future process, but both Greater Taree and Gloucester Shire were found to be ‘unfit’. Savings within the merger proposal are outlined in the Report, with the Delegate noting that submissions suggested that funding available under the merger was insufficient to address the infrastructure backlog in a substantive way over a reasonable period of time.

The Delegate outlined average rates in each Local Government Area (LGA), noting that each Council was likely to seek a Special Rate Variation (SRV) over the next two years. The Delegate noted that Greater Taree Council submitted that a merged council would not meet the Fit for the Future benchmarks in the future, with Council noting that without SRVs, the merged council would be more than \$250 million worse off over the next 20 years. Similarly, the Delegate noted commentary from Gloucester Shire that putting ‘not fit’ Councils together with one fit Council will not solve the sustainability issue without increased government support.

The analysis by Morrison Low (on behalf of Great Lakes and Gloucester Shires) was noted by the Delegate. This analysis calculated net present value over a 20 year period based on two scenarios – one being that the benefits are achieved (an \$11.2 million benefit), the second reflecting the risk of benefits not being achieved (\$21.3 million cost).

The Delegate noted that a major theme in submissions received was concern that potential cross-subsidisation of services by Great Lakes ratepayers of the other two Councils will lead to the detriment of residents and ratepayers of the Great Lakes LGA. Other submissions noted by the Report stated that there was no guarantee that amalgamation would reduce operating costs. In contrast, the Delegate also noted submissions that stated a merger would result in a larger and increasing rate base which would increase available resources to a new council.

The Delegate concluded that the merger would provide greater scale and capacity, which would provide a better long term solution for the community if SRVs are also implemented. The Report stated that there are undoubtedly short term financial challenges, but a new council should have financial strength and capacity over time to benefit the broad communities it would represent.

The Commission’s view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

5.2.2 Communities of interest

Section 263(3)(b) of the Act requires the Delegate to have regard to:

“the community of interest and geographic cohesion in the existing areas and in any proposed new area”.

The Delegate considered submissions received from the Councils and residents and ratepayers. The submission from Greater Taree City Council was noted in the Report, which stated that there were very strong communities of interest between Taree and Forster/Tuncurry, with significant traffic movements each day, and strong sporting and cultural links between the areas. However, the Delegate noted that Greater Taree stated that there are no communities of interest between areas closer to Newcastle and Port Stephens, which seek services from those cities. In contrast, the Report noted the Great Lakes Council submission that its distinctive characteristics as a coastal Council differentiate it from the other councils geographically and culturally. However, the Delegate noted that many people living in the Forester-Tuncurry area were employed in Taree.

The Delegate noted that Gloucester Shire Council is part of the Mid North Coast Regional Organisation of Councils (MidROC); State Emergency Services and ambulance commands for Gloucester are directed to Taree; Gloucester communities travel to Taree to access shopping and recreational facilities; and Gloucester residents almost exclusively 'looked to the north'. He noted that Midcoast Water county council comprised all three LGAs.

The Delegate concluded that "As a result of relatively short distances between the centres and the continuing inter-reliance for the broad range of reasons advanced in submissions, there is clearly considerable ongoing connectivity". The Delegate recommended that a merged entity be named "Manning Great Lakes Council".

The Commission's view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

The Commission notes that the name of a new council is a matter for the Minister.

5.2.3 Historical and traditional values

Section 263(3)(c) of the Act requires the Delegate to have regard to:

"the existing historical and traditional values in the existing areas and the impact of change on them".

The Report provided an overview of agricultural history in the area, noting that Great Lakes and Gloucester have a number of common values related to agriculture. The Delegate noted Great Lakes' submission that the area had strong links with the coastline and its river catchment, noting the rapid population growth in the area. It was also noted in the Report that Great Lakes Council has developed and promoted the organisational values of teamwork, respect integrity, innovation and customer focus. The Delegate stated that Gloucester and Greater Taree Councils did not address this factor in their submissions. However, he stated that community submissions noted that the three neighbouring centres had more in common than differences.

