



Great Lakes Council

Submission to the Delegate for Chief Executive of the Office of Local Government, NSW

Merger Proposal: Gloucester Shire, Great Lakes and Greater Taree City Councils

April 2016

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1 Executive summary

Great Lakes Council (**GLC**) is a council which has cooperated with the NSW Government throughout the local government reform program. In all reviews commissioned by the NSW Government GLC has been found to be financially responsible and viable with the capacity to remain as a stand alone council. This was reinforced by IPART's determination that GLC was Fit for the Future, and the community has supported GLC along the journey to become a fit council.

Following Gloucester Shire Council's (**GSC**) promotion and subsequent withdrawal of a merger proposal involving Great Lakes Council, Greater Taree City Council (**GTCC**) and Gloucester Shire Council, the Minister for Local Government adopted the proposal as a Government proposal and referred it for examination.

In considering the Minister's referral GLC has resolved in part:

"Council has considered and understands the NSW Government's direction on local government reform and mergers. In recognition of this direction, Council acknowledges and is prepared to support the Minister's proposal to merge Great Lakes, Greater Taree and Gloucester Councils subject to a blueprint for the future being developed to ensure the new Council is appropriately structured for success and the delivery of efficient and effective services to the communities of the combined Councils."

Our submission on this merger proposal will show that there are many risks associated with the merger. The government proposal contains very little detailed information and leaves many unanswered questions around the viability of a new entity. This is a significant merger proposal and one which will create the largest council on the coast of NSW. Without a full review of the merger, as would take place with any large corporate merger, there are risks associated with the efficient and effective delivery of services to residents across the three council areas. GLC is particularly concerned about the impact on the residents of the Great Lakes who have worked with Council over many years to create a sustainable council which delivers services in line with the needs of the local community on a financially sustainable basis. Through our engagement with the Great Lakes community on the merger proposal we have received a strong message from the community that they oppose the merger. The community is very supportive of GLC and our culture. They are very concerned that this is at risk because of this merger proposal. The Great Lakes community has strongly voiced its opinion that it wants the Great Lakes to stand alone and it does not support a merger. Details of their concerns are contained in this submission.

There are also significant risks to the NSW Government. GLC is proud of its achievements that have arisen from working in partnership with the NSW Government and its many agencies. We believe that our record of achievement is highly respected and valued by the NSW Government. We are a council that the Government can confidently partner with to deliver NSW Government outcomes at the local level knowing that it will receive cooperation, innovation and value for money.

The new council will have to establish and develop these relationships. This creates a situation where the NSW Government may, through the merger process, lose a council which over time has forged a strong partnership with its community and the government.

The merged entity would contain two large regional centres of Forster-Tuncurry and Taree. While geographically close these are two distinctly different communities and the communities do not want to merge. Evidence from other states shows that when this occurs in a council merger the conflict between two such areas can continue for a long period (in addition to the impact of internal culture conflicts). We believe there are some parallels to the Noosa merger in Queensland where a de-amalgamation was required following the unsuccessful forced amalgamation of the Sunshine Coast Regional Council. This creates a challenge and risk for the new council as good governance can be difficult where such conflict remains after a merger.

As it has done in the past, GLC intends to fully cooperate with the NSW Government, however if a merger is to proceed our recommendation is that the risks associated with any such merger (including those identified above and in this submission) must be fully considered upfront and appropriately addressed so that the new entity is not only set up for success but remains successful for many years to come. Simply merging the three existing councils together and hoping for success will not achieve this outcome.

We have managed this Council's affairs well as we have progressed through our journey to being a council that is fit for the future and we understand that a well thought out management framework is critical to operating a successful new council entity. Our position has not come about from good luck or good fortune, it has come about from good management, leadership at all levels, building trust and respect between Council and the community and working towards a shared vision.

This submission encourages the development of a blueprint to address the risks and challenges of merging the three councils. We have identified factors that will be critical to consider in such a blueprint, based on our experience. At this stage, we have not developed this blueprint as we do not have a detailed knowledge of the operation, cultures and financial positions of our potential merger partners. However we are ready to actively participate (in good faith and in the spirit of co-operation and collaboration) in a blueprint development process that will guide the establishment of a new entity.

2 Introduction

The Minister for Local Government has referred a merger proposal that affects the future of GLC to the Chief Executive of the Office of Local Government for examination and report under the Local Government Act 1993. The proposal is for the amalgamation of GLC, GTCC and GSC.

GLC has prepared this submission with the assistance of its staff and councillors and supported by independent advice, financial modelling and issues analysis from Morrison Low Consultants to present facts which identify both positive and negative outcomes associated with the proposal.

GLC's position is if a merger is to occur, it is essential that a blueprint for success is developed that will ensure the new council is successful and sustainable into the future.

