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**PROPOSED MERGER OF  
GOSFORD CITY AND WYONG 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**

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Local Government Boundaries Commission  
GPO Box 5341  
Sydney NSW 2001

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

Dear Minister

**Proposed merger of Gosford City and Wyong 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 'Bob Sendt'.

RJ Sendt  
Chairperson  
22 April 2016

## 1. Summary of Local Government Boundaries Commission comments

The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Gosford City Council and Wyong 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, 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 Gosford City Council and Wyong 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 two councils.

Council	2016	2031
Gosford City Council	173,650	189,050
Wyong Shire Council	164,500	197,850
New Council	338,150	386,900

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 Minister’s Merger Proposal should proceed to implementation.”*

The Delegate made the following other recommendations:

- **Name of Merged Council.** *Both Central Coast Regional Council and Central Coast City Council would be appropriate names for this LGA. However, the new Council will have a regional focus and therefore it is proposed that the name of the Council be Central Coast Regional Council.*
- **Number of Councillors.** *The Delegate accepts that there will be a heavy workload for Councillors in a merged Council with a population in excess of 330,000, and growing, and therefore the maximum number of Councillors (fifteen) is supported.*

- **Mayor.** *The Mayor should be elected by the new Council which should take a decision on whether a Constitutional Referendum should be held to decide the question of whether the Mayor should be elected, in the future, by the electors.*
- **Ward Structure.** *The new Council should not be divided into wards for the first election. If a Council in the future seeks to divide the area into wards that should follow a Constitutional Referendum.*
- **Water and Sewer Charges.** *Indexation of the 2016/17 water and sewer prices should apply for the financial year 2017/18.*
- **Designated Senior Staff.** *The employment of Designated Senior Staff, Directors and Managers should continue until the interim General Manager and Council decide on the Organisation Structure, Directors and Managers for the new Council. The senior staff of each former Council should be taken to be the senior staff of the new Council.*
- **Organisation Structure.** *The initial organisation structure of the new Council should, as far as practicable, be a composite of the organisation structures of each of the former Councils.”*

During the examination the Delegate noted a number of other matters which the Minister may wish to include in the Proclamation, highlight to the existing Councils or the new Council, or deal with in some other way. The Delegate indicated that these matters would potentially enhance the chances of a successful merger. The matters raised by the Delegate were in respect of:

- Service levels
- Apprentices and trainees
- Wyong Special Rate Variation
- Regional leadership
- Central Coast Water Corporation.

## 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 231 written and verbal submissions from the public, community and other organisations and councils.

The Delegate held three public inquiry sessions on Wednesday 3 February at the Central Coast Leagues Club in Gosford and at the Wyong Golf 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 that the Delegate adequately considered all the factors.***

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 noted the KPMG estimates of a net financial saving of \$115 million over 20 years if the merger proceeds. The Delegate also noted that both councils submitted detailed financial analysis which disputed the savings mooted in the merger proposal. However, Gosford undertook an independent analysis which showed a long term financial benefit of around \$180 million over ten years.

In relation to IPART assessments of Councils' ability to meet the scale and capacity criteria set down by the Independent Local Government Review Panel, the Report noted that neither Council satisfied the Scale and Capacity criterion, although both satisfied the Financial criteria.

Both Councils have borrowed to fund significant and essential water and sewer assets and to ensure inter-generational equity. As of 30 June 2015, Gosford had \$155 million in loans outstanding (Debt Service Cover Ratio, or DSCR, of 3:1) whilst Wyong had \$178 million outstanding (DSCR of 3:1).

Based on the examinations by KPMG, Gosford City Council, SGS Economics and Planning, Wyong Shire Council and the Independent Pricing and Regulatory Tribunal (IPART), by Ernst and Young, the Delegate concluded that a merger of the two Councils would result in savings. These savings will arise once transitional requirements are completed.

