
**PROPOSED MERGER OF
COROWA SHIRE, LOCKHART SHIRE AND URANA
SHIRE COUNCILS**

**Comments by the NSW Local
Government Boundaries Commission
on the Report by the Delegate
of the Acting Chief Executive Officer
of the Office of the Local Government**



APRIL 2016



Local Government Boundaries Commission
GPO Box 5341
Sydney NSW 2001

The Hon Paul Toole MP
Minister for Local Government
Level 17 NE
52 Martin Place, SYDNEY NSW 2000

Dear Minister

Proposed merger of Corowa Shire, Lockhart Shire and Urana Shire councils

The Local Government Boundaries Commission provides its comments on the Delegate's Report into the above merger proposal under section 218F(6) of the *Local Government Act 1993*.

Yours sincerely

A handwritten signature in black ink that reads 'RJ Sendt'.

RJ Sendt
Chairperson
29 April 2016

1. Summary of Local Government Boundaries Commission comments

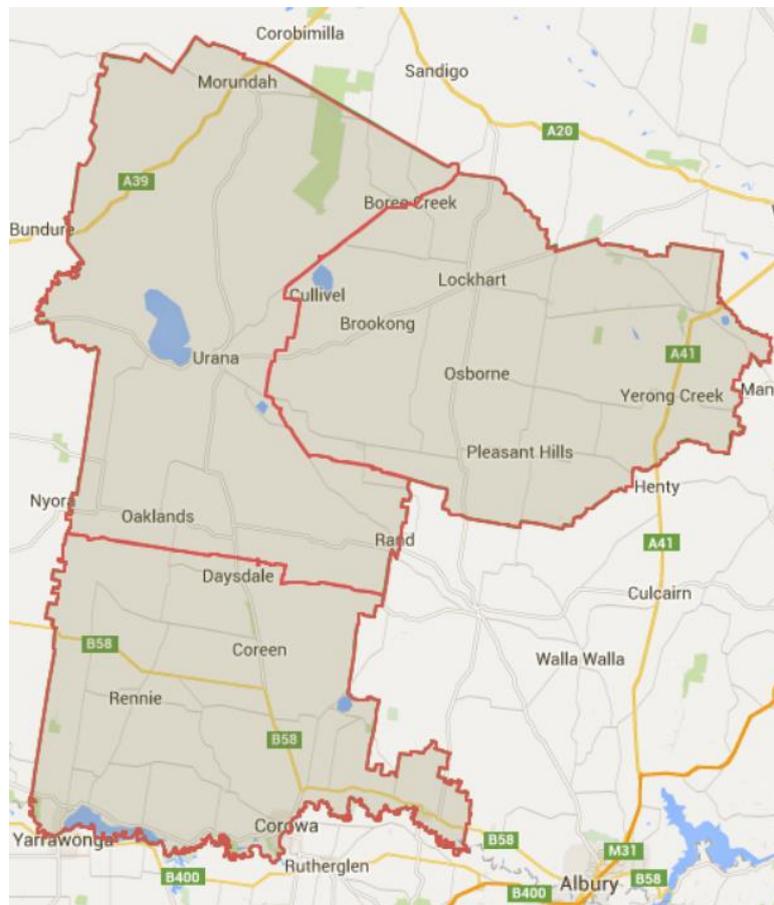
The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Corowa Shire Council, Lockhart Shire Council and Urana Shire Council to determine whether it shows the legislative process has been followed and the Delegate has taken into account all the factors required under the *Local Government Act 1993* (the Act).

The Commission has assessed that:

- the Delegate's Report shows that the Delegate has undertaken all the processes required by section 263 of the Act,
- the Delegate's Report shows that the Delegate has adequately considered all the factors required by section 263(3) of the Act, with the exception of the factors listed under subsections 263(3)(b) (communities of interest) and 263(3)(e4) (wards), and
- the Delegate's recommendation in relation to the proposed merger is supported by the Delegate's assessment of the factors.

2. Summary of the merger proposal

On 6 January 2016, the Minister for Local Government referred a proposal to merge the local government areas of Corowa Shire Council, Lockhart Shire Council and Urana Shire Council to the Acting Chief Executive of the Office of Local Government for examination and report under the Act. The following map shows the proposed new council area (shaded in green).



The proposal would have the following impacts on population across the three councils.