GLC's submission is intended to provide a clear perspective of the issues pertinent to the consideration of the merger proposal, supported by specific evidence and analysis through independent merger modelling. This submission highlights the more significant areas of risk for the merger proposal and we recommend that such matters be taken into account and form the basis of any blueprint that is to be prepared and implemented for a successful merger.

This submission highlights Council's strong view that amalgamation is likely to fail unless properly managed (including the need for a "blueprint" for success to be developed and adopted). If a blueprint is not developed and adopted and the merger fails, the negative impacts will be broad ranging including significant dis-benefits to the community (such as possible increased cost of services and loss of local democratic representation).

Local government amalgamations tend to be premised on the basis that they will result in:

- Significant savings and efficiencies from economies of scale and scope and reduced duplication
- Savings over time outweighing the costs of amalgamation
- Improved financial sustainability
- Better standards and service levels and more effective service delivery
- Enhanced strategic and technical capability within councils

However, it has been found, internationally, that:

- the estimated savings from amalgamation are typically not realised, or any savings resulting from efficiency gains are used to improve service levels or provide additional services – meaning that they do not result in an overall reduction in rates. In our case, if the stated efficiencies are not realised then the financial loss from the merger has been estimated as being up to \$21M over 20 years;
- in relation to rates revenue there are always winners and losers – with some residents paying more and some paying less. In our case, the risk is that Great Lakes residents may face increased rates and the revenue associated with those rates would be spent in non-GLC areas; and
- the financial sustainability of councils is not always improved after amalgamation. In our case, the merged entity (even with efficiencies) is financially no better off than the current financial position of Great Lakes Council.

We believe that the amalgamation of Great Lakes, Greater Taree and Gloucester Shire Councils can be successful provided the risk are identified and managed and that the organisation is set up from the start to succeed.

This submission will address the heads of consideration that are detailed in the Local Government Act and highlight the key risk areas that (in our view) must be addressed for the proposed merger to successfully proceed.

3 Testing the proposal for merger

Prior to addressing the required heads of consideration, GLC wishes to comment on several of the statements made and assumptions relied upon in the merger business case released by the NSW Government as justification for this merger proposal.

3.1 Limited opportunity and time to fully investigate the merger proposal

GLC and its community were not aware that it was proposed as part of any merger until March 2016. GLC had previously considered a merger with GSC in 2015 as part of the Fit for the Future process. This was in keeping with the recommendations of the NSW Government's own independent review panels:

- The Independent Local Government Review Panel¹ (ILGRP) recommended that Great Lakes “be a Council in a Mid North Coast JO (this was subsequently amended by the NSW Government to include Great Lakes in the Hunter Council JO which was also selected as a pilot Joint Organisation area) and consider a merger with Gloucester” (Gloucester was recommended to merge with either GLC or GTCC)
- The Independent Pricing and Review Tribunal's² assessment that GLC is Fit for the Future meeting all the Government benchmarks and having scale and capacity and can stand alone in line with the ILGRP recommendation.

The Great Lakes community has not been granted sufficient opportunity to analyse, consider, discuss and determine their view about this particular proposed merger, unlike other communities across the State who have known since the ILGRP Report in October 2013 that their councils were subject to merger consideration. These other communities have been afforded the opportunity for extensive engagement throughout the Fit for the Future process about the possibility of specific mergers.

In addition, this process has meant that the Great Lakes community has also not had opportunity to fully consider options which may have been available to them during the Fit for the Future process. Proper analysis and consultation may have offered a superior alternative to the merger proposal now before them, such as forming part of a Joint Organisation or other options. This is also inconsistent with both the ILGRP and IPART reports.

3.2 The merger proposal claims significant benefits for the community which are not adequately quantified

GLC and its community have not been afforded the opportunity to review the full financial modelling undertaken by KPMG that has been used as the basis for this specific NSW Government merger proposal. The information is not publicly available and Council has not been able to access the information specifically relating to the merger proposal for Great Lakes, Greater Taree and Gloucester Councils.

Notwithstanding the above, there are fundamental flaws in the standard KPMG methodology and the assumptions have been reviewed by Professor Dollery³ and Morrison Low⁴. These reviews clearly demonstrate the flaws in the assumptions applied by KPMG which overstate the supposed benefits of the proposed merger.

¹ Independent Local Government Review Panel, *Revitalising Local Government: Final Report*, October 2013, p 110

² Independent Pricing and Review Tribunal, *Assessment of Council Fit for the Future Proposals: Final Report*, 2015 p337

³ Review of KPMG (2016) *Outline of Financial Modelling Assumptions for Local Government Merger Proposals* Technical Paper http://www.usu.org.au/attachments/article/1422/USU_KPMG_Modelling_Report_Dollery_10_February_2016.pdf

The modelling undertaken by Morrison Low does indicate that benefits totalling \$11.2 million are possible should all identified benefits be realised.

