



The Hon Paul Toole MP
Minister for Local Government

Ref:

Mr Tim Hurst
Acting Chief Executive
Office of Local Government
PO Box R1772
ROYAL EXCHANGE NSW 1225

Dear Mr Hurst

I enclose the following proposals which all state they have been made to me under section 218E of the *Local Government Act 1993* (the Act):

1. proposal made by Gloucester Shire Council to amalgamate the existing areas of Gloucester, Great Lakes and Greater Taree into one new area;
2. proposal made by Harden Shire Council to amalgamate the existing areas of Harden, Cootamundra and Gundagai into one new area; and
3. proposal made by Armidale Dumaresq Council to amalgamate the existing areas of Armidale Dumaresq, Guyra, Uralla and Walcha into one new area.

As a consequence of the above proposals, I am making the following proposals, in accordance with section 218E of the Act:

4. proposal to amalgamate the existing areas of Dungog and Maitland into one new area; and
5. proposal to amalgamate the existing areas of Boorowa and Young into one new area.

By this letter, I am referring the above five proposals to you pursuant to section 218F(1) of the Act for examination and report in accordance with section 218F of the Act, and I look forward to receiving your report in due course.

If you would like to discuss this matter further,

Yours sincerely

Paul Toole MP
Minister

Encl.

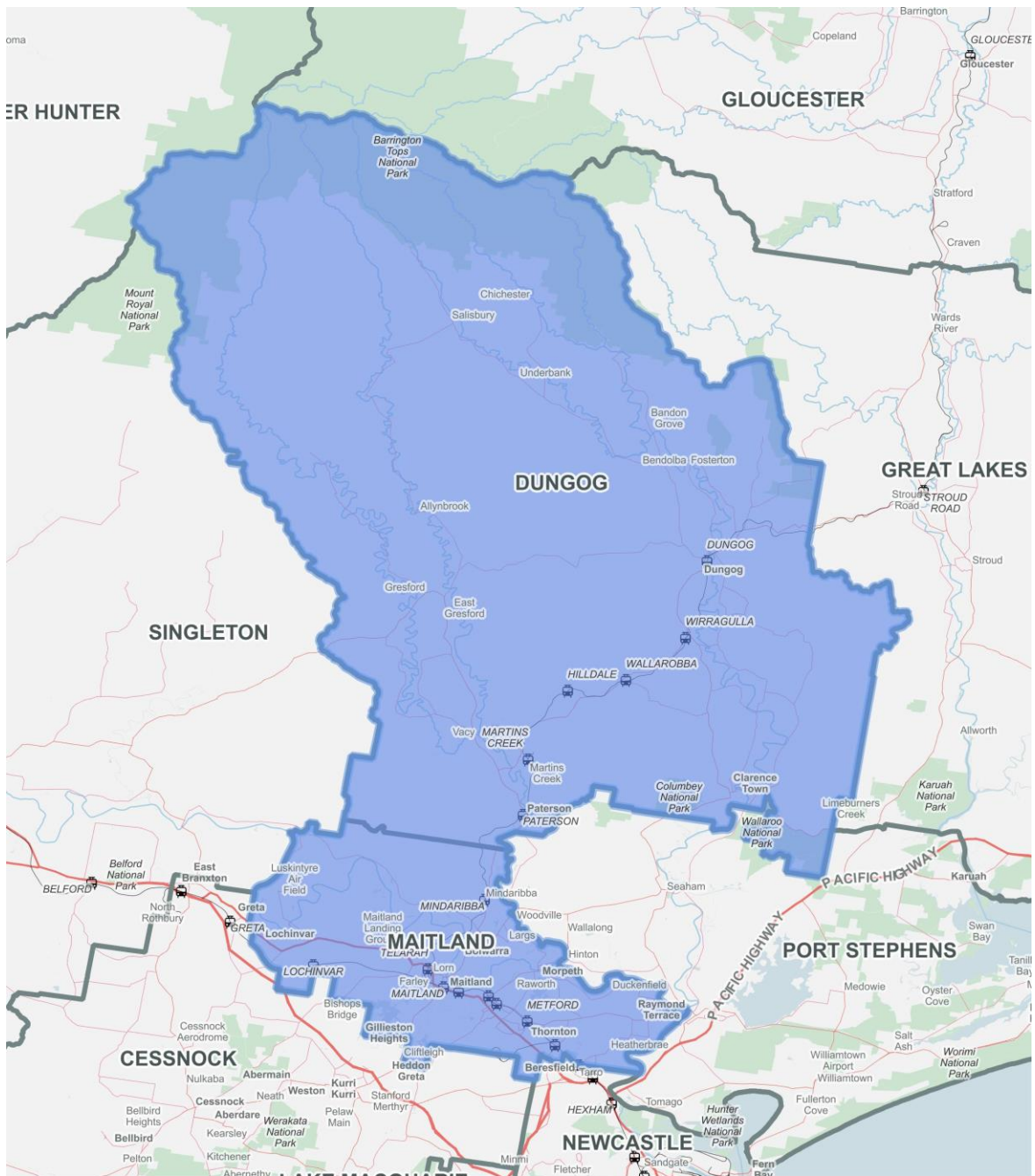
Supporting Information for Merger Proposal:

