

## Open Letter

The Council has received a number of questions from a concerned ratepayer requesting that the questions be answered and published for the information of the Gwydir Community.

The questions and the Council's responses are detailed below:

### Background Information

Gwydir Shire Council has resolved to submit a standalone proposal to the NSW State Government. This submission will be lodged prior to 30<sup>th</sup> June 2015.

The NSW Government has issued a series of benchmark tests that each local government authority must attempt to meet over the next 5 year period. These Fit for the Future benchmarks are detailed below:

## 1. Sustainability

### 1.1 Operating Performance Ratio

#### Net continuing operating result (excluding capital grants and contributions)

#### Total continuing operating revenue (excluding capital grants and contributions)

Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements.

#### Target

Greater or equal to break-even average over 3 years

Gwydir's current rating - Not met - average over 3 years **-0.320**

### 1.2 Own Source Revenue Ratio

#### Total continuing operating revenue (excluding all grants and contributions)

#### Total continuing operating revenue (including capital grants and contributions)

Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability.

#### Target

Greater than 60% average over 3 years

Gwydir's current rating - Not met - average over 3 years **59.1%**

### 1.3 Building and Asset Renewal Ratio

#### Asset renewals (building and infrastructure)

#### Depreciation, amortisation and impairment (building and infrastructure)

Measures whether a council's assets are deteriorating faster than they are being renewed – indicator of whether a council's infrastructure backlog is likely to increase.

#### Target

Greater than 100% average over 3 years

Gwydir's current rating - Not met - average over 3 years **50.1%**

## 2. Effective infrastructure and service management

### 2.1 Infrastructure Backlog Ratio

#### Estimated cost to bring assets to satisfactory condition

#### Total (Written Down Value - WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets

Measures how effectively the council is managing its infrastructure. Increasing backlogs may affect the council's ability to provide services and remain sustainable.

#### Target

Less than 2%

**Gwydir's current rating - Not met 22.41%**

## 2.2 Asset Maintenance Ratio

### **Actual asset maintenance**

### **Required asset maintenance**

Measures whether the council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog.

### **Target**

Greater than 100% average over 3 years

**Gwydir's current rating - Not met - average over 3 years 85.9%**

## 2.3 Debt Service Ratio

### **Cost of debt service (interest expense and principal repayments)**

### **Total continuing operating revenue (excluding capital grants and contributions)**

Indicates whether the council is using debt wisely to share the life-long cost of assets and avoid excessive rate increases.

### **Target**

Greater than 0% but less than or equal to 20% average over 3 years

**Gwydir's current rating - Met - average over 3 years 5.16%**

## 3. Efficiency

### 3.1 Real Operating Expenditure

#### **Operating expenditure**

#### **Population**

Indicates how well the council is utilising economies of scale and managing service levels to achieve efficiencies.

#### **Target**

A decrease in Real Operating Expenditure per capita over time

**Gwydir's current rating - Met**

When the Independent Local Government Review Panel's report was released the options for Gwydir Shire were to either merge with Moree Plains Shire Council or become a member of the proposed Namoi Councils Joint Organisation (JOC). Gwydir Shire is currently an active member of the Namoi JOC pilot.

The original proposals also outlined the option of becoming a Rural Council provided that you satisfied a range of criteria:

<b>Gwydir Shire Assessment</b>	
<b>Rural Council Characteristic</b>	<b>Gwydir's position</b>
Small and static or declining population spread over a large area	Yes
Local economies that are based on agricultural or resource industries	Yes
High operating costs associated with a dispersed population and limited opportunities for return on investment	Yes

High importance of retaining local identity, social capital and service delivery	Yes
Low rate base and high grant reliance	Yes
Difficulty in attracting and retaining skilled and experience staff	Yes partially
Challenges in financial sustainability and provision of adequate services and infrastructure	Yes
Long distances to a major (or sub-regional centre)	No
Limited options for mergers	No

For Councils to be successful in submitting a standalone option they must also satisfy the Scale and Capacity test outlined in the Independent Local Government Review Panel's final report that detailed 10 key elements of strategic capacity:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.

Of course there have been some very serious reservations about this aspect of the review process simply due to the meaning of the term Scale and Capacity. Indeed is it possible to compare Gwydir Shire, for example, to Blacktown City Council?

The elected Councillors of Gwydir Shire believe that it does meet the Scale and Capacity test.

The benchmark tests listed above have been altered to allow for the targets to be met over a 5 year period rather than the original 3 years.

This background information is underpinning the answers detailed below to the specific questions asked.