In summary:

- The costs of the merger are being understated

Based on the evidence below it is clear that the merger costs are grossly understated taking into consideration the true cost of IT consolidation, wage harmonisation and the expected increase, not decrease, in staff over the longer term.

- The true costs of IT consolidation are not being included

The KPMG modelling and government approach appears to include limited costs associated with only the immediate required changes in IT. Longer term consolidation, where more significant costs lie, will need to be borne by the newly merged council which may then be expected to benefit from the changes. In the Auckland merger these costs were originally estimated at \$70M⁵. However:

- the changes are a direct consequence of the merger and are costs that would not otherwise be borne by the communities
- this assumes that any investment in IT returns as either savings or improvements in service delivery using efficiencies or savings derived from improved automation or processes. These costs will be material and consequently significant financial savings will need to be realised by reducing staff
- IT projects have a tendency to go over budget, over time and not deliver the stated benefits (for example, the Auckland Council IT costs of consolidation grew from a reported \$70M budget to in the region of \$140 - \$170M⁶)
- IT costs were found to be 24% of the costs of the Queensland mergers⁷.

In the absence of actual information it is assumed that the KPMG modelling allowed for a one off cost of \$3.6M based on previously released assumptions. However, there will be a significant ongoing investment required over the first three years to complete the full implementation as was borne out in the Queensland mergers.

- Procurement savings do not take into account existing purchasing arrangements and efficiencies

The stated savings from purchasing power do not take into consideration that most large purchases are currently made using joint purchasing arrangements, and other large panel contracts, and thus a significant portion of the benefits from procurement consolidation are already being realised. Any further gains in procurement savings will be minor.

Additionally, the KPMG savings are projected based on an assumed saving of 2% on published materials and contracts cost.⁸ This contrasts with earlier KPMG merger models where the saving was assumed to be 1.5% and specifically allowed for the value of reductions already achieved through shared procurement.⁹

⁴ Comparisons of KPMG and Morrison Assumptions

⁵ http://m.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11361387

⁶ see Note 5 above

⁷ Review of Local Government Amalgamation Costs Funding Submissions Final Summary report – August 2009, Queensland Treasury Corporation

⁸ Final Report and Outline of Financial Modelling Assumptions for Local Government Merger Proposals, Technical Paper, KPMG

⁹ Bombala, Cooma-Monaro and Snowy River Shire Councils, Merger Business Case, Final Report, May 2015

- KPMG does not recognise the cost of wage harmonisation

QTC found the cost of harmonisation was 26% of the costs claimed by councils during the 2009 council amalgamations. While QTC did not meet the councils' claims, they said:

"While the reasons why these wage and allowance increases were made are understood, they were voluntary and also specifically excluded in terms of the review mandate"

There should be an acknowledgement of the costs of harmonisation, otherwise one of the most significant cost factors is being ignored.

- Staff reduction assumptions are inconsistent with evidence from mergers in other jurisdictions

KPMG has assumed a staff reduction between 3.7% to 5%¹⁰ and the proposal states that \$19m of gross savings will arise from the merger over 20 years through redeployment of back office roles and administrative roles and a further saving of \$10m by streamlining senior management roles¹¹.

The assumption that long term staff reductions will be achieved is inconsistent with evidence from recent mergers:

- Research conducted for the Independent Review Panel noted that each of the councils involved in the 2004 NSW mergers had more staff after the merger than the combined councils together. The average increase over the period 2002/3 to 2010/11 was 11.7%¹²
- Evidence from nine Queensland councils subject to mergers in 2009 shows staff growth post-merger with the average increase (nine councils) from 2008/9 to 2013/14 being 9.3%

The KPMG modelling ignores this observed trend and assumes staff costs will reduce when, in reality, they will rise over time. The financial impact on the organisation of having 10% more staff rather than 4.5% less staff is significant. Further evidence from the Queensland mergers show that the staff increases tend to occur mainly in the back office.

- Other transition costs do not appear to be accounted for in the KPMG modelling

Other costs associated with the merger e.g. transitional planning and implementation, resourcing, branding and publicity, HR etc. do not appear to be accounted for in the KPMG modelling, except within a generic assumption of transition costs of 2% of operating expenditure in the merged council's first year¹³.

- Reconciliation of depreciation and renewal expenditure

The KPMG modelling does not take into account the impacts of a change in approach to depreciation that will occur under a merged council.

¹⁰ See note 3

¹¹ Merger Proposal, Gloucester, Great lakes and Greater Taree region, NSW Government,

¹² Assessing processes and outcomes of the 2004 Local Government Boundary Changes in NSW, Jeff Tate Consulting

¹³ See note 3

3.3 Benefits and opportunities of the merger may not be realised

The analysis of the KPMG financial modelling for the merger proposal has been discussed above, however there are specific areas highlighted in the merger proposal that are refuted below:

- The risk that the stated benefits may not arise must be considered in the decision process
- Given the financial benefits espoused in the proposal are in question this places significant risk and credibility on the long term sustainability of the proposed merger. Residents and staff are potentially exposed to an uncertain future.