Dungog Shire Council Maitland City Council

MARCH 2016



Figure 1: Proposed new local government area



Proposed merger: Dungog and Maitland

- Proposal Area
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- Roads
- Rivers
- Rail

Data sources: Land and Property Information
Datum and Projection: GDA94



MINISTER'S FOREWORD

On 6 January 2016 I put forward a proposal to merge the local government areas of Dungog Shire and Gloucester Shire.

A suitably qualified delegate of the Chief Executive of the Office of Local Government is considering this proposal against criteria set out in the *Local Government Act (1993)*, and undertook public consultation to seek community views.

As a consequence of Gloucester Council submitting a preference for a three way merger between Great Lakes, Greater Taree and Gloucester Councils, I have also put forward a proposal to merge the local government areas of Dungog Shire and Maitland City.

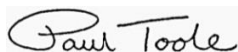
This ensures that if the proposed merger of Gloucester Shire, Greater Taree and Great Lakes was to proceed, an alternative option is available for Dungog Council.

This proposal is being considered, alongside the original Government proposal, by the delegate of the Chief Executive of the Office of Local Government against criteria set out in the *Local Government Act (1993)*. Public consultation to seek community views will also be undertaken.

This document provides analysis and information to support community consideration of the Dungog Shire-Maitland City merger option.

It identifies a total financial benefit of \$30 million over a 20 year period that can be reinvested in better services and more infrastructure.

I look forward to receiving the report on the proposal and the comments from the independent Local Government Boundaries Commission.



Minister Paul Toole

March 2016

EXECUTIVE SUMMARY



Introduction

A merger proposal for the local government areas of Dungog Shire and Maitland City has been referred for examination and report under the *Local Government Act (1993)*¹.

This document provides analysis and information to support community consideration of the merger option.

The Government's two alternative proposals to merge the local government areas of Gloucester and Dungog Shires, and Gloucester, Greater Taree and Great Lakes are also under consideration.

Key Analysis

The Independent Pricing and Regulatory Tribunal's (IPART) 2015 assessment determined that Maitland City Council satisfied key financial performance benchmarks. However, IPART assessed that Dungog Shire did not satisfy the financial performance benchmarks and that operating individually, it would have limited scale and capacity to effectively deliver on behalf of residents and meet future community needs.

Analysis by KPMG shows the proposed new council has the potential to generate net savings to council operations. The merger is expected to lead to about \$15 million in net financial savings over 20 years and provide a total financial benefit of \$30 million.

Savings will primarily be from the streamlining of senior management roles and efficiencies from increased purchasing power of materials and contracts.²

The NSW Government has announced a funding package to support merging councils which would

result in \$15 million being made available should the proposed merger proceed.

These savings may enable the new council to reduce its reliance on rate increases to fund new and improved community infrastructure.

Each of the two councils has previously indicated it may seek or has recently received approval for a Special Rate Variation (SRV) from IPART:

- Dungog Shire Council has previously indicated it may seek a cumulative SRV of 92.2 per cent over a six-year period from 2016–17; and
- Maitland City Council has an approved cumulative SRV of 41.1 per cent over a seven-year period from 2014-15.

Next Steps

Local communities will have an opportunity to attend the public inquiry that will be held for this merger proposal and an opportunity to provide written submissions. For more details please visit www.councilboundaryreview.nsw.gov.au.

Figure 2: Map showing boundaries for the proposed new council with Wagga Wagga City Council highlighted for comparison






¹ The end result if the proposal is implemented is that a new local government area will be created. For simplicity throughout this document, we have referred to a new council rather than a new local government area.

A NEW COUNCIL FOR THE DUNGOG AND MAITLAND REGION

An overview of the current performance of the two existing councils and the projected performance of the new proposed entity is provided in Figure 3.

