

## PALERANG COUNCIL – CIP

<b>NOT FIT</b>			
Area (km <sup>2</sup> )	5,147	Population 2011	14,850
OLG Group	11	(2031)	20,550
ILGRP Group	E	Merger 2011	54,850
		(2031)	79,050
Operating revenue (2013-14)	\$25.5m	TCorp assessment	Moderate FSR Negative outlook
ILGRP options (preference in bold)	<b>Merge with Queanbeyan Council</b> (yellow) or council in South East JO (all shaded).		
Assessment summary	Scale and capacity	<b>Does not satisfy</b>	
	Financial criteria:	<b>Satisfies overall</b>	
	• Sustainability	Satisfies	
	• Infrastructure and service management	Satisfies	
	• Efficiency	Satisfies	



### Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure and service management and efficiency criteria.
- Scale and capacity is a threshold criterion which councils must satisfy to be Fit for the Future (FFTF), therefore the council is not fit.

### Scale and capacity – does not satisfy

- The council was required to consider the ILGRP preferred option and demonstrate its proposal would be at least as good at achieving the scale and capacity objectives for the region.
- The council's proposal to stand alone is not as good as the ILGRP's preferred option to merge with Queanbeyan. When compared to the merger, the council's population of 20,550 in 2031 means it is unlikely to provide services cost-effectively to the local communities and advocate credibly and partner with government.
- A merged council is likely to have improved capabilities and a more robust revenue base, greater scope to undertake new functions and projects, improved integrated planning and regional collaboration.
- Our analysis of the business case jointly commissioned by Palerang and Queanbeyan Councils calculates the merger could provide benefits to the local communities of \$51m (including a Government grant of \$5m) over 20 years.

### Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance, building and infrastructure asset renewal and own source revenue ratios by 2019-20.
- In its proposal, the council relies on the successful application for and adoption of a special variation from 2016-17 of 40.0% cumulative over 5 years (24.0% above the rate peg).

### Infrastructure and service management - satisfies

- The council satisfies the criterion for infrastructure and service management based on its forecast to meet the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.

### Efficiency - satisfies

- The council satisfies the criterion for efficiency based on a decline in real operating expenditure per capita over the period to 2019-20.

## Other relevant factors

Social and community context	Palerang notes it has two largely distinct socioeconomic groups - one which is within commuting distance of Canberra and has high levels of income and education, and the other which is predominately based on dispersed farming communities. The council's consultant noted a sense of identity may be a challenge to achieve under a merger due to the contrast between Queanbeyan City Council's large and prosperous regional centre and Palerang's largely dispersed rural population.
Community consultation	Palerang has undertaken the following community consultation: a web-based survey, random telephone survey, and community forums. Of its telephone survey of 1,100 respondents, 55% supported remaining a stand-alone council and 21% supported merging with Queanbeyan, with the remaining respondents preferring to merge with other councils. While this consultation appears to have been extensive, we note the flyer provided to the community did not acknowledge any potential benefits of a merger.
Water and/or sewer	Palerang notes it has been operating its water and sewer businesses on a cost recovery basis since 2007. A dividend was not paid for these services for 2013-14 and 2012-13. It notes it has no infrastructure backlog for these businesses following considerable work over the last 10 years.
Submissions	We received seven submissions on Palerang's proposal. Four of these submissions did not support the ILGRP merger, as they considered the council was performing well, the merger was unlikely to result in benefits for Palerang residents and would result in a loss of focus on rural issues and reduced representation. Of these submissions, two submissions indicated they more closely identified with other neighbouring councils (Yass Valley and Goulburn-Mulwaree). Two submissions supported the merger as they considered the consultation undertaken by Palerang was poor and the council was not financially viable. We also received one confidential submission.

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