4 Factors for consideration

In response to the merger proposal, this submission addresses all the factors detailed in section 263(3) of the NSW Local Government Act of 1993 (**LG Act**) that the Delegate and Boundaries Commission is required to have regard to when considering the merger proposal (**Relevant Factors**).

Our commentary and assertions in respect of each of the Relevant Factors is set out below and is supported by strategies and studies.

The table below provides a list of the documents that support our comments and assertions. These are grouped under each of the Relevant Factor categories and are included in the appendices to this submission.

Factor	Supporting Documents
Financial advantages or disadvantages <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> See section 4.1 below for details Merger Business Case – Great Lakes, Greater Taree and Gloucester Councils (April 2016), Morrison Low (Appendix A) Review of Local Government Amalgamation Costs Funding Submissions – Final Summary report – August 2009, Queensland Treasury Corporation - see website link for a copy: http://services.dip.qld.gov.au/opendata/RTI/dlgcrr/rti137/Documents%20for%20release%20-%20RTI137.PDF
Community of interest <ul style="list-style-type: none"> The community of interest and geographic cohesion in the existing areas and in any proposed new area 	<ul style="list-style-type: none"> See section 4.2 below for details
Historical and traditional values <ul style="list-style-type: none"> The existing historical and traditional values in the existing areas and the impact of change on them 	<ul style="list-style-type: none"> See section 4.3 below for details Environmental Management Activities - comparison between Councils (Appendix B) Waterway & Catchment report card 2015 (Appendix C) Great Lakes Council Active Ageing Strategy 2015-2018 (Appendix D)
Attitude of the residents and ratepayers <ul style="list-style-type: none"> The attitude of the residents and ratepayers of the areas concerned 	<ul style="list-style-type: none"> See section 4.4 below for details GLC Community Information Sessions March 2016 - presentation (Appendix E) GLC Public Inquiry 5 April 2016 - presentation (Appendix F) Public Inquiries (Taree/Forster/Bulahdelah) - summary of speakers presentations - April 2016 (Appendix G)

Factor	Supporting Documents
Representation <ul style="list-style-type: none"> – 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 – 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 – 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 	<ul style="list-style-type: none"> – See section 4.5 below for details
Service delivery <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – See section 4.6 below for details – State of Regional Australia 2015- See website for a copy http://regional.gov.au/regional/publications/sora/files/State-of-Regional-Australia-2015.pdf
Staff <ul style="list-style-type: none"> – The impact of any relevant proposal on the employment of the staff by the councils of the areas concerned 	<ul style="list-style-type: none"> – See section 4.7 below for details – Consultative Committee submission (Appendix H)
Impact on rural communities <ul style="list-style-type: none"> – The impact of any relevant proposal on rural communities in the areas concerned 	<ul style="list-style-type: none"> – See section 4.8 below for details
Division into wards <ul style="list-style-type: none"> – In the case of a proposal for amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards 	<ul style="list-style-type: none"> – See section 4.5.3 below for details
Opinions of diverse communities represented <ul style="list-style-type: none"> – In the case of a proposal for 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 	<ul style="list-style-type: none"> – See section 4.5 below for details
Other matters <ul style="list-style-type: none"> – Such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas 	<ul style="list-style-type: none"> – See section 4.9 below for details

4.1 Financial advantages and disadvantages

4.1.1 Factor for consideration (s263(3)(a) of LG Act)

- 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

4.1.2 Merger business case

To inform the preparation of this submission, Morrison Low was engaged by GLC to undertake a high level merger business case to identify the benefits and costs for the proposed amalgamation of GLC, GTCC and GSC.

The modelling was undertaken utilising publicly available information from all councils. This included long term financial plans, annual financial reports, asset management plans and submissions to IPART. This allowed for consistency across the councils.

Acknowledging the NSW Government's policy position of maintaining rates on their current paths for four years the Morrison Low modelling removed the proposed SRV from the GLC and GTCC Long Term Financial Plans. However Morrison Low separately modelled the inclusions of these SRV to determine the impact on the Operating Performance Ratio and charts on both scenarios follow.