Figure 3: Council profiles

	Dungog Shire Council	Maitland City Council	New Council
			
Population (2014)	9,108	75,170	84,278
Area	2,250 sq km	392 sq km	2,642 sq km
IPART Rating	NOT FIT	NOT FIT	This merger proposal is broadly consistent with IPART's Fit for the Future assessments (2015). The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community.
Operating Revenue (2013–14)	\$15.0m	\$125.4m	\$114.1m (projected 2019–2020)
Operating Result (2013–14)	\$0.8m	\$50.8m	+\$2.4m projected improvement to 2019–20 operating results
Asset Base	\$189.7m	\$664.8m	\$854.4m
Infrastructure Backlog	14 per cent	12 per cent	12 per cent

Sources: Australian Bureau of Statistics, Department of Planning and Environment, Office of Local Government, Council Long Term Financial Plans, Fit for the Future submissions to IPART and IPART Assessment of Council Fit for the Future Proposals.

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position is based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013–14) or equivalent income statement forecasts. In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019–20 operating result for the new council.

KEY ANALYSIS

Financial Benefits of the Proposed Merger

Analysis by KPMG in 2016 shows the proposed merger has the potential to generate a net financial saving of \$15 million to the new council over 20 years.

Gross savings over 20 years will primarily be due to:

- streamlining senior management roles (\$4 million);
- the redeployment of back office and administrative functions (\$13 million); and
- efficiencies generated through increased purchasing power of materials and contracts (\$2.7 million).

In addition, the NSW Government has announced a funding package to support merging councils which would result in \$15 million being made available should the proposed merger proceed.

The implementation costs associated with the proposed merger (for example, information and communication technology, office relocation, workforce training, signage, and legal costs) are expected to be surpassed by the accumulated net savings generated by the merger within a five-year payback period.

Overall, the proposed merger is expected to enhance the financial sustainability of the new council through:

- net financial savings of \$15 million to the new council over 20 years;
- achieving efficiencies across council operations through, for example, the redeployment of duplicated back office roles and administrative functions, and streamlining senior management;
- establishing a larger entity with revenue that is expected to exceed \$135 million per year by 2025;
- an asset base of approximately \$854 million to be managed by the merged council; and
- greater capacity to effectively manage and reduce the \$106 million infrastructure backlog across the region by maintaining and upgrading community assets.

The Local Government Act contains protections for three years for all council employees below senior staff level. In rural centres with populations below 5,000, staff numbers must be retained as far as is reasonably practicable.

Impact on Rates

Each of the two councils has previously indicated it may seek or has recently received approval for rate increases to meet local community and infrastructure needs:

- Dungog Shire Council has previously indicated it may seek a cumulative SRV of 92.2 per cent over a six-year period from 2016–17; and
- Maitland City Council has an approved cumulative SRV of 41.1 per cent over a seven-year period from 2014-15.

Local Representation

The ratio of residents to elected councillors in each of the two councils is relatively different. This reflects the variation in resident populations. While the proposed merger will increase the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be similar to those currently experienced in other regional NSW councils, such as Coffs Harbour City Council (Table 1). For the purpose of analysis of merger benefits, this proposal has assumed that the new Council will have the same number of councillors as Maitland City Council, as this has the largest number of councillors of the councils covered by this proposal. The Government welcomes feedback through the consultation process on the appropriate number of councillors for the new council.

Some councils in NSW have wards where each ward electorate elects an equal number of councillors to make up the whole council. Community views on the desirability of wards for a new council will be sought through the consultation process.

Table 1: Changes to local representation in Dungog and Maitland

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Dungog Shire Council	9	9,108	1,012
Maitland City Council	13	75,166	5,782
Merged council	13*	84,278	6,483
Coffs Harbour City Council	9	71,798	7,978

* The Dungog and Maitland communities will have an opportunity to shape how a new merged council will be structured, including the appropriate number of elected councillors. Fifteen elected councillors is the maximum number currently permitted under the NSW Local Government Act 1993.

Source: Australian Bureau of Statistics (2014), Estimated Resident Population; and NSW Office of Local Government, Council Annual Data Returns (2013-14).

Local Economy

Table 2 provides a snapshot of the local business profile of each council. Almost 5,900 local businesses across the region contribute more than 34,900 jobs to the local economy.

