
**PROPOSED MERGER OF
PALERANG AND QUEANBEYAN CITY 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**



MAY 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 Palerang and Queanbeyan City 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
2 May 2016

1. Summary of Local Government Boundaries Commission comments

The Boundaries Commission has reviewed the Delegate's Report on the proposed merger of Palerang Council and Queanbeyan City 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 these factors.

2. Summary of the merger proposal

On 1 February 2016, the Minister for Local Government referred a proposal from Palerang Council to merge the local government areas of Palerang and Queanbeyan 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
Palerang Council	16,050	20,550
Queanbeyan City	44,500	58,500
Merged Entity	60,550	79,050

Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings); Australian Bureau of Statistics, Estimates Resident Population 2013

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 merger proposal should proceed.

The Delegate also made the following recommendations:

- *"Given the financial challenges faced by councils merging under Council-led proposals are the same as, if not greater than, those merging under Ministerial proposals, as the Delegate charged with investigating this proposal, I strongly recommend that the Government consider extending the original \$15 million grant to support this proposal in the event it does proceed".*
- **I recommend** that the new council be established at Bungendore for the following reasons:
 - *It would allow greater flexibility for the new merged entity in making decisions around staffing and service provision across the whole LGA.*

- *It would allow the new council to take advantage of Palerang’s new purpose-built facilities, and potentially free up valuable council property assets in Queanbeyan.*
- *In regards to the structure of the new council, given the unequal distribution of the electorate between urban and rural constituents, **it is recommended** that the Mayor be elected by the council from among its own members ... [and] a ward system is **not recommended** as a solution as it has the potential to enshrine inequality and limit the capacity of councillors to represent a broad range of interests and concerns”.*

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

The Delegate held two public inquiries on 16 March 2016 at the Queanbeyan Golf Club and the Bungendore War Memorial Hall.

The Commission’s view is that the Delegate has met the relevant requirements, while noting there is no evidence in the Report that reasonable public notice was given for the public inquiries.

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.

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 that the proposed merger, based on estimates from Palerang Council, was expected to generate net savings of \$20.5 million over 20 years.

The Delegate further noted that the KPMG modelling of the proposal showed a slightly stronger result and estimated \$22 million net savings over 20 years. This modelling was questioned by both Councils in their submissions.

The Delegate outlined results of both TCorp and IPART assessments as well as detailed financial performance indicators, noting the significant infrastructure backlogs currently experienced by both Councils.

The Delegate also considered impacts on rates, staffing, RMS contracts and salaries, and concluded that despite the modest projections for saving and financial benefits outlined as part of the KPMG analysis, it was likely that local factors will have a significant impact on the financial outcomes of this particular merger proposal.

The Delegate noted that the \$15 million grants from the NSW Government were expressly tied to merger proposals put forward by the Minister. He recommended that this funding be extended to support the proposals.

The Delegate also noted that Queanbeyan Council had stipulated that its support for the merger was conditional on the funding being increased to \$30 million in total.

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”.

It is noted in the Report that the proximity to Canberra means a high proportion of residents in both areas commute to the capital on a daily basis and this is reflected in the demographics which show higher than average education and household income levels and lower unemployment.

The Delegate noted differences in the rating base, with Palerang having a much higher farming rate base than Queanbeyan. The Report noted that the focus of each Council is on supporting quite different lifestyles and facilities. The Report further noted that Queanbeyan City Council has a strong urban focus on development codes and new housing developments while Palerang Council has developed areas of expertise in rural road maintenance and noxious weed management. The Delegate reported that the challenge of balancing the contrasting demands of a suburban metropolis and a rural-residential hobby farm precinct is likely to pose significant, but not insurmountable, challenges for a merged council.

The Delegate also considered the potential of recognising the needs and demands of all groups in the area through comprehensive strategic planning in Local Environment Plans (LEPs) and enhancing Integrated Planning and Reporting.

The Delegate stated that Palerang Council was correct in noting the difference between the lifestyles and priorities of the two Councils and their residents. However, as each Council has stressed, there is a strong fundamental community of interest for both LGAs which is Canberra. He added that Palerang Council's concerns the proposed merger would amount to a "takeover" by Queanbeyan City Council could be mitigated by locating the head office of the new council in Bungendore. The Delegate concluded this would ensure that all councillors, including those elected from Queanbeyan, have the opportunity to regularly visit the rural areas and keep in touch with the concerns of all their constituents.

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 Delegate outlined the history of the two council areas, noting Palerang Council was proclaimed in 2004. The Report stated that there is a strong and cohesive history of colonial settlement, farming and gold rush towns across the region.

The Delegate concluded that there was a strong and cohesive history of colonial settlement, farming and gold rush towns across the region. However, the Delegate also noted that, since the establishment of Canberra and the growth of Queanbeyan as a city, a separation has occurred between the traditional farming communities, the new lifestyle hobby farmers and rural residential commuters and the urban residents of Queanbeyan.

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 only 50 written submissions were received from a combined population of 56,368, and that only 35 people attended the public meetings and only 14 made verbal submissions. He also noted Palerang Council's survey of 1,100 residents and Queanbeyan City Council's two resident surveys expressing a range of views on the potential for mergers.