Council	2016	2031
Corowa Shire Council	11,400	11,250
Lockhart Shire Council	2,950	2,550
Urana Shire Council	1,000	800
New Council	15,350	14,600

Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings).

The Acting Chief Executive delegated the function of examining and reporting on each of the proposals to a number of people, known as 'Delegates'. Delegates were required to examine and report upon each merger proposal rigorously and fairly. The examination process included Delegates calling for submissions and holding a public inquiry on each proposed council merger. Delegates prepared a report on the proposal and provided that report to the Local Government Boundaries Commission.

3. Role of the Local Government Boundaries Commission

The Local Government Boundaries Commission is an independent statutory authority constituted under section 260 of the Act. The Boundaries Commission examines and reports on any matter referred to it by the Minister in relation to the boundaries of local government areas and the areas of operation of county councils.

The Boundaries Commission has several functions under the Act. In the current context (where the Minister has elected to refer the proposal to the Office of Local Government, rather than the Boundaries Commission, for examination), the most relevant Commission functions are set out in section 218F(6) of the Act. This section requires:

- the Chief Executive to furnish the Report on the examination of the merger proposal to the Boundaries Commission for review and comment, and
- the Boundaries Commission to review the Report and send its comments to the Minister.

The Commission's role does not involve re-examining the advantages and disadvantages of the proposed mergers, accepting submissions or holding public inquiries.

4. Delegate's Recommendations

The Delegate's key recommendation is that the Proposal should proceed to implementation.

The Delegate also recommended that if the Government decides to implement the proposal, there should be a maximum of 9 councillors, including the Mayor, on the new council.

5. The Commission's detailed comments

5.1 Review of the process followed by the Delegate

Under the Act, the Delegate is required to undertake certain processes in examining a merger proposal. These processes include holding an inquiry, allowing members of the public to attend

meetings as part of the inquiry and calling for submissions. As part of its review of the Delegate's Report, the Commission has looked at whether these processes were followed.

In total, the Delegate considered 426 written and verbal submissions from the public, community and other organisations and Councils.

The Delegate held three public inquiries on 2 February 2016 at the Corowa Gold Club, the Urana Bowling Club, and the Lockhart Ex-Servicemen's Club.

The Commission's view is that the Delegate has met the relevant requirements.

5.2 Review of the Delegate's consideration of the factors specified in the Act

Under section 263(3) of the Act, the Delegate is required to have regard to a range of factors when considering a merger proposal.

Overall, the Commission's view is that the Report shows the Delegate adequately considered all the factors, except for communities of interest and wards.

The Commission has formed this view based on its review of the discussion presented in the Delegate's Report. The Commission specifically considered whether the extent of that discussion adequately canvassed the range of issues raised in the written submissions made to the Delegate, the views expressed at the public hearings and other information that would have been available to the Delegate.

The Commission makes the following comments relating to each factor:

5.2.1 Financial factors

Section 263(3)(a) of the Act requires the Delegate to have regard to:

"the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned".

The Delegate included tables showing key financial data for the three existing Councils and the aggregate of those data. He compared the individual results and the aggregate against financial performance benchmarks including the Operating Performance Ratio, Own Source Operating Revenue Ratios, Unrestricted Current Ratios, Debt Service Cover Ratios, Rates and Annual Charges Outstanding Ratios and Cash Expense Cover Ratios.

The Delegate stated that while the three existing Councils did not always meet these benchmarks individually, the aggregate measures showed that a new merged entity would successfully meet almost all benchmarks. He noted the one exception of the Infrastructure Backlog Ratio, however he stated that the proposed Eastern Riverina Shire Council's result would be expected to improve over time in accordance with forecasted improvements to councils' individual results (such as within their *Fit for the Future* submissions) and as a result of monetary savings and Government incentives.

The Delegate also concluded that the new council would have adequate cash reserves, and its likely strong operating result supported suggestions in the merger proposal that improvements in financial results after the amalgamation would reduce reliance on rate increases to fund infrastructure and service needs.

The Delegate stated that the existing Councils' current business activities, including water, sewerage and domestic waste businesses should all be able to continue under a merged council.

The Delegate also addressed financial issues raised in submissions by residents who were concerned that if their current council was merged, their rates would be used to fund infrastructure and services outside their existing shire, from which they would not directly benefit. However, the Delegate stated that there will be cross-subsidisation when considering public revenues and expenditures at any level of government. The Delegate also noted that all three shires currently receive substantial levels of grant funding and so many of the services their residents enjoy today are in fact funded by monies raised outside of their current shire boundaries.