Morrison Low's approaches to modelling council mergers include:

- Assumptions being made using the best available information including analysis of various reports on, and estimates of, merger costs in other similar situations. This has been supplemented with professional opinion of Morrison Low staff based on experience, including with the Auckland Transition Authority.
- The merged councils are modelled on the basis of a combined LTFP where all council costs and revenues set out in the LTFP are brought together. Actual data from the latest financial year (2014/15) has been inserted into that year and this has been compared to the LTFP projections. When loading data for each individual council every effort has been made to ensure the best available data has been used.
- A Net Present Value of the costs and benefits is calculated over twenty years for consistency with the KPMG approach. In this instance a 9.5% nominal discount rate was used.
- The modelling involves consideration of local factors which will increase or decrease the possible benefits of the proposed merger, for example opportunities for further efficiency in materials and contracts being limited based on regional procurement arrangements and panel contracts.
- Use of a comparative council to test and compare true costs and benefits against a council of similar scale to the proposed merged entity, for example true wages of senior staff, true numbers of back of house staff, etc. In this instance Port Macquarie Hastings Council was used for comparative purposes.
- Recognising the many risks inherent in containing merger costs and realising merger benefits, given that these decisions will be made by an entity that is not yet in existence. The business case is high level, and implementation costs and attaining the savings will be difficult to achieve. If, for example, the council chooses not to follow through with the projected efficiencies, this will affect the financial viability of the merged

council. This scenario is also presented to highlight the significant costs of mergers to communities given the high risk of financial benefits not being achieved.

Based on the above approach and detailed assumptions appended to this submission, Morrison Low has calculated the following net present value of the costs and benefits of the merger, based on a 9.5% nominal discount rate over a twenty year period under two scenarios – one being that the benefits are achieved, the second reflecting the risk of benefits not being achieved.

	NPV – Benefits Realised	NPV – Benefits Not Realised
LTFP 9 years	\$11.2 million (benefit)	\$21.3 million (cost)

The above table demonstrates a significant risk to the merger if the identified benefits and savings are not realised. There is clearly a risk that the merger will result in a net cost to the community rather than delivering any benefits. The theoretical modelling of the merger demonstrates that there would be financial benefit if the efficiencies are implemented, however significantly less than those purported by KPMG, which have been widely criticised as simplistic, generic and overstated.

The alternate scenario demonstrates that if the benefits are not realised, which is a high-risk based on the experience in other mergers in NSW and Queensland, the cost to the communities of Great Lakes, Greater Taree and Gloucester would be significant.

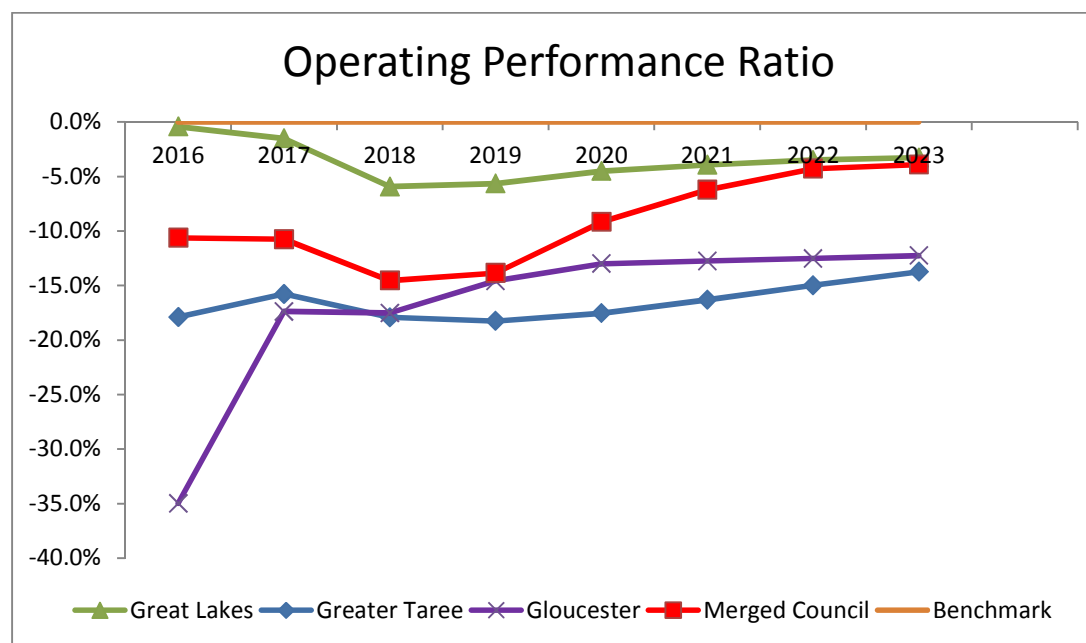
It should also be noted that the single greatest driver of benefits is through the reduction in staff numbers. This has significant financial implications to the broader regional economy and these are demonstrated below.

The merger business case clearly shows that Great Lakes would be worse off under the current merger proposal. Over the period in which \$11.2 million of benefits arise, the merged entity will have a shortfall on asset expenditure of \$27.3 million per year for five years and an ongoing asset expenditure shortfall of \$6.8 million per year. These costs outweigh any benefits.