The Delegate noted that the significant and successful business improvements undertaken by the Councils have resulted in both having strong financial positions to take into a merged organisation. This financial strength will underpin a new organisation which will have the capacity to meet the challenges of service equalisation and addressing the infrastructure backlog.

The Delegate noted the issue with water and sewer pricing raised by both Councils and recommended indexation of 2016/17 prices apply for the 2017/18. The concern as to the possibility of Wyong Shire Council not proceeding with the already approved Special Rate Variation in 2016/17 with the resultant loss of revenue ongoing and delays in addressing the infrastructure backlog was noted by the Delegate.

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

### **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”.*

As noted by the Report, both Councils administer large urban areas, beaches, waterways, open space, bushland, rural areas, tourist destinations and industrial and commercial areas. The communities across the Gosford City and the Wyong Shire areas share common characteristics and connections. Urban development has concentrated settlement primarily along the coast and the rail corridor.

The two Councils alone form the Central Coast Regional Organisation of Councils (CCROC).

The Delegate noted geographic cohesion is strong through these adjacent local government areas. Examples include a railway line and expressway which both run north to south through the area and provide links to Newcastle to the north and Sydney to the south. The road network and public transport provide good access between different communities and localities across the two areas.

He also noted that the area is a network of towns that have been linked by expanding suburban development. Residents move between the two local government areas in leading their day to day lives. This is evidenced by the fact that 18% of Wyong Shire Council employees live in Gosford City and 26% of Gosford City employees live in Wyong Shire.

The Delegate indicated there was strong evidence, through Council and public submissions, to suggest the area administered by the Wyong Shire and Gosford City Councils should be combined to form a Council for the Region that is well known as the Central Coast. Residents share similar lifestyles in an area which has similar natural features and urban and rural areas.

***The Commission's view is that the Delegate adequately considered 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 noted that the Central Coast region was first inhabited for thousands of years by aboriginal people. The local Guringai and Darkinjung were amongst the first indigenous people to come in contact with British settlers.

In 1811 the Governor of New South Wales, Lachlan Macquarie, gave the first land grant in the Central Coast Region. Early settlement was associated with timber and farming, with the Central Coast emerging as a holiday destination before rapid growth commenced after World War II.

The present day Gosford and Wyong LGAs were created in 1947, from the former Municipality of Gosford and the former Shires of and Woy Woy. The three separate Councils ceased to exist when absorbed into the two Shires of Gosford and Wyong.

The Delegate noted the similarity between the areas, their origin and lifestyles. From the examination of historical and traditional values of the affected areas and considering submissions, the Delegate concluded that there was no impediment under this factor to the Merger Proposal.

***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 noted that both Councils conducted surveys of their residents which showed majority opposition to the merger. However, the Delegate noted the submission of Gosford which indicated that since the Council announced its agreement to voluntarily merge with Wyong Shire in October/November 2015, the public had not been vocal in either their support of, or protest against a merger.

A number of people took the opportunity to criticise the performance of the current Councils and to point out differences in policies and approaches of the two Councils. The Delegate indicated that a new entity has the opportunity to address identified short comings and over time to adopt new policies and service standards. A merged Council would have the advantage of being able to include feedback received through this examination process into its planning documents.

The Delegate believed that the issues identified can be addressed by a new Council. He noted that the Proposal attracted only 176 written submissions and 55 oral submissions from an area with a population of approximately 330,000, demonstrating that there was a low level of interest in and limited passion against the proposal.

Overall the Delegate concluded that that negatives raised did not override the benefits of having a Council which will administer a homogeneous region with a strong community of interest, be Fit for the Future, have a strong financial base and build on the many joint functions and services already undertaken.

***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 under existing arrangements, Gosford has 10 councillors with a resident representation ratio of 1:17,199. Wyong also has 10 councillors with a representation ratio of 1:15,902. A merged council with 15 councillors would bring this ratio to 1:22,067.

