**SUBMISSION TO IPART – FIT FOR THE FUTURE**

**WYONG AND GOSFORD COUNCILS**

1. **SCALE**

**The ILGRP recommended a merger of Wyong and Gosford Councils and this is the base case for scale.**

**A combined council would have a population of some 330,000 people.**

**Gosford has around 170,000 people and is not growing. The last census revealed a static population.**

**Wyong has around 160,000 people and is growing moderately quickly. However it will take around 7 years to reach Gosford’s population and around 20 years to reach 200,000.**

**Neither Council’s submission indicates how either council as a stand alone entity can reach the 330,000 target figure of the ILGRP within any reasonable time frame.**

**The Central Coast is a region in its own right. With no major city our residents identify as Coasties , not as Wyong or Gosford. We have shared catchments along the current LGA borders . Wyong/Tuggerah is the major employment node with many Gosford LGA residents employed in that precinct. There is total permeability between the 2 LGAs.**

**In my view The Coast has the potential to grow into the largest region in NSW outside of Sydney , overtaking the Hunter. This will largely occur by increased densification. This growth needs to be managed and controlled by a single council. One with enhanced planning powers that can ensure consistent planning policies and integrated transport solutions across the region.**

1. **CAPACITY**

**IPART has indicated a range of factors it will consider in assessing capacity.**

**Without addressing all these factors it appears obvious that a merged council would have greater scope to undertake new functions and deliver major projects.**

**In this context it is noted that Gold Coast Council has recently completed a light rail project and will host the Commonwealth Games.**

**Projects of this scale are beyond the capacity of either Council either now or in the future.**

**Without a merger , the future of both Council’ water authorities is quite uncertain. The State government has recently advised that future water arrangements will be determined if the merger does not proceed. If either a stand alone Central Coast Water Corp or merger of the water functions with The Hunter Water Board occurs then in fact the strategic capacity of both councils will be significantly diminished.**

**Both Council will lose about one third of their income and operations and directorship positions would have to be downgraded as well as a loss of specialist staff.**

**Another factor listed by IPART is effective regional collaboration. Despite there being only 2 central coast councils effective collaboration is absent.**

**Gosford Council failed to attend joint meetings for some 4 months last year whilst ever Fit for Future Collaboration was on the agenda. There cannot be much greater evidence of the inability to collaborate than the failure to collaborate on a joint CBA for a fit for the future submission. This resulted in the absurd outcome of no government subsidy with an estimated additional expenditure of public finds of some $300,000. As well no proper CBA for the region as a whole has been prepared as Gosford refused to open its books and Gosford ignored Wyong’s data.**

**Further evidence of the failure of regional collaboration can be found in the collapse of negotiations over forming a Joint Services Business in 2012. Prior to the 2102 election there was an agreement in place between the 2 councils to form a Joint Services Business that would jointly service the back office requirements of both councils. After 2012 Gosford refused to proceed and millions of dollars worth of work on developing this JSB was wasted.**

**A further factor IPART lists is high quality political and managerial leadership. The failure of this leadership was indicated by the above failure to agree on a joint CBA and earlier the JSB and the refusal to attend meetings and even discuss the merger proposal. Unfortunately in Wyong’s case our outstanding General Manager Mr Whittaker has recently been recruited by Sunshine Coast Council in Queensland, Australia’s fourth largest Council. This recruitment highlights the inability of the Councils to attract and retain high quality management.**

**Further evidence of both lack of regional collaboration and lack of leadership is provided by the current arrangements for the joint water assets. Following the failure of first the JSB ,then the Water Corpn , it took over a year for a new governing structure to be agreed on for joint water assets. Eventually , the CCROC executive was given this responsibility but due to the Fit for the Future attitude from Gosford Council , it did not attend CCROC executive meetings for over 4 months leaving a void in governance for that time , that has largely persisted to this date.**

**Whilst not a factor discussed by IPART directly , a single coast council would eliminate the need for a number of semi government agencies that really only exist due to there being 2 councils. A good example is Central Coast Tourism that derives nearly all its income from the 2 councils but is widely regarded as ineffective and inefficient. It is unable to even co-ordinate events across the 2 LGAs. With tourism being an important industry on the Coast and a key employer of youth , a merged Council should deliver much better outcomes for less investment.**

**Nobody is really promoting the coast as a region either for tourist or investment purposes.**

**Wyong Council is now moving into this space but only in respect of the northern half of the Coast.**

**Clearly it should be done on a regional basis.**

1. **GOSFORD SUBMISSION FINANCIALS**

**As identified in Wyong’s submission , Gosford council fails most of the financial criteria.**

**It has an ongoing significant operating loss ,totalling $$56 m over 4 years. It is failing to repair and replace its assets in a timely way and its infrastructure backlog is worsening.**

