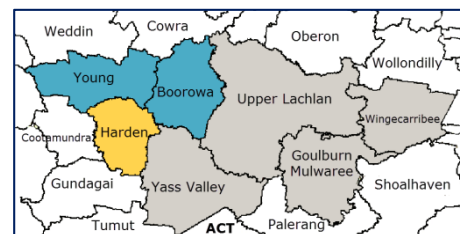


YOUNG SHIRE COUNCIL AND BOOROWA COUNCIL – MERGER PROPOSAL

FIT IF COUNCILS RESOLVE TO MERGE

	Young Shire Council:	Boorowa Council:
Area (km ²)	2,693	2,578
OLG Group	11	9
Population 2011	12,699	2,558
(2031)	12,900	2,450
Proposed merger 2011	15,100	15,100
(2031)	15,350	15,350
ILGRP merger 2011	18,800	18,800
(2031)	18,550	18,550
Operating revenue (2013-14)	\$16.4m	\$8.6m
TCorp assessment	Sound FSR Negative Outlook	Moderate FSR Negative Outlook
ILGRP options (preference in bold)	Merge with Boorowa/Harden or council in Tablelands JO (all shaded).	Merge with Harden and Young or Rural Council in Tablelands JO (all shaded).



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 Young Shire Council (Young) and Boorowa Council (Boorowa) meets the criterion for scale and capacity.
- The councils' merger proposal also meets the criteria for sustainability, infrastructure and service management and efficiency.
- Young and Boorowa Shire Council's merger proposal is contingent on the inclusion of Harden Shire Council. Further, Boorowa Council has resolved to not support a two-way merger with Young Shire Council.
- Therefore, our assessment of **fit** is dependent on Young and Boorowa resolving to merge in the absence of Harden.
- In the event agreement cannot be reached, we find the councils are **deemed not fit**, as they have not demonstrated scale and capacity as stand-alone councils. In addition, the councils' business case shows ongoing operational deficits, which indicates they would become unsustainable as stand-alone councils without corrective action.

Scale and capacity – satisfies

- The merger is better than the stand-alone option, and is the best available option for these councils given neighbouring councils did not elect to join the merger proposal. It improves scale and capacity for Young and Boorowa.
- The proposal brings together councils with existing functional relationships and two of the three councils within the 'Hilltops' food and wine region.
- We calculate a merger between Young and Boorowa Shire Councils could produce net benefits of \$31m over 20 years (NPV), based on LKS Quaero's business case for the councils.
- Young and Boorowa submitted a business case on a three-way 'Hilltops' merger with Harden, prepared by LKS Quaero.

- Young has indicated it supports a four-way merger between Young, Boorowa, Harden and Cootamundra, as a second preference. 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’ business case suggests adding Harden and Cootamundra to the merged Young-Boorowa will produce significant additional net benefits to the four local council areas. In particular, our analysis suggests merging the four councils 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

- A merger between Young and Boorowa councils satisfies the criterion for sustainability.
- Our assessment is based on the available information on operating performance for all three Hilltops councils and our estimate of the expected merger benefits from a merger of two councils only.
- The merger business case estimates on-going merger savings of about \$5.5m per annum for the three councils.
- Without Harden, we estimate 44% or about \$2.4m per year of the estimated efficiency savings should still accrue to the two councils, which can be directed to improving the ratios, and in effect provide infrastructure and services desired by their communities.

Infrastructure and service management - satisfies

- The proposed merger satisfies the criterion for infrastructure and service management.
- The merged council meets the infrastructure backlog benchmark, based on LKS Quaero's analysis that on-going positive cash balances as a result of merger efficiencies can be directed towards improving the infrastructure backlog by 2025.

Efficiency - satisfies

- The proposed merger meets the criterion for efficiency based on declining real opex per capita over time.
- We find merger savings should further decrease real opex per capita, but at a lower level without Harden. Young and Boorowa, as at 2013-14, meet this criterion. Based on these factors, it is likely a merger between Young and Boorowa would continue to meet this criterion.
- Real opex per capita for the three councils, including Harden, was \$2,570 in 2014-15 and is forecast to be \$2,350 in 2019-20. In the absence of Harden, our analysis indicates real opex per capita should continue to decline, but occur by at a lower rate.

Other relevant factors

Social and community context	The Hilltops councils have much in common. The consultant, LKS Quaero, notes the geographic proximity and economies are all dominated by the agricultural sector, the demographic profile is similar and the communities largely “play together” through shared facilities. Further, the councils face similar challenges including a lack of an integrated transport network, and the impact on the population from the retraction of agriculture as a large employer.
Community consultation	Both Young and Boorowa have undertaken extensive consultation over an extended period of time, with public forums on multiple occasions, community kiosks, and released the merger business case along with other material explaining the options considered. Young notes 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. Further, it notes the primary concerns of the community were the exposure to loss of services, the financial positions of potential partners, impacts on rates and charges and loss of staff. Boorowa in its proposal notes it received two submissions during the exhibition period relating to the proposed merger of Boorowa, Harden and Young Councils with both submissions being highly supportive of the merger.
Water and/or sewer	The councils’ merger proposal did not address this factor. The OLG’s Merger Proposal Template does not require this information to be provided.
Submissions	There were no submissions received in relation to Young and Boorowa councils’ merger proposal.