

## Template 1

# Council Merger Proposal



Office of  
Local Government

# Getting started . . .

Before you commence this template, please check the following:



You have chosen the correct template – only councils that are intending to merge should complete Template 1



You have obtained a copy of the guidance material for Template 1 and instructions for completing each question



You have undertaken analysis of the costs and benefits of the proposed merger. This could include preparing a Merger Business Case for your proposal.



Each council has met the minimum public exhibition requirements for the proposal (28 days) and consulted with staff



Your submission has been endorsed by a resolution of each council involved in the proposed merger.

# 1. The proposed merger

*N.B. This template should be endorsed by all councils within the proposed merger group. The council completing the template on the group's behalf should ensure that endorsements from the other councils are attached to the submission.*

## 1.1 Which councils have agreed to merge and form a new council?

Council A	Young	▼	29 April 2015
Council B	Boorowa	▼	27 April 2015
Council C	Harden	▼	No agreement received
Council D		▼	
Council E		▼	
Council F		▼	

## 1.2 Agreed boundary changes

If there are any external boundary changes proposed in the merger, please provide details below and attach letters of support from the affected councils.

No external boundary changes are proposed.



*See Guidance material Pg 9  
for help completing this section*

## 1.3 Scale and capacity

Is the proposed merger the same as the Independent Local Government Review Panel recommended for your councils?

*(or the same as one option, where more than one was presented)*

Yes



The proposed merger is consistent with the recommendations of the Independent Local Government Review Panel and incorporates the Local Government Areas of Boorowa, Harden and Young. Council believes that the Boorowa/Harden/Young proposal provides sufficient scale and capacity to ensure robust representation, an ability to partner with State and Federal initiatives and provide region-wide delivery of high quality services, infrastructure management and governance at a sustainable level and acceptable cost to the region's community. The proposal is supported by a report commissioned by Boorowa, Harden and Young Councils, with financial assistance from the NSW Government and undertaken by LKS Quaero. Council has provided a copy of the LKS Quaero report as part of the data supporting this submission. Council is of the opinion that there remains scope to expand the merger to include the Shire of Cootamundra to enrichen this opportunity for reform and further grow the scale and capacity of a regional local government.

The LKS Quaero report includes a comprehensive financial model which highlights the declining financial positions of the three Councils and the long term lack of adequate financial capacity that is common amongst small rural Councils. The report lists four (4) possible scenario's of which the most viable is option 2 – Meger of Boorowa/Harden/Young Councils. Under this model there is a rationalization of resources to provide a significant long term saving in fixed costs. While it is acknowledged that such savings are not realizable in the immediate to short term the model highlights the increasing reliance on technology as a key enabler of service delivery and the increased efficiencies of common policies, practices and procedures.

Young Shire currently provides planning services, specialist staff access and plant sharing arrangements to both Boorowa and Harden Shires and believes that a merger would provide a more harmonized strategic direction for the region in terms of resource allocation and scale of works which may be undertaken by a merged entity. The pooled resources would afford a re-design of corporate risk registers and a review of risk appetite. Projects which in the current structures would be exceeding the risk tolerance of individual Councils, could be revisited and re-assessed in light of the greater scale and capacity of the merged entity. Based on the investigations of LKS Quaero, the combined population of Boorowa, Harden and Young is projected to be approximately 20,000 in 20 years time and is currently slightly under that figure based on 2011 ABS data.

For further evidence of how the proposal provides adequate scale and capacity, refer to the report of LKS Quaero.

## 2. The outcome

### 2.1 Delivering key priorities and addressing challenges

Based on the existing Community Strategic Plans of Boorowa/Harden/Young Councils there are 4 key themes that are a common priority across the region.

These 4 priorities are included and discussed in the table below.