**The Gosford submission proposes a 9.5 % extraordinary rate rise. Whilst it is not certain that this will fix Gosford’s finances , It seems to be wishful thinking. The political reality is that the current council will not go to an election in 2016 for a stand alone Gosford Council with that rate rise on the agenda. Almost certainly now it is on the table , nearly all candidates will repudiate it in the heat of an election campaign. It is political fantasy.**

**A more realistic option would be to seek operational efficiencies so as to chart a course into financial sustainability. Gosford has reputedly some 1500 staff. This compares to just over a 1000 at Wyong. For Councils with similar populations and almost identical total expenditure , this disparity in staff is a clear indicator of inefficiency. Gosford seems unwilling or unable to tackle this issue , leading to its financial non sustainability.**

**Gosford’s submission relies on a merged council adopting the same ad valorem rate across the whole of the Central Coast. Such an approach would lead to the outcome they submit , ie higher rates paid in the Gosford part of the merged Council and lower in Wyong.**

**However this is not the commonly used approach in merged councils and appears to have been selected merely to bolster the anti merger stance and to provide cover for the proposed extraordinary rate rise.**

**A differential rate that provides a lower ad valorem rate in Gosford and higher in Wyong , such that the 2 areas continue to contribute similar rate incomes as present is legal. It is also the most commonly used method of addressing the differing property value issue in merged councils.**

**The failure by Gosford to even acknowledge the availability of differential rating displays a lack of transparency and good governance. It is no more than a scare tactic.**

1. **SURVEY RESULTS**

**Both Councils conducted opinion surveys.**

**They make interesting reading.**

**Whilst not presented in this way , the Gosford survey actually shows majority support for a merger with 45% supporting and 44% opposed, with 11% undecided.**

**Wyong Council figures show more opposed but with a large number of undecided . The percentages are in round terms 40% opposed , 30% in favour and 30% undecided. So its both true to say the majority were not in favour of a merger and the majority were not opposed to a merger.**

**Both Councils have called for a referendum on the merger issue and the clear outcome form the surveys is that very many residents know very little or nothing about Fit for the Future or the merger proposal. In fact Wyong survey results tend to indicate that the more informed people were about Fit for the Future the more likely they were to be pro merger. People tend to vote against something they know little about.**

1. **WYONG SUBMISSION FINANCIALS**

**The analysis done by 3rd Horizon on the financial benefits of a merger explicitly states it has been performed without access to Gosford’s figures.**

**Further it states that as Gosford is less efficient than Wyong and with a higher cost base , financial benefits in Gosford are potentially higher , but the analysis ignores this significant benefit. Thus the calculated NPV of a merger is understated significantly .**

**Using the difference in current OPEX per head between the Councils of $149 and multiplying by the Gosford population( 175,00) gives a saving of $26 m per annum , or NPV of $260m. This totally transforms the merger proposition for the coast as a whole and makes it imperative.**

**In terms of NPV it then assumes a 10% risk rating for a merger but a significantly lower risk rating for the non merger scenario.**

**This is a flawed assumption. The risks are in my opinion greater in a standalone scenario. There is a high likelihood given the government and ILGP Panels views that this scenario leads to a loss of the water and sewer function form the council either to a Central Coast Water Corpn or to the Hunter Water Corpn. In essence there really is no “no change” model that is likely.**

**Accordingly the 3rd Horizon modelling is of little use as it is not based on real figures for a merger (acknowledged by the authors) and does not model the likely future council ( non water and sewer) in a standalone council.**

1. **CONCLUSION**

**Both Councils Fit For The Future submissions fail both the scale and capacity criteria.**

**Indeed due the Water and Sewer future structure , both Councils as stand alone councils are likely to have reduced capacity.**

**No cost benefit analysis has been done for the region as a whole. Both Council’s separate analyses have significant shortcomings.**

**An independent cost benefit analysis for the region is required to make an informed judgement on the benefits and disbenefits of a merger that also assesses the benefits and disbenefits of standalone councils without water and sewer functions.**

**This analysis should then feed into building a factual yes /no case for a referendum.**

**My view is that a merged council would significantly increase strategic capacity and yield better outcomes for the region as a whole. Given the lack of any proper or cogent argument as to the disbenefits and the likely disbenefit to councils as indicated above from a stand alone approach, my conclusion is that a merger should be supported by IPART and the Government and put to the people by way of referendum.**

**Doug Eaton OAM B. Comm LLB**

**Mayor**

**Wyong Shire Council**