## **Specific Questions**

### **STAND ALONE OPTION**

- **What services will be retained?**

It is the Council's desire to maintain all its current services but there will need to be efficiencies developed in the services that the Council does provide, in addition to the proposed rate increases detailed earlier this year. The Council is in the process of undertaking a review of its service standards and any changes will be subject to a consultation process with the community especially those directly impacted by any change.

- **What jobs/positions will be lost/have been lost?**

The Council has already rationalised some of its processes and these changes have resulted in the loss of

- **Will core staff numbers be maintained?**

The Council advised the Minister for Local Government and the relevant Industrial Union during August and September 2014 that it was no longer practicable for Gwydir Shire to be bound by the core number requirement gazetted when the Shire was formed in 2004.

The determined core number as at 17<sup>th</sup> March 2004 was agreed as 148.7 EFT. The number of EFT as at today is 160.01.

- **What is the current percentage of indoor staff to outdoor staff and will it stay the same?**

Currently the Council's equivalent full time (EFT) staff number is 160.01. The relative percentages designated Indoor is 29.89% and designated Outdoor staff 70.11%.

There can be no guarantee that this mix or, indeed, EFT staff numbers will remain the unaltered due to the service standard review that is currently being undertaken.

- **How is Council going to encourage growth in the Community?**

This question seems to suggest that the Council is not already actively involved in encouraging growth within the Shire.

- **Will Council put a hold on all pay increases/bonuses until it is financially favourable?**

The Council does not pay bonuses.

The normal Award increases will be paid as this is a legal requirement.

- **What guarantees can the Council give Ratepayers?**

The only guarantee that the Council can extend to the community and its ratepayers is that the Council is committed to standing alone because it believes that it is the best outcome for this community.

Gwydir Shire Council provides direct employment for around 10% of the Shire's eligible workforce and the loss of the Council would, over time, be a significant blow to the Shire's economy

- **What plans does Council have regarding Coal Seam Gas in our Shire?**

Council has no decision making powers with regard to the potential exploitation of coal seam gas within the Shire.

However, the elected Councillors and senior staff have toured the Surat Basin in Queensland to better understand the likely impact upon Gwydir if CSG exploration and exploitation was to occur here.

In discussions with some of the Companies involved in the extraction process it is very evident that the potential for exploitation of this resource within the Shire in the short to medium term is highly unlikely.

No change to the current situation is expected for at least 15 to 20 years.

- **If our rates continue to rise how will Council encourage new home owners?**

The introduction of the Fit for the Future benchmark outcomes will result in an increase in the rates' burden irrespective of whether this Council is amalgamated or not. However, the Council does believe that the Council's rates will be relatively cheaper than its neighbouring Councils based upon past historical trends.

The Council also believes that it is creating an area that new residents will find appealing as it becomes more difficult to acquire a home in the more densely populated urban areas.

## **AMALGAMATION OPTION**

- **What services WILL be lost?**

This is a difficult question to answer of course.

Any reduced service outcome will largely depend upon the attitude of the newly formed elected Council.

However Gwydir Shire does provide some services that are not currently provided by Moree Plains Shire Council.

- **What jobs/positions will be lost and in what time frames**

All the existing positions, other than the position of General Manager, would be safe for at least the first 3 years following the merger.

It is almost certain that following this period of grace a rationalisation of services will result in significant reductions in staff numbers. This was certainly the result in some surrounding areas such as Ashford and Barraba.

- **What assets will be lost/sold off?**

This would be at the discretion of the 'new' Council and impossible to predict or comment on.

- **What rate increases will we be looking at given our land values?**

Once again this would be a decision for any newly formed Council.

However that Council would have to set a rate that accumulates the State Government approved Notional Rates Income for each of the two prior Council areas of Gwydir and Moree Plains Shires.

The most likely scenarios all involve substantial increases for the former Gwydir Shire ratepayers due to the need to set a rate in the dollar that collects the allowable Notion Rates Income for the new Shire area.

- **Has/will Council be meeting with Moree Council to discuss options and getting a clear idea of what would happen so Ratepayers can be informed should amalgamation go ahead?**

Gwydir Shire has held two senior staff meetings with Moree Plains Shire Council's senior staff and also one joint meeting between the elected members of each Council. Neither Council supports a merger of the two Councils.

The discussions did not progress to the development of a business case either way due to the fact that both Gwydir and Moree Plains Shire Councils are facing the same difficulties in meeting the benchmarks as defined and there would have been a similar problem in meeting the benchmarks as a combined entity, especially when burden with a core number requirement for the first 3 years.