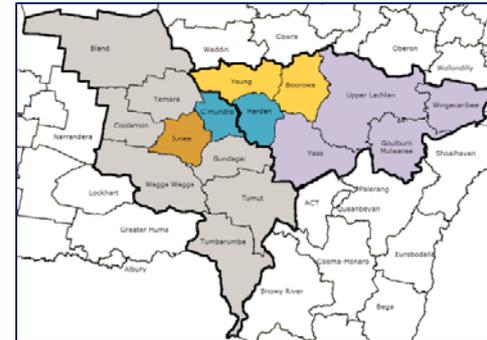


COOTAMUNDRA SHIRE COUNCIL AND HARDEN SHIRE COUNCIL – MERGER PROPOSAL

FIT

	Harden Shire Council:	Cootamundra Shire Council:
Area (km ²)	1,907	1,510
OLG Group	9	10
Population 2011	3,700	7,550
(2031)	3,200	6,600
Proposed merger		
2011	11,250	11,250
(2031)	9,800	9,800
Operating revenue (2013-14)	\$9.6m	\$11.0m



TCorp assessment	Moderate FSR Negative Outlook	Moderate FSR Neutral Outlook
ILGRP options	Merge with Boorowa and Young (yellow) or rural council in Tablelands JO (bolded outline including Harden) (preference in bold).	Council in Riverina JO (bolded outline including Cootamundra) or merge with Junee (orange) (no preference).

Assessment summary	Scale and capacity	Satisfies
	Financial criteria:	Satisfies overall
	• Sustainability	Satisfies
	• Infrastructure and service management	Satisfies
	• Efficiency	Satisfies

Fit for the Future – FIT

- The merger proposal for Cootamundra Shire Council (Cootamundra) and Harden Shire Council (Harden) meets the criterion for scale and capacity.
- Scale and capacity is a threshold criterion which councils must pass in order to be deemed Fit for the Future (FTFF).
- The councils' merger proposal also satisfies the financial criteria overall. It satisfies the criteria for sustainability, infrastructure and service management and efficiency.

Scale and capacity – satisfies

- The merged councils will have enhanced scale, better scope to undertake new functions and major projects, an ability to employ a wider range of skilled staff, improved knowledge creativity and innovation, and more effective regional collaboration.
- The merger is therefore better than each council standing alone.
- Our analysis of the councils' business case indicates the merger could produce benefits to the local communities of \$11m over 20 years (including the Government grant).
- In addition, the proposed merger between Cootamundra and Harden has the support of the respective councils, which reduces the risk associated with change management, and the support from their respective communities.
- For Cootamundra, the merger is the best available option, given Junee and other neighbouring councils did not wish to pursue a merge. Therefore, it is maximising outcomes subject to constraints.
- Harden withdrew from merger discussions with Young and Boorowa, and pursued the Cootamundra option instead, for a number of reasons, including:
 - concerns about forecast job losses in the consultant's report on the proposed merger with Young and Boorowa, which it considers are inadequately justified
 - it considers the other merger councils were less focused on the creation of a brand new organisation, and
 - it receives proportionally more representation on the new council than with a 'Hilltops' merger.

- The available evidence suggests merging with Young and Boorowa may produce a better outcome for Harden's local community.
- However, the Harden-Cootamundra proposal is consistent with the government's Fit for the Future reform process that provides support for voluntarily negotiated mergers. Hence, we have assessed the proposal as fit.
- Young and Boorowa submitted a business case on a 3 way 'Hilltops' merger with Harden, prepared by LKS Quaero. Young has indicated it supports a four-way merger between Young, Boorowa, Harden and Cootamundra. However, Cootamundra has rejected this option on the basis that it changes the focus of Cootamundra and the southern half of Harden away from the Riverina region. Our analysis of this 'Hilltops' councils' business case (ie, Young-Boorowa-Harden) suggests merging four councils, including Cootamundra, could produce further benefits of \$42 million to the local communities over 20 years. These benefits are in addition to the benefits from completing the current two merger proposals.

Sustainability - satisfies

- The proposed merger satisfies the criterion for sustainability as the councils forecast they will be above the benchmarks for the operating performance ratio by 2024-25 and the own source revenue by 2019-20.
- In their merger proposal, the councils rely on the successful application for and adoption of a special variation from 2017-18 of 21.6% cumulative over 4 years (11.2% above the rate peg).
- The building and infrastructure asset renewal ratio was 90.5% in 2014-15 and is forecast to increase above the benchmark for two years before declining to 74.1% by 2019-20. However, the councils state that over the same period their internally restricted reserves are projected to increase, and would correct this trend from year five onwards.
- The councils estimate merger efficiency savings over five years at \$4.5m, with \$1.2m of these savings resulting from a non-cash efficiency saving due to an adjustment to depreciation expenses. Ongoing cash benefits from merging are estimated at close to \$900,000 pa by 2019-20.

Infrastructure and service management - satisfies

- The proposed merger satisfies the criterion for infrastructure and service management based on the councils' forecast to meet the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.
- The councils appear to be funding future maintenance requirements and reducing their backlog. However, the councils note issues related to the reliability of estimates from their asset management processes, and that resources (ie, staff) through re-deployment following the merger are expected to be directed towards asset management.

Efficiency - satisfies

- The proposed merger meets the criterion for efficiency based on declining real opex per capita over time.
- The councils' merger business case identifies ongoing savings from reduction in costs from the governance and management of between \$400,000 and \$550,000. In addition, the councils identify a number of savings from reducing duplication or rationalising assets. These efficiency savings are estimated to be about \$3.4m over five years to 2019-20 (or about \$60 per person per year).

Other relevant factors

Social and community context	Cootamundra chose not to pursue a possible merger with Junee because both councils consider the topography of the Bethungra Range reduces the efficiencies from merging these councils. Cootamundra and Junee's desktop analysis concluded only marginal benefits would occur from the merger (including any government financial support). Cootamundra and Harden consider they have strong community links, with the towns being just 38 kilometres apart (30 minutes drive), with common landform and primary industries.
Community consultation	The councils informed their communities of the FFTF process and proposed merger through four public meetings each, an information brochure (allowing feedback), a website displaying the business case, and media releases to ratepayers. Feedback on the proposed merger proposal was predominately positive.
Water and/or sewer	Harden is the sole water provider in its area and Cootamundra provides water to the town. They have not forecast additional savings or costs for these activities for the merged entity.
Submissions	No submissions were received on Cootamundra and Harden's merger proposal.