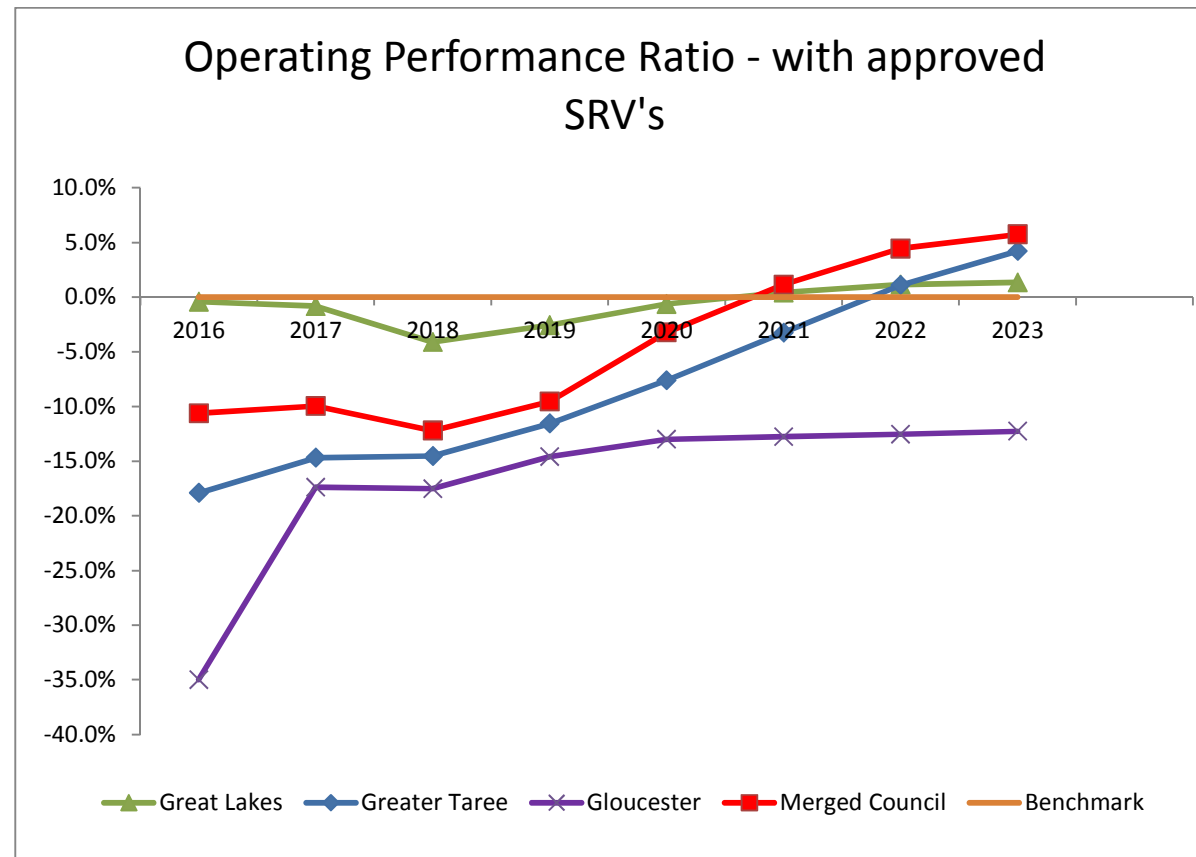
Performance against the Fit for the Future Benchmarks

Operating Performance Ratio

- (1) In undertaking the merger modelling the proposed SRV for both GLC and GTCC are removed.
- (2) The results show that neither the individual councils nor the new entity will meet the benchmark for operating performance over the period to 2023.
- (3) Further, even if the proposed merger delivered the full suite of modelled benefits, the operating performance remains below the benchmark and below the GLC result for the entire modelling period. It is important to note that GLC has the best operating performance result of all the councils including the merged council.