The Delegate stated that, although the concerns and viewpoints raised in submissions were legitimate and valid, it appeared that there was relatively little community opinion on the merger

one way or the other. The Delegate further stated that there may have been an “element of submission fatigue”.

The Commission’s view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

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 Palerang Council has a relatively low resident to councillor ratio of 1:1,723 while Queanbeyan has a ratio of 1:4,086. A merged council with the proposed number of 10 councillors would result in a resident to councillor ratio of 1:5,435. The Delegate noted that this ratio closely aligns with Wagga Wagga City and Clarence Valley LGAs.

The Delegate considered it understandable that a significant number of submissions raised questions as to the adequacy of electoral representation this would provide especially for those in the minority.

The Delegate concluded that if the new council was based in Bungendore, it would assist all councillors to maintain contact with their rural, as well as their metropolitan constituents. The Delegate stated that this location would also ensure the new council was located more towards the geographic centre of the LGA which would improve equity of access for all residents. In regard to the structure of the new council, given the unequal distribution of the electorate between urban and rural constituents, the Delegate recommended that the Mayor be elected by the council from among its own members but made no specific recommendation on the number of councillors.

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 Report noted that the services provided by Palerang and Queanbeyan Councils are quite distinct, in reflection of their disparate geography and constituent base. The Delegate compared the percentages spent on roads to demonstrate the difference, with Queanbeyan spending just 2% on Gravel roads compared to the 62% of Palerang.

The Delegate concluded that there is the potential for competing demands from diverse constituents of the new council entity to impact on the overall types and standards of services provided by the new council, perhaps diminishing some services. If the merger goes ahead, the Delegate suggested incorporating the existing areas of specialisation and best practice from each council to the new entity as a priority. The Delegate also suggested moving the new council's head office to Bungendore, which would be centrally located.

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

The Commission notes that the Delegate's analysis of this factor may have been influenced by his recommendation that the new council's head office be located in Bungendore.

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 Palerang Council has 119 FTE staff, whereas Queanbeyan Council has 270. The Report stated:

"Each council has very different skills and capabilities, reflecting the diverse demands of their constituents. While Palerang Council represents a largely rural and rural residential area, Queanbeyan City council manages a highly urban, medium density community, with the typical demands of any town on the outskirts of a major metropolitan centre".

The Delegate further noted the employment protections under the Act, including the protection for rural centres. However, the Delegate also stated that Queanbeyan Council believes the township of Bungendore would need to be reclassified from rural to outer metropolitan for the new council to be financially viable.

The Delegate concluded that the Act provides strong protections, but should Bungendore be reclassified (as proposed by Queanbeyan Council), there will likely be significant job losses among staff, and associated concerns about employment continuity for Palerang employees dependent on RMS road maintenance contracts.

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".

As noted by the Delegate, the merger proposal seeks to combine a predominately rural area with a heavily urbanised metropolitan centre. The Delegate considered a number of submissions raising concerns that rural issues may be neglected.

The Delegate then outlined concerns raised in submissions about employment within rural centres and a potential change in the classification of Bungendore. He stated that there is the possibility that the rural constituents of the new entity may become disenfranchised through a lack of electoral representation, with rural services given a lower priority.

The Delegate noted maintenance of rural roads was a key focus for Palerang Council which has built its skills and equipment in this area, employing 20 staff engaged on RMS road maintenance contracts.

The Delegate concluded that the issue of reduced rural services could be mitigated by placing the head offices of a merged entity in Bungendore, which is closer to the geographic centre of the new LGA and would reduce travelling time for employees.

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

The Commission notes that the Delegate's analysis of this factor may have been influenced by his recommendation that the new council's head office be located in Bungendore.

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".

It is noted by the Delegate that neither council supports the introduction of wards. The Report stated that a ward system has the "potential to enshrine inequality and limit the capacity of councillors to represent a broad range of interest and concerns."

The Commission's view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

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 considered the demographics of the area and that it reflected a predominately Anglo/European-centric population with relatively small communities of local indigenous residents. The Report noted that there is greater diversity in Queanbeyan LGA, with a significantly higher population of those who speak a language other than English.

The Delegate stated that no submissions were received that made reference to diverse groups or raised any issues which could affect them.

The Delegate concluded that the proposed merger is “unlikely to have any impact on the small proportion of residents who identify as culturally or linguistically diverse”.

The Commission’s view is that the Delegate adequately considered the issues under this factor, while noting the limited analysis provided.

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 the following issues with respect to this factor:

- *Boundaries:* Queanbeyan City Council flagged a potential review of boundary adjustments with Goulburn-Mulwaree and Cooma-Monaro councils.
- *Queanbeyan City Council conditional support:* The Delegate noted that Queanbeyan City Council placed a number of conditions on its support for the merger, and in the event that the proposed new funding arrangement is not agreed, that it supports a partition/merger as previously proposed by the Minister.

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

The Commission notes that suggested boundary adjustments are a matter for the Minister.