Table 2: Local business and employment profile

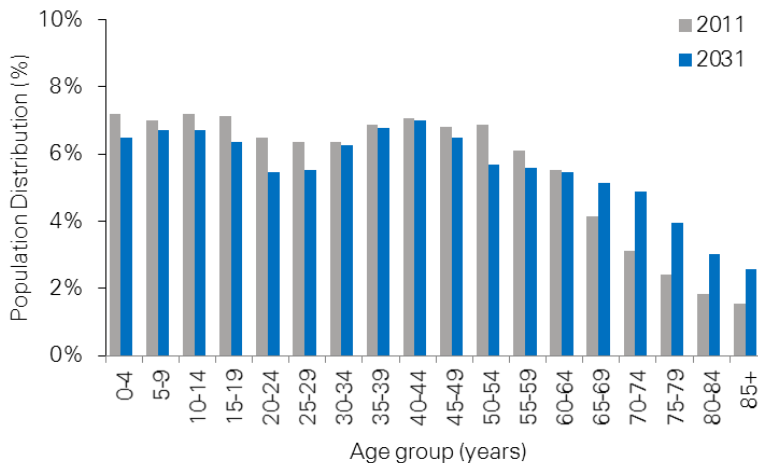
Council	Number of businesses	Local jobs	Largest sector
Dungog Shire Council	982	3,721	Agriculture, forestry and fishing
Maitland City Council	4,856	31,187	Manufacturing
Merged council	5,838	34,908	Health Care & Social Assistance

Source: Australian Bureau of Statistics (2014), Business Counts and Employment by Industry.

Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 109,300 residents by 2031. The Dungog and Maitland region is experiencing population growth and will also experience the impacts of an ageing population over the next 20 years (Figure 4).

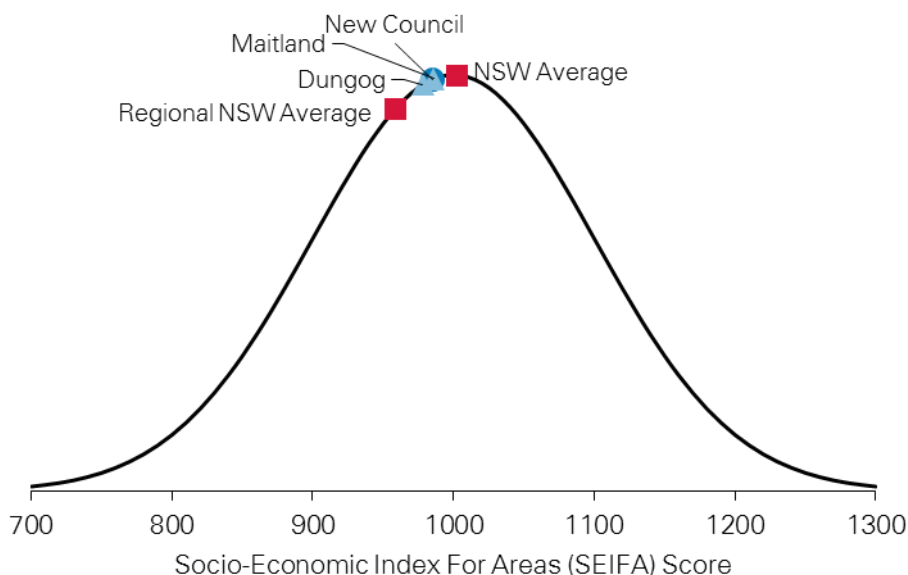
Figure 4: Change in population distribution, by age cohort (2011 v 2031)



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

In comparison with the rest of regional NSW, the Dungog and Maitland communities have similar levels of advantage and disadvantage from a socio-economic standpoint. The Socio-Economic Index for Areas (SEIFA), illustrated in Figure 5, measures a range of factors to rate an individual council's relative socio-economic advantage. The Dungog Shire and Maitland City councils have a SEIFA score which is above the regional NSW average, but slightly below the NSW average. This reflects the characteristics across the communities in relation to, for example, economy, household income, education, employment and occupation.

Figure 5: Comparison of councils' socio-economic profile



Source: Australian Bureau of Statistics (2011), SEIFA by local government area.

Table 3 outlines the current mix of housing types across the region. As with most regional areas across NSW, the dominant forms of dwelling across Dungog and Maitland are separate houses.

Table 3: Dwelling types in the Dungog and Maitland region (total number and per cent)

Dwelling type	Dungog Shire Council		Maitland City Council	
Separate house	3,685	96%	23,056	87%
Medium density	96	3%	3,172	12%
High density	-	-	-	-
Other	41	1%	215	1%
Total private dwellings	3,823		26,443	

Source: Australian Bureau of Statistics, Census (2011), Dwelling Structure by local government area.

Appendix

The following table outlines the factors that a delegate must consider under section 263 of the *Local Government Act (1993)* when examining a proposal.

<i>Legislative criteria</i>
(a) 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
(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area
(c) the existing historical and traditional values in the existing areas and the impact of change on them
(d) the attitude of the residents and ratepayers of the areas concerned
(e) 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
(e1) 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
(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned
(e3) the impact of any relevant proposal on rural communities in the areas concerned
(e4) 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
(e5) 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
(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas



For more information visit:
www.councilboundaryreview.nsw.gov.au

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