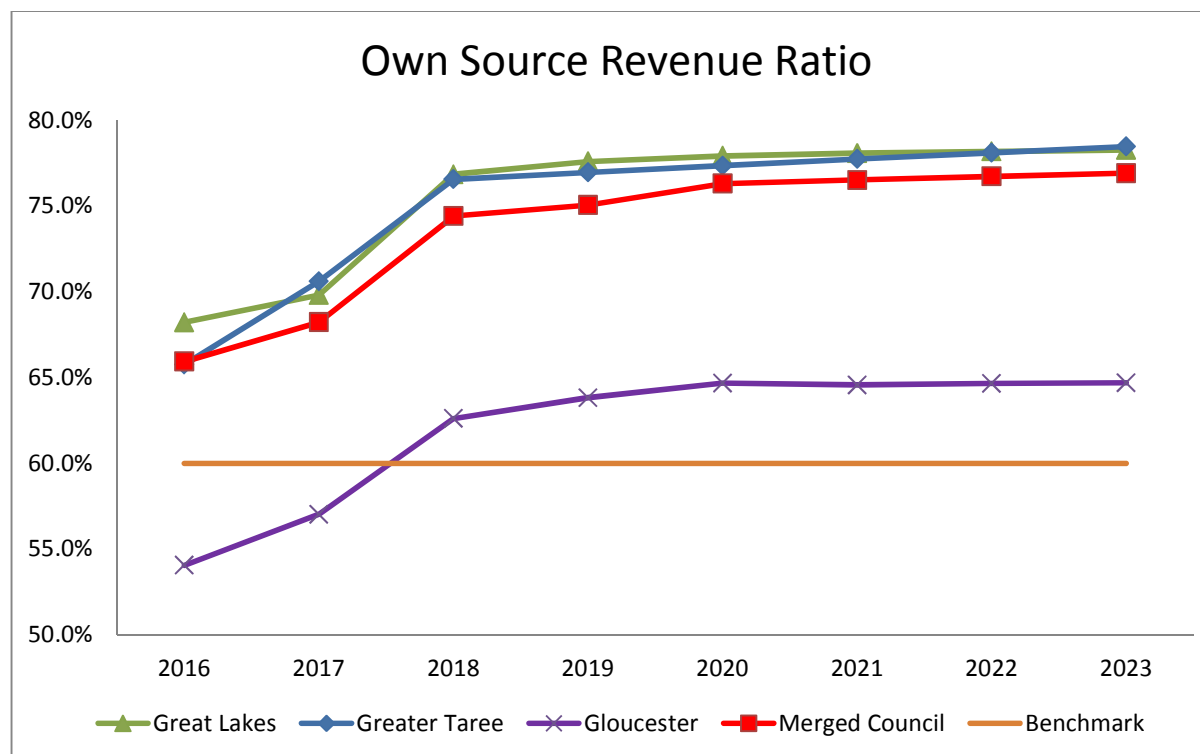


To ensure that the merged council is successful it is clear that a significant increase in rates will be required. Morrison Low has estimated that the funding gap is approximately \$12 million p.a. **It is interesting to note that if the GLC and GTCC SRVs endorsed by their communities were approved by IPART and implemented then the operating result will be positive in 2021 and meet the benchmark.**



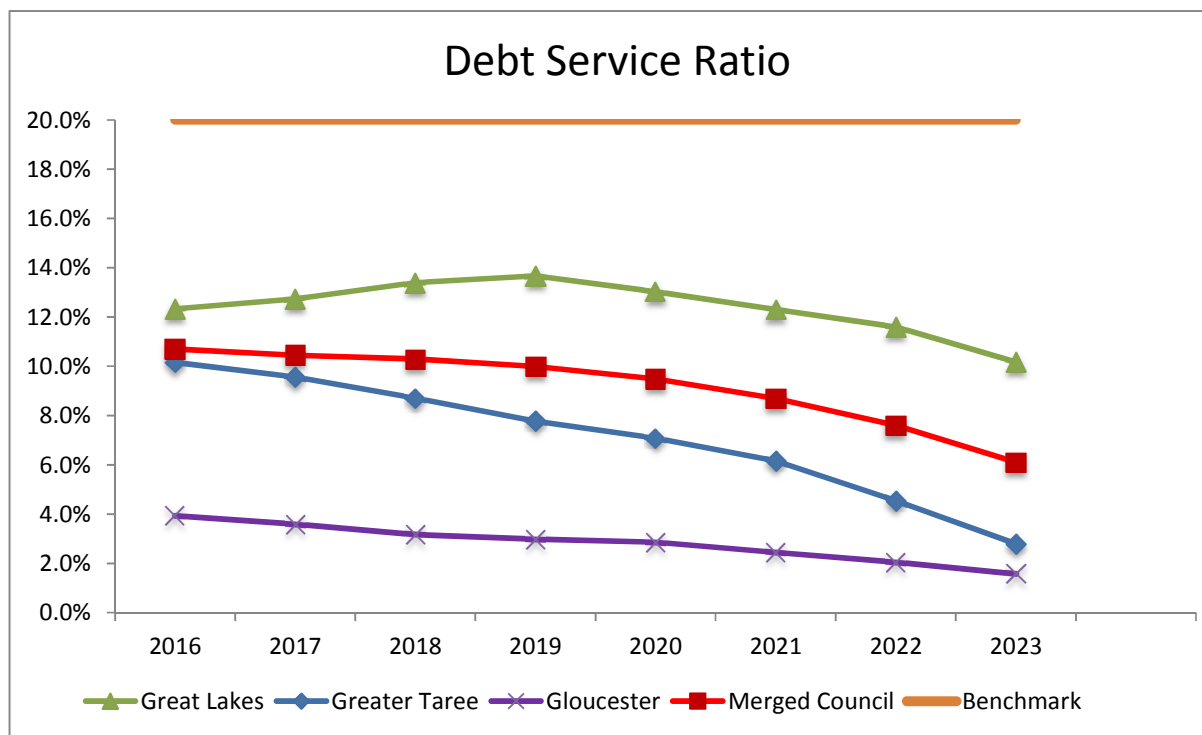
Own Source Revenue Ratio

Both GLC and GTCC currently exceed the Own Source Revenue benchmark, GSC on the other hand does not meet the benchmark in the early years but as the impact of the SRV takes effect its situation improves to a position slightly above the benchmark from 2018. This would indicate that the individual councils have or are developing a diverse source of income and these benefits would flow on to a merged entity.