Priorities	How will the merger help you deliver these priorities?
Council will need to develop a Community Strategic Plan that recognizes and articulates both local and regional community aspirations, needs and capacity.	By having a single governance structure the new Council will have the ability to efficiently and effectively engage with its communities. It is assumed that the NSW Government will provide adequate support resources to the new Council to develop a new and comprehensive Integrated Planning and Reporting Framework that will guide the decision making of the new Council.
Develop agreed affordable service levels with the community	It is anticipated that the merged Council will be able to deliver existing services in a more cost effective manner whilst offering a higher strategic capacity and improved ability to define the cost of services. It is assumed that the NSW Government will provide support resources to allow the new Council to clearly define service levels and facilitate service level cost consultation with its community.

Integrating systems, policies and plans	For the new Council to realize the potential efficiencies that have been identified by LKS Quaero it will be essential to develop and implement new & harmonised systems, common policies and plans that create efficiencies relative to the status quo of the individual Councils. Such measures will include implementation of a single Local Government Information System, consolidation of existing Local Environment Plans, aligning revenue and industrial policies. The process and systems alignment is expected to absorb considerable resources and will require external assistance. It is assumed that the NSW Government will provide the necessary resources
United Community	A merged Council will remove the existing internal boundaries imposed by local government and allow the broader creation of communities of interest and unite regional networks.
Economic Development	A merged Council will allow a more regional focus on economic development, building on existing strengths and exploiting opportunities for new growth and expansion of existing infrastructure. The rationalisation of tourism and promotional resources will allow a more focused investment in the promotion of the Hilltops region. A merged Council will have the scale and capacity to focus on complimentary development and regional diversity in order to grow regional capacity.

## Leadership

A merged Council will provide far greater opportunity for the region to be recognized as a capable partner by State and Federal Government. The Council will be a capable stakeholder in any Joint Organisation of Councils, and capable of undertaking increased advocacy and leadership roles. The Councils of Boorowa, Harden and Young are currently members of the Canberra Region Joint Organisation (encompassing the Independent Panels proposed South East and Tablelands Joint Organisations and inclusive of the ACT).

## Sustainable Environment

The 3 Councils currently have Local Environment Plans developed in isolation. There has been limited consideration given to cross-border land use needs or cumulative impacts of development across the region. A merged Council would be able to better identify compatible and complementary land uses giving consideration to cumulative environmental impacts. In addition there will be greater opportunities to identify large scale environmental improvement initiatives. The 3 Councils current manage noxious weeds jointly through a County Council arrangement (with Yass Valley Shire Council also a member) demonstrating the benefit of working together on sustaining the environment.

## Challenges

How will the merger help you meet these challenges?



On-going Financial sustainability	<p>The financial models presented by LKS Quaero identify significant savings may be achieved through rationalization of resources and conversion of some built assets to cash. Opportunities exist to re-invest the savings into asset renewals, revised service delivery models and service catalogue expansion. The new Council will consult with its community to determine the most effective means of realizing best value from re-investment. The financial model assumes a once only financial injection of \$11million to assist in the merger costs for the new Council. It is anticipated that with improved cash positions a higher ability to service debt will allow future Councils to undertake a broader range of works.</p>
Receiving adequate political recognition	<p>As individual Councils it is often difficult to get the political recognition desired due to a lack of scale that is considered statistically significant to other levels of government. A merged Council will provide a base population that is of a more significant scale</p>
Securing competitive grant funding	<p>For each of the Councils in the proposed merger it is often difficult to secure competitive grants. Many opportunities require shovel-ready projects which are resource intensive to develop and may be subject to co-funding. Typically costs in developing shovel-ready projects are regarded by communities as being better spent in delivering services. Limited financial reserves also hinder the range of projects for which grant funds may be sought.</p> <p>A merged Council would have greater financial capacity and would be better positioned to meet the shovel-ready criteria.</p>
Aging Population	<p>A merged Council would be better placed to manage the risk associated with an aging population. A merged Council would have adequate scale and capacity to strategically plan for the challenges and economic opportunities that may be associated with an aging population.</p>

Forecast static population	Although there are conflicting population growth projections, sustained growth will not occur unless the attractive attributes of the region are adequately leveraged and promoted. As a larger entity, the new Council would be better placed to plan for and attract growth. This will include better land use planning and provision of facilitative infrastructure.
Retaining appropriate representation and identity	The formation of a new Council will require a transition in the current balance of representation for each existing Council. LKS Quaero propose to mitigate the risk during such transition through the establishment of local community boards. The new Council would have the opportunity to utilise this model should it be considered an appropriate method of maintaining community engagement and representation.



