

Assessment of the Fit for the Future Options

Background

Cootamundra and Harden Shire Councils each took a proactive approach to respond to the Fit for the Future package. Each Council has accepted the need for change and recognised the opportunity to be involved in determining the future.

The Final Report of the NSW Independent Local Government Review Panel released in October 2013 identified the preferred options for each Council as follows.

Council	Group	Options (preferred option shown in bold where applicable)
Harden	Group B	Merge with Boorowa and Young or Rural Council in Tablelands JO
Cootamundra	Group F	Council in Riverina JO or merge with Junee

After considering the preferred options of the Panel, as well as several other alternative options, Harden and Cootamundra councils have resolved that their merger is the superior option.

What options were considered?

Option	Considered by	Outcome
Merger of Cootamundra and Harden	Cootamundra and Harden	<p>The business case that was prepared and analysed by both Councils has been circulated to the entire community, and has been selected as the preferred option by both councils.</p> <p>The business plan forms an attachment to this submission.</p>
Merger of Harden, Boorowa and Young	Harden	<p>Harden, Boorowa and Young commissioned a consultants report to identify the potential benefits of a merger, as well as to consider all options for governance and service delivery involving the three Councils.</p> <p>Boorowa and Young Shire Councils have both resolved to prepare a Template 1 submission based on this proposal, however Harden Shire Council has resolved not to support the proposal.</p> <p>Further detail and analysis is provided below.</p>

Option	Considered by	Outcome
Rural Council status	Harden	<p>The investigation in to rural council status culminated in a decision that this would not be in the best long term interest of Harden Shire.</p> <p>Further detail and analysis is provided below.</p>
Merger of Cootamundra and Junee	Cootamundra	<p>Preliminary talks were held with Junee Shire Council, which indicated that Junee intended to stand alone.</p> <p>Cootamundra agrees with Junee that potential efficiency gains would be limited, primarily as a result of the topography of the Bethungra Range which separates the two council areas.</p> <p>Further detail and analysis is provided below.</p>
Council in Riverina JO	Cootamundra	<p>The investigation of the possibility of retaining Council status in the Riverina Joint Organisation culminated in a decision that this would not be in the best long term interest of Cootamundra Shire.</p> <p>Further detail and analysis is provided below.</p>
Merger of Harden, Cootamundra and Gundagai	Harden and Cootamundra	<p>Preliminary talks were held with Gundagai Shire Council in to the potential advantages of an amalgamation with both Cootamundra and Gundagai.</p> <p>This option was considered to have several advantages by Harden and Cootamundra. However, Gundagai Shire Council have indicated that they intend to stand alone so no further work was undertaken on this proposal.</p>
Merger Cootamundra and Temora	Cootamundra	<p>Cootamundra attempted discussion with Temora, who indicated their intention to stand alone so no further work was undertaken on this proposal.</p>

Option	Considered by	Outcome
<p>Merger of Harden, Cootamundra, Young and Boorowa</p>	<p>Harden and Cootamundra</p>	<p>This possibility was posed by young but rejected by Cootamundra on the basis that it varied the focus of Cootamundra and the southern half of Harden Shire away from the Riverina.</p> <p>Cootamundra does not consider Young to be a regional centre and did not accept the proposal, so the offer from Young to investigate this option was declined.</p>
<p>Merger of Harden and Yass</p>	<p>Harden</p>	<p>Preliminary talks were held with Yass Shire Council, and they indicated that they intend to stand alone so no further work was undertaken on this proposal.</p>

Merger of Harden, Boorowa and Young

Summary

In June 2014, Harden Shire Council, with Boorowa and Young, and with support from the Office of Local Government, commissioned a report to broadly identify all options for governance and service delivery involving any or all three of the Councils, known as the Hilltops Proposal¹. The report identified potential benefits for the merger of the three Councils, however, ultimately, after full consideration of the options presented, Harden Shire Council resolved not to support the conclusions contained within this report.²

The merger proposal was placed on public exhibition, with Council notifying the community that it did not support the outcomes identified by the report. Council received no submissions during the public exhibition period.