The Delegate concluded that if the merger proceeds, it will result in a strong and viable council that delivers an operating surplus and meets nearly every financial performance benchmark, will be in a strong position regarding asset management, has good levels of reserves and be less reliant on federal grant funding, and would achieve savings of around \$7 million over twenty years and be eligible for \$40 million to support the merger implementation and invest in its community.

The Delegate noted that some potential disadvantages would need to be addressed by the new council, including the potential for some ratepayers to face increases in their rates and the potential impacts on the viability of the Lockhart & District Community Bank Branch of Bendigo Bank. In the Delegate's view these issues could be ameliorated, either by the protections for ratepayers included in the Act, or by the new Council considering how it can build a new mutually beneficial relationship with the bank.

The Commission's view is that the Delegate adequately considered the issues under this factor, while noting the lack of analysis of economies and diseconomies of scale.

5.2.2 Communities of interest

Section 263(3)(b) of the Act requires the Delegate to have regard to:

“the community of interest and geographic cohesion in the existing areas and in any proposed new area”.

The Delegate noted that the Corowa, Lockhart and Urana Shires are largely comprised of agricultural land, including Billabong Creek and other waterways connected to the Murray and Murrumbidgee river systems, as well as Lake Urana and Lake Urana Nature Reserve. Agriculture is a major contributor to the local economy, with manufacturing also playing an important role in Corowa.

The Delegate reported the strong view in submissions from both residents and Councils, that there was very little community of interest between the three Council areas, but especially between Lockhart and Corowa. Corowa Shire Council submitted that Lockhart's community of interest lay to

the north in Wagga Wagga while Corowa had its regional centre links with Albury to the east. The 100km distance between Corowa and Lockhart was also raised as an issue in the Report, with Lockhart residents suggesting it would take 22 hours to travel to a council meeting in Corowa by public transport. The Delegate stated that farming interest groups were concerned that Lockhart could lose its agricultural character in a merger. Submissions from Urana residents expressed fears that a larger council that lacked geographic cohesion would be unable to address the needs of smaller communities.

However, the Delegate reviewed the Community Strategic Plans of all three councils and noted many similarities in their community priorities and objectives. He stated that although there were many arguments highlighting the differences in communities of interest and geographic cohesion between the three council areas, the community of interest commonalities asserted in the merger proposal are relevant and the three councils deliver on very similar priorities and objectives. The Delegate further noted that a degree of variation will be present among communities in any local government area, no matter the size, and he recommended that proposed new council entity would be advised to consider ways to celebrate diversity within its boundaries.

The Delegate concluded that concerns over communities of interest and geographic cohesion did not present an impediment to the merger proposal.

The Commission's view is that the Delegate did not adequately consider the issues under this factor.

5.2.3 Historical and traditional values

Section 263(3)(c) of the Act requires the Delegate to have regard to:

“the existing historical and traditional values in the existing areas and the impact of change on them”.

The Report briefly described the history of each council area included in the proposal, and noted that each Shire is using its historical, cultural and geographic features to promote tourism in the region.

The Delegate noted that all three areas share commonalities in their history of European settlement and in their contribution to building the nation. Furthermore, the Report outlined that the three areas share an interest in strengthening their agricultural and manufacturing economies by diversifying into tourism and other business ventures. The Delegate also noted that residents of Lockhart and Urana take pride in the long and stable history of their councils and expressed concerns that a merger may cause the places to lose their respective identities.

The Delegate concluded that the histories and traditional values between the three local government areas are similar enough that the factor is not an obstacle to amalgamation. He stated that the merger would bring together three local government areas with a keen interest in promoting their histories and diversifying their economies to include historic tourist experiences.

The Delegate also noted the common traditional ownership by the Wiradjuri people to be an important traditional consideration worth promoting by the new merged entity.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.4 Attitudes of residents and ratepayers

Section 263(3)(d) of the Act requires the Delegate to have regard to:

“the attitude of the residents and ratepayers of the areas concerned”.

The Delegate stated that in considering the attitudes of residents and ratepayers, he had regard to the submissions made by the affected councils, from individuals and community groups and submissions made at the public hearings.