The Delegate concluded that there was evidence of a shared history of traditions and values across the footprint of the merger proposal. The Delegate considered that this factor supported the merger proposal.

The Commission's view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

5.2.4 Attitudes of residents and ratepayers

Section 263(3)(d) of the Act requires the Delegate to have regard to:

“the attitude of the residents and ratepayers of the areas concerned”.

It was noted in the Report that residents of Great Lakes were the predominant contributors to the review, with most expressing a view that the Council had taken major steps to improve its financial sustainability, organisational culture and service delivery. The Delegate noted that submissions received strongly emphasised that Great Lakes had been found ‘Fit For the Future’ through the IPART assessment process, while expressing concerns about the ‘unfit’ status of the two merger partners, requiring Great Lakes residents to subsidise the financially weaker areas.

The Delegate stated that Greater Taree submitted that it had no statistically valid data on the opinion of its residents and ratepayers. However, the Delegate also noted that some residents stated that the Council failed to engage with the community on local government reform. In contrast, the Delegate noted that Gloucester submitted its community overwhelmingly preferred to stand alone.

The Delegate concluded that attitudes of residents were predominately negative, but that attitudes were gleaned “from a comparatively small number of constituents given that the vast majority did not engage in the examination process”.

The Commission's view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

5.2.5 Elected representation

Section 263(3)(e) of the Act requires the Delegate to have regard to:

“the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area”.

The Delegate noted the ratio of residents to councillors for each current Council, stating that the merger proposal suggested a council comprising nine councillors, or a ratio of 10,056 residents per councillor. A few submissions were noted that expressed concern that the merger proposal foreshadowed a major dilution of access to elected representatives and a lack of knowledge or appreciation of the diverse areas and communities. The Delegate considered that nine representatives would be optimal and adequately meet the representation needs of the combined constituency.

The Report noted that other councils such as Tweed and Port Macquarie have a larger ratio of residents per councillor. The Report stated that given that proportional representation voting would apply, a council of nine representatives could provide 3-4 councillors from the Great Lakes LGA and 4 from the Greater Taree LGA. The Delegate stated that the Gloucester LGA would struggle to secure representation on a merged entity, but that rural voters could cooperate and allocate preferences with each other. He stated that a new council “should create a range of methods by which GSC residents could have reasonable access and input to the democratic process”.

The Report noted that Greater Taree had a popularly elected Mayor and preferred this method, but that Gloucester and Great Lakes supported the election of the Mayor by the councillors. The Delegate recommended that an undivided area with a council comprising nine elected representatives, and the council electing the Mayor, would provide optimal representation.

The Commission’s view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

5.2.6 Service delivery and facilities

Section 263(3)(e1) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities”.

The Report stated that, according to submissions, each LGA considered it was providing adequate, equitable and appropriate services, recognising that with greater resource capacity they could achieve more for their constituents. The Delegate stated that even though the projected savings were small, it was likely that service levels would, at worst, continue at approximately existing levels.

The Delegate discussed each Council submission, and stated that the ability to service a much larger area and achieve service delivery balance would require that resource allocations not benefit one locality over another. The Report noted that a common theme in submissions was that a new council would need to explore the feasibility of upgrading some regional roads to meet access needs while possibly relinquishing ongoing maintenance of other roads of lesser significance.

The Delegate concluded that if the merger was implemented, it is considered unlikely that it would result in any significant reduction in service levels. As noted in the Report, the experience of council mergers in 2003-04 was that service levels were often increased. The Delegate considered that an SRV would assist service delivery, and recommended that the NSW Government’s proposed four year fixed rate path policy not be applied should the merger be implemented.

The Commission’s view is that the Delegate did not adequately consider the issues under this factor.

5.2.7 Employment impacts on staff

Section 263(3)(e2) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned”.