Boorowa and Young Shire Councils have resolved to lodge a proposal that includes the forced amalgamation of Harden Shire Council. The competitive approach taken by Boorowa and Young is consistent with the approach they have followed throughout the process of preparing the Hilltops Proposal, and much of the communication and decision-making throughout that process was hampered because of the persistent focus on protecting the separate interests of the existing councils, rather than being motivated by the creation of a brand new organisation.

Harden, Boorowa and Young S.W.O.T. analysis

¹ Hilltops Regional Governance and Service Delivery Review
<http://www.harden.nsw.gov.au/f.ashx/Hilltops-Region-Governance-Service-Delivery-Review.pdf>

² Harden Shire Council meeting minutes from 18 Feb 2015, resolution no. 10/02/15, page 10. <http://www.harden.nsw.gov.au/f.ashx/18-3-15-business-paper-public.pdf>

Strengths	Weaknesses
<ul style="list-style-type: none"> • <i>Increases population base.</i> • <i>Multiple existing partnership arrangements in place between the three Councils for service provision.</i> • <i>Estimated annual savings of \$5.6million, based primarily on staffing reductions³.</i> • <i>Estimated Operating surpluses over the 20 year budget period.⁴</i> • <i>Service and infrastructure improvements achievable through process of systems review</i> • <i>Time to plan – early knowledge of the prospective merger allows the time to provide an in depth implementation plan.</i> • <i>\$11 million grant to be used for implementation to minimise distraction from focus on service delivery.</i> • <i>Strong links and communities of interest between some of the towns, villages and rural locations.</i> 	<ul style="list-style-type: none"> • <i>The business case shows that after 10 years, in 2024, only 3 out of 6 FFTF criteria are achieved.⁵</i> • <i>The financial cost of the merger is estimated at \$4.9m⁶, (compared with the estimated cost of the Harden-Cootamundra merger of \$2m).</i> • <i>Public acknowledgement that the assumptions used by the business case supporting the merger are flawed.⁷</i> • <i>Increased rules and regulations in a larger organisation, loss of small council efficiencies.</i> • <i>The amalgamated Council is significantly over-staffed with \$4.472 million (or 26.6%) expenses identified to be cut in employee costs.⁸</i> • <i>No clear communication to local communities about major implementation strategies and community impacts.</i> • <i>The potential for centralisation of administration services and depot sites involving relocation from the smaller communities of Boorowa and Harden.</i> • <i>Community opposition to the merger.^{9 1011}.</i>

³ Hilltops Regional Governance and Service Delivery Review, page 21

⁴ Hilltops Regional Governance and Service Delivery Review, page 11 of the Merger Finance Reports.

⁵ Hilltops Regional Governance and Service Delivery Review, Page 12 of the Merger Finance Reports. NB The business case did not make an assessment of the Asset Maintenance Ratio.

⁶ Hilltops Regional Governance and Service Delivery Review, page 21.

⁷ "... some of the assumptions in the investigation may have been overly optimistic..."

Boorowa Council media release 28/4/15

http://www.boorowa.nsw.gov.au/images/documents/boorowa/Media%20Releases%202015/Media%20Release%20-%20Fit%20For%20the%20Future%20-%2028%20April%202015%20_2.pdf

⁸ Hilltops Regional Governance and Service Delivery Review, Page 21.

⁹ Harden Shire Council received 79 community submissions to its proposal to merge with Cootamundra that specifically commented on the option to merge with Young Shire Council or the Hilltops proposal. Of those 79 comments, 63 expressed a strong opposition to the Hilltops option.

¹⁰ Young and Boorowa Councils have not published results of community consultation; both the Young Witness and Boorowa News have conducted online polls, with the following results: Young Witness Poll 'Should Young Shire Council take advantage of financial incentives to amalgamate?' 20 votes for and 24 votes against.