The Delegate noted Corowa Shire Council's view that its residents and ratepayers were opposed to the merger, although the number of written and verbal submissions to this effect represented only 0.8% of the Shire population. He stated that although this was not a vast percentage of residents, it did indicate a level of concern about how the proposed merger might affect the service levels and in turn their current lifestyles. Many submissions from Corowa Shire resident and ratepayers were of the opinion that they would be subsidising Urana and Lockhart residents should the merger proposal proceed.

The Delegate reported that Lockhart Shire Council's submission stated that their residents and ratepayers have at several public meetings “unanimously” opposed the proposed merger and any other merger. There was a strong feeling that the Council should remain independent under the rural council model proposed by ILGRP. At the same time, the Council submission stated that residents and ratepayers acknowledge that change is required.

The Delegate further reported that Urana Shire Council's submission claimed 88% of 300 surveys returned by ratepayers and residents supported the Council's campaign to stand alone and raised concerns that towns and villages will lose the support to their representative committees. However, the Delegate noted that the Mayor in his verbal submission acknowledged that changes were inevitable and supported a two way merger with Corowa if forced to do so.

In concluding, the Delegate noted that although the majority of submissions received were opposed to the merger proposal proceeding, this on its own would not be an impediment to implementation. He further recommended a public information campaign to address the concerns of the community such as rates and service delivery, should the proposal proceed to implementation. Transition would also be assisted through continued engagement with remote communities and villages and continuation of support to existing community committees formed under section 355 of the Act.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.5 Elected representation

Section 263(3)(e) of the Act requires the Delegate to have regard to:

“the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area”.

The Report noted that if the proposal is implemented, the ratio of population per councillor would change in comparison to the existing councils. In the case of Lockhart and Urana, the change would be significant, increasing from 1 councillor per 342 and 127 residents respectively, to one councillor per 1,742 residents. However, the Delegate noted that on the basis of a new council comprising nine councillors, this ratio would not be unusual in comparison to other councils in regional NSW.

The Delegate reported that a number of submissions raised concerns over these changes to representation ratios and reduced access to representatives if the merger proceeds. The population spread across the three areas was seen as problematic, potentially leaving present-day Lockhart Shire and Urana Shire with a minority of representatives on the new Council. Geographic factors were also a concern with several submissions raising the issue that councillors would not be able or willing to travel the large distances needed to familiarise themselves all of the communities in a much larger merged LGA.

However, the Delegate noted that some submissions in favour of the proposal held that residents across the three local government areas are overrepresented and questioned whether it was appropriate for successive generations to serve as councillors.

The Delegate recommended that if the proposal proceeds, there should be a maximum of 9 councillors, including the Mayor on the new council. He further recommended that the new entity prioritise the continuation of existing section 355 committees, and investigate the creation of new committees as appropriate, across the new area. These committees should include representatives with knowledge of local conditions and who have the capacity to engage with the elected representatives of the new council.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

5.2.6 Service delivery and facilities

Section 263(3)(e1) of the Act requires the Delegate to have regard to:

“the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities”.

Using 2013-14 financial and population data obtained from OLG relating to, the Delegate assessed expenditure per capita on service categories for each Council individually and extrapolated the data to estimate the expenditure per capita of the new merged entity in comparison to similar councils.

The Delegate concluded that based on this assessment, the new merged council would deliver services comparable to the category average council in expenditure per capita terms. However, he also noted that currently the three Councils charge different amounts for the provision of services and that these costs will require harmonisation in a new entity.

The Delegate reported that the issue of service maintenance and delivery was a key concern among resident and council submissions. As outlined in the Report, there were questions as to whether a new council could deliver the same standard of service currently enjoyed by the smaller villages in the more remote areas. Many submissions mentioned their satisfaction with their Council's services and suggested that these services would be lost should the merger proceed, with potential flow-on consequences for community cohesion, social morale and volunteerism.

The Delegate considered that harmonisation of service levels will be an important consideration for the new council. In his view, despite opportunities for streamlining staff costs, there would be no impediment to the merged council maintaining service centres, depots, and outdoor staff in other locations to ensure a high level of service may be provided to all localities of the new council area in a cost-effective manner. He further noted that the new council would also need to consult with its community in development of its first Community Strategic Plan and could then assess the levels of service provided by the present-day councils and integrate these services into its own delivery programs and operational plans.

After noting the potential to use improved operating performance and grant incentives to fund enhancement to service levels, the Delegate concluded there was no reason for this criterion to provide an impediment to this merger proposal proceeding.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.7 Employment impacts on staff

Section 263(3)(e2) of the Act requires the Delegate to have regard to:

"the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned".