*See Guidance material Pg 10 for help completing this section.*

## 2.2 Financial and non-financial benefits of the merger

Summarise the key benefits of the proposal and the risk management strategies and assumptions that support your findings

The LKS Quaero report attached to this submission identifies a number of the benefits associated with a merger. Several of the key benefits including so of those identified by LKS are presented below:

### Benefits

Benefits	Impacts	Assumptions	Risks	Mitigation
Ability to attract and retain skilled staff	Each of the individual Councils currently finds it difficult to attract and retain highly skilled and specialist staff. Generally limited opportunities exist for advancement or career re-design in small and traditionally conservative organisations. Similarly, within the 3 Councils, key roles and functions are typically unable to be filled during periods of leave or absence from work.	It is assumed that with a broader range of services there will be increased opportunity for career progression as well as the ability to create more attractive opportunities for specialised staff. It is also assumed that a larger Council will enjoy greater levels of multi-skilling to cover periods of absence or vacancy in key positions.	There is a risk that some high quality staff may leave the organisation or find it difficult to transition from historical roles to new ones.	Develop an organisational structure that provides flexibility, builds organisational resilience and encourages multi-skilling.

Ability to secure employment	Based on the investigations of LKS Quaero it is highlighted that the individual Councils would need to review existing services should no merger occur. The need to shrink the service catalogue and re-align service levels with financial capacity would have a direct impact on the affordable staffing levels of the Councils. A merger would allow the opportunity to create efficiencies and over a period of time transition the types of roles within the organisation. Financial models predict operating surpluses can be achieved over a period whilst retaining full time equivalent employee numbers.	It is assumed that a process of normal attrition would be employed to transition employee costs from the operational area to the capital area. This transition is likely to take considerable time, however the new Council may elect to accelerate the change management process through the use of appropriate industrial tools.	There is a risk that the new organisation may seek to accelerate transition and suffer from Corporate Knowledge depletion or short term skills shortages.	Provide an adequate transition period and undertake a comprehensive needs analysis prior to making any structural decisions to minimize the impact on existing staff and to mitigate against impact on corporate knowledge and systems.
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<p>More efficient allocation of resources</p>	<p>Currently the 3 Councils employ different Local Government Information systems, running on differing platforms at varying levels of deployment within the organizations. This leads to considerable replication of costs at each Council. The use of a single system on a common platform would reduce direct costs and provide further saving in indirect support costs. The regional rationalization of plant resources would provide opportunities for increased plant utilization and reduction of external contractor needs. Centralised procurement processes would allow the effective use of bulk purchasing and afford more efficient procurement planning processes.</p>	<p>It is assumed that the NSW Government will provide funding to assist with the resource rationalisation and implementations.</p>	<p>The transition period required to facilitate more efficient allocation of resources (human, financial and physical) is likely to be extensive and will be subject to disparate timeframes. A “one size fits all” approach will not work.</p>	<p>Use of JOC to facilitate efficiencies in procurement. Use of NSW Government funding to undertake a comprehensive conversion and change management process .</p>
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## 2.3 Financial and non-financial costs of the merger

Summarise the anticipated costs of the proposal and the risk management strategies and assumptions that support your findings.

Please refer to the LKS Quaero report for a detailed summary of merger costs.