<http://www.youngwitness.com.au/story/2663125/poll-should-young-shire-council-take-advantage-of-financial-incentives-to-amalgamate/>

Strengths	Weaknesses
	<ul style="list-style-type: none"> • <i>Staff of Harden Shire Council are largely opposed to the merger.</i> • <i>Acknowledged weak position of smaller Councils.¹²</i> • <i>Disagreement within leadership about the central vision of the new Council, with Young and Boorowa believing that Young should be promoted as a Regional Centre, and Harden Council wanting to enhance links with the existing regional centres of Wagga, Canberra and Queanbeyan.</i> • <i>Perceived change in democratic processes via decreased Councillor representation.</i>
Opportunities	Threats
<ul style="list-style-type: none"> • <i>Opportunity for the development of a strong JO in CBRJO, that includes alliances with the ACT Government.</i> • <i>Improved regional decision making and regional strategic infrastructure planning.</i> • <i>Increased capacity to become an effective political advocate.</i> • <i>Larger budget provides the capacity and flexibility to undertake larger projects.</i> • <i>Economies of scale and scope – strategic and economic advantages.</i> • <i>Easier to recruit to a larger organisation and better career paths.</i> • <i>Prospect that the three Councils could begin to focus on the creation of a brand</i> 	<ul style="list-style-type: none"> • <i>Relatively high dependence on grant income.</i> • <i>Council is the largest employer in Boorowa, and a significant employer in Young and Harden. Reduction in local employment would greatly impact the local economies.</i> • <i>Short term issues with differences in salary structure and employee benefits.</i> • <i>Major structural review and redundancies could result in loss of best staff and corporate knowledge.</i> • <i>Competition rather than cooperation between the three Councils at the outset will continue to create disunity.</i> • <i>A mis-match of organisational cultures</i>

Boorowa News 'Should Boorowa Council amalgamate with Harden and Young?' 9 votes for and 26 votes against. <http://www.boorowanewsonline.com.au/story/2736694/poll-should-boorowa-council-amalgamate-with-harden-and-young/>

¹¹ Harden Murrumburrah Express, "Boorowa council merger talks" 12 February 2015. "There was an air of resigned acceptance in the room when more than 120 people attended a public meeting in Boorowa earlier this week to discuss the Boorowa Shire Council's possible merger options. According to those at the meeting many people there were not happy with the concept of local shires merging but no one spoke out strongly against the idea. There was acceptance for Boorowa merging with Harden, however many there voiced concerns about Boorowa merging with Young. Many feared that because of Young's size it would dominate the smaller shires in any merged entity. Concerns were also expressed about council job losses in any merger."

¹² "There is still considerable uncertainty as to what will eventuate; and should we remain as an individual Council we will need to go through a major service review process." Boorowa Council Newsletter April 2015, page 1. <http://www.boorowa.nsw.gov.au/images/documents/boorowa/Newsletter/Boorowa%20Council%20Newsletter%20-%20April%202015.pdf>

Opportunities	Threats
<p><i>new organisation, and start working cooperatively.</i></p> <ul style="list-style-type: none"> • <i>Capacity to review all landuse planning instruments.</i> • <i>The formation of "Hilltops Council" provides for ongoing promotion for the Hilltops Food and Wine region.¹³</i> • <i>Use of Area Committees to ensure broad community representation is maintained.¹⁴</i> 	<p><i>could prevent the integration of the workforce into a unified whole.</i></p> <ul style="list-style-type: none"> • <i>Community perception that the new organisation will focus on promoting the Regional Centre in Young, potentially at the expense of the smaller townships.¹⁵</i> • <i>Differences in revenue policies will take time to align.</i> • <i>Implementation phase will take time and effort and has potential to distract focus from service delivery.</i> • <i>Miscommunication with the community, staff, regional partners and stakeholders could affect outcomes. Ongong development and monitoring of the communications strategy is critical.</i> • <i>Misalignment of three LEPs creating difficulties with landuse decisions.</i> • <i>Alignment with 'Hilltops' agricultural area could blur distinction between business interests and the new Council interests.</i>

¹³ Boorowa, Harden and Young Councils and local businesses have formed a successful and well supported strategic alliance to promote and develop the Hilltops Region.

<http://www.visitnsw.com/destinations/country-nsw/young-area/food-and-wine>
<http://hilltops.com.au/>

¹⁴ Hilltops Regional Governance and Service Delivery Review, Page 21.