The Delegate accepted that there will be a heavy workload for Councillors in a merged Council with a population in excess of 330,000, and growing, and therefore he supported the maximum number of Councillors (15).

***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”.*

The Delegate noted that a merged Council would be responsible for the provision of services and facilities over an area of approximately 1,700km<sup>2</sup>. It will have a net asset base of \$8.2 billion and an infrastructure backlog of \$170 million.

The Delegate noted concerns expressed in some submissions that providing for community needs will present a significant challenge, however the programs of financial improvement and business transformation will underpin a capacity to adequately and equitably deliver services and facilities.

The Delegate observed that the Councils have already recognised the advantages and benefits of joint service provision, and are confident through their submissions that what is being undertaken can be expanded to bring savings and benefits to a newly created merged Council area.

The Delegate stated that it will be important that an interim administration measures and records current service levels, decide on the levels of service to be provided and continually measures performance. By doing so the Council and the community will have benchmarks and evidence of service delivery performance. A new ICT approach should also provide an improved interface and service for residents and businesses.

The Delegate concluded that there will be benefits to residents and businesses over time as policies and regulations become consistent across the Central Coast.

***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”.*

Gosford City Council has 1,170 full time equivalent (FTE) employees, whilst Wyong Shire Council has 985 FTE. Of these numbers all but 31 are non-senior staff.

The Delegate felt that the immediate impact of a merger will be on the General Managers and in the early period of the interim Council may be on the Senior Staff of the existing Councils. The Directors and Managers are key employees in ensuring efficient and effective service and project delivery continues through the transition period and beyond. The Delegate stated that therefore their employment should continue if the merger proceeds until the interim General Manager and Council decide on the Organisation Structure, Directors and Managers for the new Council.

***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 Report noted that both Councils administer areas which include rural communities, mainly west of the M1 Motorway. It also noted a submission that stated that Council has the misconception that rural communities on the Central Coast are largely self-reliant, but they still have unique service provision needs that are often not adequately provided.

The Delegate was of the view that current service arrangements to more remote areas should be enhanced in any merged Council particularly with its increased scale and capacity and sound financial base.

It was noted by the Delegate that there are large parts of the Council areas without mobile or internet coverage. He concluded that a merged Council will have greater potential to lobby government to reduce blackspot areas with the aim that residents of all areas will have access to undertake e-business with the new Council.

***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 Report noted that Wyong Shire Council is divided into two wards, with five Councillors elected from each ward. Wyong Council indicated strongly that the concept of four wards is the only way to ensure effective representation. However the Report also noted that Gosford City’s Councillors are elected from an undivided area. Gosford City Council’s submission stated that it does not support a ward system.

The Delegate concluded that if the merger proceeds, Councillors should be elected from an undivided area and if a Council in the future seeks to divide the area into wards that should follow a Constitutional Referendum.

***The Commission’s view is that the Delegate adequately considered 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”.*

Both councils currently provide a range of services to diverse demographics. The Delegate concluded that a merged Council can build on the existing approaches of both Councils to ensure opinions of diverse communities are represented and appropriately supported.

***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”.*

*Fit for the future.* In October 2015, Wyong Shire Council resolved in the context of the ‘Fit for the Future’ program to voluntarily merge with Gosford City to create “Greater Central Coast Regional Council”. In November 2015 Gosford City Council resolved that its first preference is that it voluntarily merge with Wyong Shire and that the process be expedited *“for the benefit and future of the Central Coast region”.*

The Delegate concluded the merging of Gosford City and Wyong Shire Councils will establish a large Council which will meet the NSW Government’s Fit for the Future scale and capacity criteria and

therefore places it in a position where it can exert regional leadership and advocacy, partner with Government, address regional challenges and focus on regional priorities.

The Delegate noted the issue of the Central Coast Water Corporation, and a new council should prepare a submission to the minister regarding objectives, standards and accountabilities which are set out in the Act.

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

*The Commission notes that the name of a new council is a matter for the Minister.*