The forecast cost of merger identified by LKS Quaero is \$4.9m. Whilst there is no assurance that costs can be contained to this level Council believes that without the assistance of the NSW Government such costs could not be met nor could the merger meet the expected outcomes. The report identifies the major cost centres as follows:

- Employee costs - \$2800k
- Information Technology - \$1040k
- Council Re-branding - \$500k
- Transition Board - \$460k
- Policy Alignment - \$100k

*It should be noted that a proportion of these costs may be incurred over a number of years and not in the immediate to short term.(i.e.< 3 years)*

### Costs

Costs	Impacts	Assumptions	Risks	Mitigation
Refer to LKS Quaero Report for a detailed analysis of costs.	The merger Council would be adversely impacted by a lack of Financial assistance from the NSW Government	Assistance of \$11million to be provided by NSW Government	Failure of funding assistance from NSW Government to materialise	Lodgment of Fit for the Future Template 1 – Merger Proposal. Broad support for merger from communities.




*See Guidance material Pg 11 for help completing this section.*

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## 3. How has the community been involved?

### 3.1 Discussing the options

During the initial stages of the NSW local Government Reform process Council identified that a merger of Boorowa, Harden and Young was likely to be the Independent Review Panel's recommended outcome for the Hilltops Region. Seizing on this opportunity the 3 Councils decided to proactively explore the options available as objectively as possible and to focus on the best possible outcomes for their own communities and the broader regional community. The 3 Councils took the view that leading reform was more likely to produce a better outcome for all communities than having reform imposed upon the region without any opportunity to partner in the reform process. The Mayors of Boorowa/Harden/Young Shires met with the then Minister for Local Government and sought his support for a feasibility study and business case review for a merger or alternate arrangements.

The 3 Councils established a Hilltops Steering Committee to guide the process of assessing the options available to the Councils. Terms of reference for the steering committee were developed and endorsed by the 3 Councils. Such terms of reference are provided as supportive data for this submission.

As part of the process of objectively assessing options, the 3 Councils initiated a mechanism with the support of the NSW Government to ensure that there was some independence when considering options. This involved developing a clear and concise consultancy brief outlining the options to be explored and the methodology to be followed in assessing such options. Such brief is provided as supportive data for this submission.

Following a competitive tender process LKS Quaero were engaged to undertake an options analysis and develop a preliminary business case for a potential merger which was one of 4 options to be investigated. One of the options to be investigated was a merger consisting of more Councils than recommended by the independent panel however at the time there was no appetite from surrounding Councils to participate in investigating this option. Each of the councils bordering either Boorowa, Harden and Young were consulted and offered an opportunity to participate in a presentation outlining the work the 3 Councils would be undertaking, however all declined participation.

During the options analysis there was a short period where Harden withdrew from the participation, however subsequently Harden Shire rejoined the project and was party to the engagement of LKS Quaero. Such engagement was made prior to the establishment of the Merger Business Case Panel.

In December 2014 LKS Quaero delivered the final draft report and subsequently the 3 Councils released such report to the community for consideration and review of the options available. In March 2015, Council provided every postal address within the Shire and every non-resident owner with a Community Notice which explained the Local Government Reform Process to date, gave



an overview of the LKS Quaero findings for each of the 4 possible scenarios and invited attendance at a series of 6 Community forums and 2 community kiosks to be conducted throughout the Shire. The purpose of the forums was to engage with the community through presentation of LKS Quaero findings, examination of implications and explanation of the options available to Council, and to provide the community an opportunity to ask questions and express their views. Public information kiosks were operated in the central business district of the Young township to allow the community further opportunity to speak directly with Senior Staff and Councillors, seek information and make comment. Community feedback and comments both written and oral were pro-actively sought during this period and have been encourage in the post forum period.

In addition to the public fora and community kiosks, Council held consultation meetings with the local Chamber of Commerce, and high profile service organizations. It is worthy of note that during such meetings it became evident that the business community and its members support a merged local government.

The conduct of regular staff briefings for both indoor and outdoor staff has ensured that the Council workforce has been engaged and kept abreast of developments during the Local Government Reform process. Staff have also been encouraged to attend the public forua.

It is worthy of note that the majority of written submissions favoured a merger of the 3 Councils, with many community members supporting the pro-active position taken by Council in dealing with reform sooner rather than later.