¹⁵ Boorowa business owners express their opposition, Sydney Morning Herald, 19 June 2015. <http://www.smh.com.au/nsw/young-boorowa-and-harden-proposed-for-hilltops-local-government-region-20150619-ghgg5n.html>

Rural Council status for Harden Shire Council

Summary

Harden Shire Council investigated retaining Rural Council status but quickly determined that to do so would not counteract future predicted decreases in real dollar funding, and could not counteract future cost increases based on the regular increase in costs above rate pegging and increase in demands from the community.

Harden also concluded that Rural Council status would reduce the capacity to provide the services required to remain a vibrant community and would leave the community vulnerable to future changes that may be proposed by Government.

Rural Council S.W.O.T. analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• <i>No benefits or improvements identified.</i>	<ul style="list-style-type: none">• <i>Does not provide population increase.</i>• <i>Does not increase financial capacity.</i>• <i>No benefits or improvements identified.</i>
Opportunities	Threats
<ul style="list-style-type: none">• <i>SEROC has potential to improve access to Canberra region services.</i>	<ul style="list-style-type: none">• <i>Continual threat of further instability associated with small population.</i>

Cootamundra and Junee merger

Summary

Cootamundra Shire Council held discussions with Junee, despite Junee indicating early in the process that it intended to stand alone.

Despite Junee's intention Cootamundra undertook a basic assessment of the potential of a merger but concluded that the lack of easy access as a result of the Bethungra Range severely limited the capacity for joint activity and savings on duplication of effort. The physical separation of the two council areas also means that very few natural communities of interest exist between the two communities at present.

A desktop analysis was conducted by comparing the following external information to identify positive and negative impacts of a merger:

- OLG Comparative Data
- TCorp Financial Sustainability Rating
- 2013 Infrastructure Audit
- 2013/14 Statement of Compliance data
- 2013/14 Financial Statements
- Ken Crawford Analysis 2013/14
- Local Government Grants Commission return

Despite the financial inducements for merger options it was concluded that the cost of implementing the necessary administration changes provide only margin benefits. This can be attributed to several factors:

- Population density remaining very low.
- Road Asset maintenance and renewal remain as a high proportion of council expenditure. There was very little evidence that economies of scale or scope would produce a significant improvement in this area.
- Real efficiencies could be activated with an offer of voluntary redundancies to some administration and managerial areas of both organisations. The cost of applying such a process would eat into the incentive amounts offered by the State Government for merging councils.
- Disruption costs associated with a merger, software and hardware integration where seen as negatives.
- Neither council was considered superior in terms of corporate management so the merger exercise in itself would not provide any advantage. Regardless of a merger, both Council should focus on reviewing processes and implementing best practice to make efficiency gains.

Cootamundra and Junee S.W.O.T. analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • <i>Increases population base.</i> • <i>Benefits through resource sharing and access to specialised staff through membership of a strong ROC / JO in REROC.</i> • <i>Capacity to undertake better practice programs and install a culture of continuous improvement.</i> • <i>Service and infrastructure improvements achievable through process of systems review.</i> • <i>Time to plan - early knowledge of the prospective council merger allows the time to provide an in-depth implementation plan.</i> • <i>\$5 million grant to be used for implementation to minimise distraction from focus on service delivery.</i> 	<ul style="list-style-type: none"> • <i>Physical barrier created by Bethungra Range, present north boundary of Junee and south boundary of Cootamundra. Only one two lane sealed road (Olympic Highway) directly joins Junee and Cootamundra. To the east it is necessary to go through Gundagai town, and to the west it is necessary to go through Temora Shire to travel between the Cootamundra and Junee.</i> • <i>Lack of access creates limited capacity to rationalise plant, offices, depots, halls, or other facilities.</i> • <i>The physical separation means that Junee residents do not travel north to use any Cootamundra facilities and likewise Cootamundra residents do not travel south to use Junee facilities.</i> • <i>Junee residents do not use the Olympic Highway through Cootamundra for travel to Sydney, rather they travel via Gundagai.</i> • <i>Cootamundra residents travel through Junee to reach Wagga as a destination; 'travel through' being the operative words.</i> • <i>There are no traditional joint arrangements between Junee and Cootamundra other than those involving WWCC and/or REROC as a larger joint arrangement.</i> • <i>Junee and Cootamundra are involved in many separate, and often conflicting joint arrangements which would need to be aligned.</i> • <i>Due to the geography there are no natural 'communities of interest' between Junee and Cootamundra.</i> • <i>Asset management systems need further development in order to accurately report on infrastructure backlog issues.</i> • <i>Increased rules and regulations in a larger organisation, loss of small council efficiencies.</i> • <i>Perceived change in democratic processes via decreased Councillor representation.</i> • <i>The Councils are in different phases to improve revenue streams. Junee has already received approval for SRV 2014/17, Cootamundra has not yet started the SRV application.</i>