The Delegate noted that there are substantial protections under the Act regarding the employment of non-senior staff subject to a council merger, with additional protections in place for those in rural centres with populations of 5,000 or less. According to their respective annual reports, Corowa Shire, Lockhart Shire, and Urana Shire Councils each employed one senior staff member, the General Manager in 2014-15.

The Delegate reported that a number of submissions raised concerns that the proposed merger would lead to a loss of jobs, which in turn would cause people to have to relocate themselves and their families, possibly leading to a decline of smaller rural villages and towns. However, the Delegate noted that the existing protections in the Act would address these concerns. Other submissions questioned the ability to achieve the savings outlined in the proposal without significant shedding of staff.

The Delegate concluded if the proposal is implemented the existing protections in the Act provide mitigation against substantial negative impact on employment of staff by the council. He further noted that, as a regional council, the potential savings estimated for the merged council required no net staffing reductions so it would appear that the new merged council could still achieve financial savings without significant negative impacts on employment.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.8 Rural impacts

Section 263(3)(e3) of the Act requires the Delegate to have regard to:

"the impact of any relevant proposal on rural communities in the areas concerned".

The Delegate noted that each of the affected Councils contains substantial extents of rural land and a number of rural communities and that many submissions noted the strength and vibrancy of these rural communities and considered the support from council and provision of services to be vital for their ongoing viability. The Report also acknowledged concerns that communities would lose access to services because of the additional distances involved in a larger entity.

However, the Delegate noted there are steps that can be taken to mitigate these issues, including maintaining service centres at multiple locations and holding council meetings at a central location within the new LGA. The Report considered that the use of technology to broadcast council meetings to other locations would also offset the issues of distance.

In the Delegate's view, the strong financial position of the new council, combined with grant funding available to merging councils, would enable many of these methods to be implemented without impacting negatively on existing service provision.

The Commission's view is that the Delegate adequately considered the issues under this factor.

5.2.9 Wards

Section 263(3)(e4) of the Act requires the Delegate to have regard to:

"in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards".

The Delegate noted that Lockhart Shire and Urana Shire are divided into three wards each, while Corowa Shire does not have wards. In considering the submissions and the population spread over the proposed new local government area, the Delegate concluded there would be little value in dividing the proposed council into wards.

The Commission's view is that the Delegate did not adequately consider the issues under this factor.

5.2.10 Opinions of diverse communities

Section 263(3)(e5) of the Act requires the Delegate to have regard to:

“in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented”.

The Delegate reported that a number of submissions raised concerns over a lack of public transport options in the proposed new council LGA, particularly between the population centres of Corowa and Lockhart, and suggested that this lack of transport would disadvantage the elderly and disabled and prevent them from accessing council meetings and services.

The Delegate recommended that these concerns be addressed by maintaining service centres at multiple locations and utilising modern communications technology to allow elderly and disabled residents to virtually attend council meetings.

The Delegate noted that one submission raised concerns about the potential lack of consideration given to indigenous matters by the current Council. He recommended that if the merger was to proceed, it would be important for the new council to ensure indigenous communities are consulted and their priorities and interests integrated into strategic planning and program delivery.

The Commission’s view is that the Delegate adequately considered the issues under this factor.

5.2.11 Other issues

Section 263(3)(f) of the Act requires the Delegate to have regard to:

“such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas”.

The Delegate noted that IPART stated that Corowa and Urana held limited scale and capacity, despite both Councils meeting financial performance benchmarks. IPART also found Lockhart Shire met most financial performance benchmarks but would not be fit to stand alone if the then proposed rural council model was not adopted by the NSW Government. The Delegate stated that, for the purposes of this merger proposal, therefore Lockhart Shire’s position was similar to that of Corowa and Urana, financially strong but lacking in scale and capacity.

On this basis the Delegate concluded there is merit in amalgamating Corowa Shire, Lockhart Shire, and Urana Shire, and that a new merged council would have increased capacity to undertake regional strategic planning, improve financial sustainability and address infrastructure backlogs and act as an effective partner for the NSW and Australian governments.

The Report also considered that the existing LGAs are split across different state electoral boundaries, and may also be redistributed into different federal electorates.

The Commission’s view is that the Delegate adequately considered the issues under this factor.