Throughout the NSW Local Government Reform Process Council has heavily enagaged with its community via a delivered a variety of messages through a range of media to the community All informational material such as media releases, community newsletters, and Fit for the Future updates was provided in print, social media and via Council's website to ensure the broadest possible distribution opportunity. Copies of informational material produced by Council are supplied in support of this proposal.



*See Guidance material Pg 12 for help completing this section.*

## 3.2 Explaining the benefits and costs

To assist in the community consultation and in order that the community may be fully informed of the findings of LKS Quaero, Council prepared a Powerpoint presentation which factually underpinned the community forums. The presentation provided a detailed outline of the consultants brief, the process undertaken by LKS Quaero and the findings for each of the 4 options contained in the brief. For each option Council provided a summary of the LKS Quaero findings.

In addition to providing the Powerpoint presentation, full copies of the LKS Quaero report were made available for members of the public to review. The LKS Quaero report includes detailed financial projections for each of the 4 scenarios and assessments against 6 of the Fit for the Future self assessment criteria.

Such models clearly highlight the relative financial outcomes of each option, with option 2 – Merger of the 3 Councils producing a compelling business case and demonstrating to the community the need for structural reform of the industry. The community has been accepting of the transitional costs and there is wide anticipation of State Government Financial assistance in meeting such costs.



*See Guidance material Pg 12 for help completing this section.*

## 3.3 Community response

### Benefits

The community has conveyed its support of Council in leading the merger option and has urged Council to be an active partner in growing regional scale and capacity through pursuit of merger partners. There is an expectation of improved and stronger strategic direction, focused economic and social lobbying and broader opportunity to partner with State and Federal Governments.

### Concerns

The primary concerns of the community communicated during the consultation phase was the exposure to loss of services and / or degradation of services, adverse financial positions of potential partner Councils, financial impacts on rates and charges and exposure to loss of staff / employment.



See Guidance material Pg 13 for help completing this section.

## 4. How will the merger help you achieve the benchmarks?

An extensive financial model forms part of the LKS Quaero merger report and is projected out for a period of 10 years. It is conceded that initially a merged Council will not meet all fit for the future benchmarks, but will rebound in the medium to long term to provide a more financially sound regional Council with sufficient scale and capacity to consistently achieve the benchmarks.

For purposes of Fit for the Future benchmark performance it should be noted that the financial projections of LKS Quaero allow for the accumulation of operational savings as unrestricted cash, to be used by the Council as it sees fit. As such the Building and Infrastructure Asset Renewal Ratio and Infrastructure Backlog Ratio have remained below the benchmarks.

It is anticipated that a merged Council would seek to use increased unrestricted cash to meet asset renewals, service new debt and accumulate internal restricted reserves. Refer to Page 11 of LKS Quaero report for a summary of Fit for the Future Benchmark projections.

### 4.1 Expected improvement in performance

Measure/ benchmark	2016/17	2017/18	2018/19	2019/20
<b>Operating Performance Ratio</b> (Greater than or equal to break-even average over 3 years)	14.8%	-1.3%	3.9%	6.0%
<b>Own Source Revenue Ratio</b> (Greater than 60% average over 3 years)	54%	65%	62%	65%
<b>Building and Infrastructure Asset Renewal Ratio</b> (Greater than 100% average over 3 years)	76%	75%	82%	80%
<b>Infrastructure Backlog Ratio</b> (Less than 2%)	6%	7%	7%	7%
<b>Asset Maintenance Ratio</b> (Greater than 100% average over 3 years)	Not determined as Council priorities for cash savings are unknown			

## 4. How will the merger help you achieve the benchmarks?

**Debt Service Ratio**

(Greater than 0% and less than or equal to 20% average over 3 years)

5.3%

6.5%

5.0%

4.9%

**Real Operating Expenditure per capita**

(A decrease in real operating expenditure per capita over time)

2.63

2.52

2.40

2.36