Strengths	Weaknesses
	<ul style="list-style-type: none"> • <i>Staff opposition to merger with Junee and Cootamundra staff indicating that the merger between Junee / Cootamundra was not the preferred option.</i>
Opportunities	Threats
<ul style="list-style-type: none"> • <i>Put strong staff consultation process in place for staff communication and involvement, to support the merger.</i> • <i>Improved regional decision making and regional strategic infrastructure planning.</i> • <i>Increased capacity to become an effective political advocate.</i> • <i>Investment in regional infrastructure possible, in particular as a member of the Riverina JO.</i> • <i>Larger budget provides the capacity and flexibility to undertake larger projects.</i> • <i>Minor economies of scale and scope – strategic and economic advantages.</i> • <i>Easier to recruit to a larger organisation and better career paths.</i> • <i>Capacity to review landuse planning instruments.</i> • <i>Use of technology to overcome physical separation of offices and facilitate teamwork.</i> 	<ul style="list-style-type: none"> • <i>High dependence on grant income.</i> • <i>Creation of council which continues to operate as two distinct entities north and south of Bethungra Range.</i> • <i>Inability to create a single council culture.</i> • <i>Short term issues with differences in salary structure and employee benefits.</i> • <i>Major structural review and redundancies could result in loss of best staff and corporate knowledge.</i> • <i>Differences in revenue policies will take time to align.</i> • <i>Implementation phase will take time and effort and has potential to distract focus from service delivery.</i> • <i>Miscommunication with the community, staff, regional partners and stakeholders could affect outcomes. Ongoing development and monitoring of the communications strategy is critical.</i> • <i>Perceived loss of social identity in small communities.</i> • <i>Multiple work sites in two towns means additional movement of staff, creating potential for inefficiencies.</i>

Cootamundra Council in Riverina JO

Summary

Cootamundra considered the potential to remain as a council in the Riverina JO early in its deliberations but determined that if it was serious about planning for the 10-20 year horizon it would need to increase its population base and rate income base. Council simply looked back 20 years and considered whether it could see itself being in a position in 2035 to cope with the same degree of change that it had dealt with over the past 20 years. The answer was simple and as a result council determined to investigate the potential for sensible mergers that would provide the scale and capacity that will be needed in the future.

Cootamundra Council in Riverina JO S.W.O.T. analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <i>REROC has provided savings of well over \$2m to Cootamundra as a result of joint activity with other Riverina councils over 20 years.¹⁶</i> <i>Capacity to undertake better practice programs and instill a culture of continuous improvement.</i> 	<ul style="list-style-type: none"> <i>Does not increase Council's population prospects and as such leaves Council vulnerable to future local government reform.</i> <i>Does not increase financial capacity.</i> <i>Whilst Cootamundra has benefitted from membership of REROC by well over \$2 million dollars over the past nearly 20 years, Council does not see the JO substantially increasing Council's financial capacity. In fact the potential costs of the mandatory aspects of the JO may be a burden on Council's finances.</i> <i>Does not afford Council access to the ACT region in the same way that a Harden merger affords access to all existing Harden contacts.</i> <i>Asset management systems need further development in order to accurately report on infrastructure backlog issues.</i>
Opportunities	Threats
<ul style="list-style-type: none"> <i>REROC joint activities will continue (whether as REROC or Riverina JO).</i> <i>Use of technology for efficiency gains and improved communication.</i> 	<ul style="list-style-type: none"> <i>Continual threat of further instability associated with small population.</i>

¹⁶ REROC Report - Achieving Strategic Capacity through Regional Collaboration
<http://www.cootamundra.nsw.gov.au/f.ashx/6.-REROC-Report-Achieving-Strategic-Capacity-through-Regional-Collaboration.pdf>