The staff numbers of each Council were outlined in the Report, noting that each Council has staff numbers lower than group averages and this is arguably evidence of under-resourcing or operating efficiency. The Delegate stated that the rural protection provisions in the Act will apply to Gloucester, and that by maintaining a reasonable presence of staff at Gloucester, it would be possible to retain most, if not all, of the existing Gloucester staff.

The Report noted that several submissions suggested that the merger represented a threat to council staff and their employment. Alternatively, the Delegate also noted submissions that suggested that a merged council may attract more highly qualified staff to the area.

The Delegate concluded that in his experience of the 2003-04 mergers, rather than job losses, there were increased employment opportunities. He noted that the number of full-time equivalent employees in merged councils was greater in most instances than pre-amalgamation. The Delegate also stated that it will be important that staff consultation and change management activities are commenced promptly if the merger proposal proceeds, and that it is important that there remain a council presence in Gloucester to enable retention of staff in the existing administration office.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

5.2.8 Rural impacts

Section 263(3)(e3) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on rural communities in the areas concerned”.

The Delegate noted that some submissions suggested that rural communities would face rate increases under a merged council, on the premise that rates would be harmonised. The Report also noted concerns about the negative flow-on effects to the rural economy should staffing be reduced. However, the Delegate also noted that staff in Gloucester would be protected as a small rural centre.

The Delegate concluded that the existing major service centres would continue to provide for surrounding rural communities. The Report stated that a new council would be able to establish priorities for facilities and service provision across the new area which should adequately accommodate the requirements of rural communities. The Delegate suggested that should the merger proposal proceed there would be minimal impacts on rural communities.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

5.2.9 Wards

Section 263(3)(e4) of the Act requires the Delegate to have regard to:

“in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards”.

The Report noted that all three Councils comprise undivided areas, with no Council expressing support for a ward system. Furthermore, the Delegate stated that there were very few submissions received that discussed the issue of wards, with those making submissions generally opposed to a ward system.

The Delegate concluded that there was practically no support for a ward system. The Report stated that an undivided area for electoral representation was preferred to a ward system in order to avoid parochialism and to enhance elected representatives accepting responsibility for the entire area of a merged council.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.10 Opinions of diverse communities

Section 263(3)(e5) of the Act requires the Delegate to have regard to:

“in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented”.

As noted in the Report, there would be approximately 40 towns and villages in a merged council. The Delegate stated that the economic, social and environmental foci and interests of these communities would vary significantly between coastal residents, those in villages and hamlets and others living in rural areas including agricultural and beef and dairy farmers.

The Report noted that Greater Taree was the only Council to consider this factor, and it argued that there would be a loss of representation under a new council due to a much larger area, the dilution of representation, geographical restrictions, population spread and inconsistent telecommunications. The Delegate also noted concern in submissions regarding the importance of fair and equitable allocation of resources to provide inclusiveness for diverse communities. The Delegate further noted that a single entity could make greater use of committees to ascertain issues, opinions and views of diverse communities across the council area.

The Delegate concluded that this factor “was considered to be of only minor importance in respect of the merger proposal”..

The Commission's view is that the Delegate did not adequately consider the issues under this factor.

5.2.11 Other issues

Section 263(3)(f) of the Act requires the Delegate to have regard to:

“such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas”.

The Delegate considered the following three matters with respect to this factor:

- The Delegate noted that the position of MidCoast County Council and its future was unclear should the merger proposal proceed. Currently the board of the County comprises two delegates from each of its constituent councils. The Delegate considered that the ownership of assets held by the County Council should always remain with local government as trustees for the community.
- The Delegate also noted suggestions for boundary adjustments of land to Port Stephens of Port Macquarie Hastings LGAs, stating that the consideration of such boundary adjustments was outside the scope of the review.
- Finally, the Report noted concerns raised by Gloucester Shire Council that Great Lakes is determined to be in the Hunter region and Greater Taree has argued that a merged council should be part of a Mid North Coast Joint Organisation. The Delegate concluded that a new council could determine to align itself with the Hunter or the Mid Coast, or with both regions.

The Commission's view is that the Delegate adequately considered the issues under this factor.