Debt Service Ratio

All councils show ratios well below the benchmark of 20% which would indicate that the existing councils, as well as the merged council, would have significant capacity to borrow funds for either infrastructure or new and improved services.



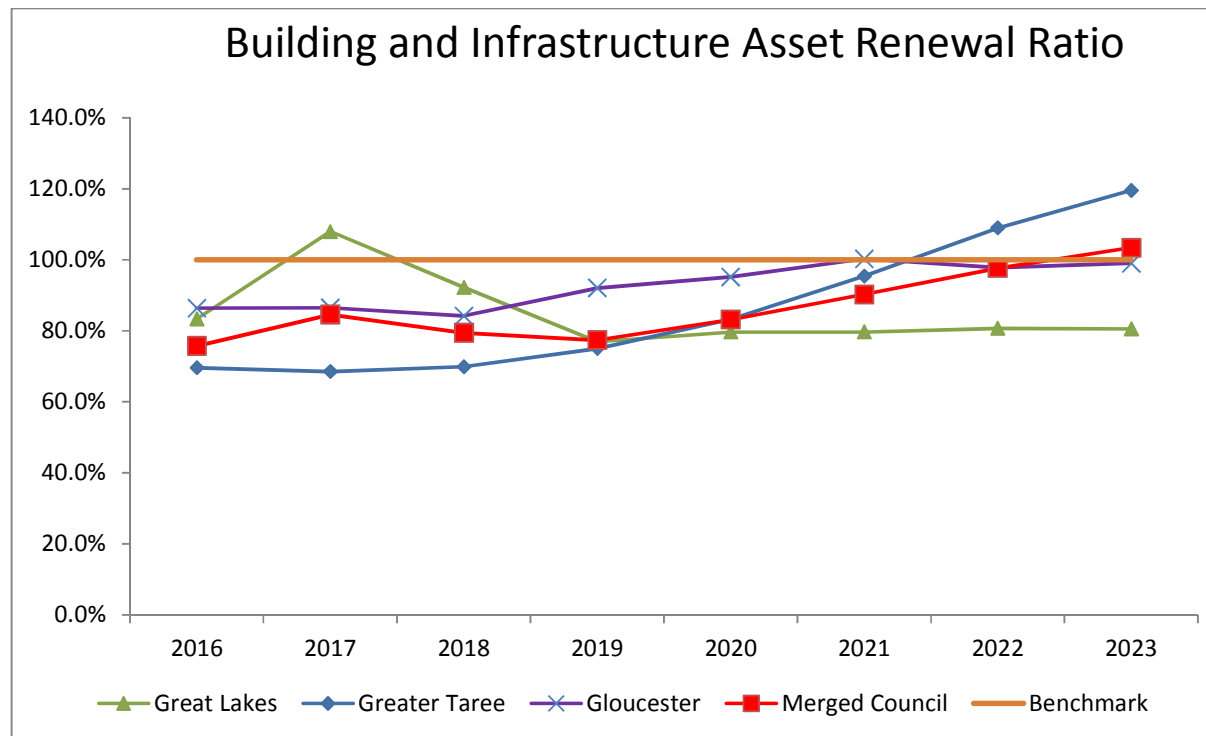
Buildings and Infrastructure Renewals Ratio

The Buildings and Infrastructure Renewal Ratio is one of the key sustainability ratios. A benchmark of 100% indicates that a council is allocating sufficient funds to replace the loss of value of its assets over time. Asset renewals can be used to address the asset backlog by allocating additional resources to renewals (in excess of 100%). Once the asset backlog benchmark has been met, asset renewals funding can return to 100% with the additional funds allocated to asset maintenance, additional and / or improved services.

GLC's SRV application will address the current deficiency in its asset renewal ratio but this has been removed from the modelling in line with the Government position.

Both GTCC and GSC are proposing to increase their asset renewal funding over time and anticipate meeting the benchmark in 2021. This proposed increase in renewals expenditure will drive the merged Council to meet the benchmark from 2023.

On current modelling the merged organisation would have to allocate approximately \$3.4 million per year to meet the renewals benchmark between now and 2023.

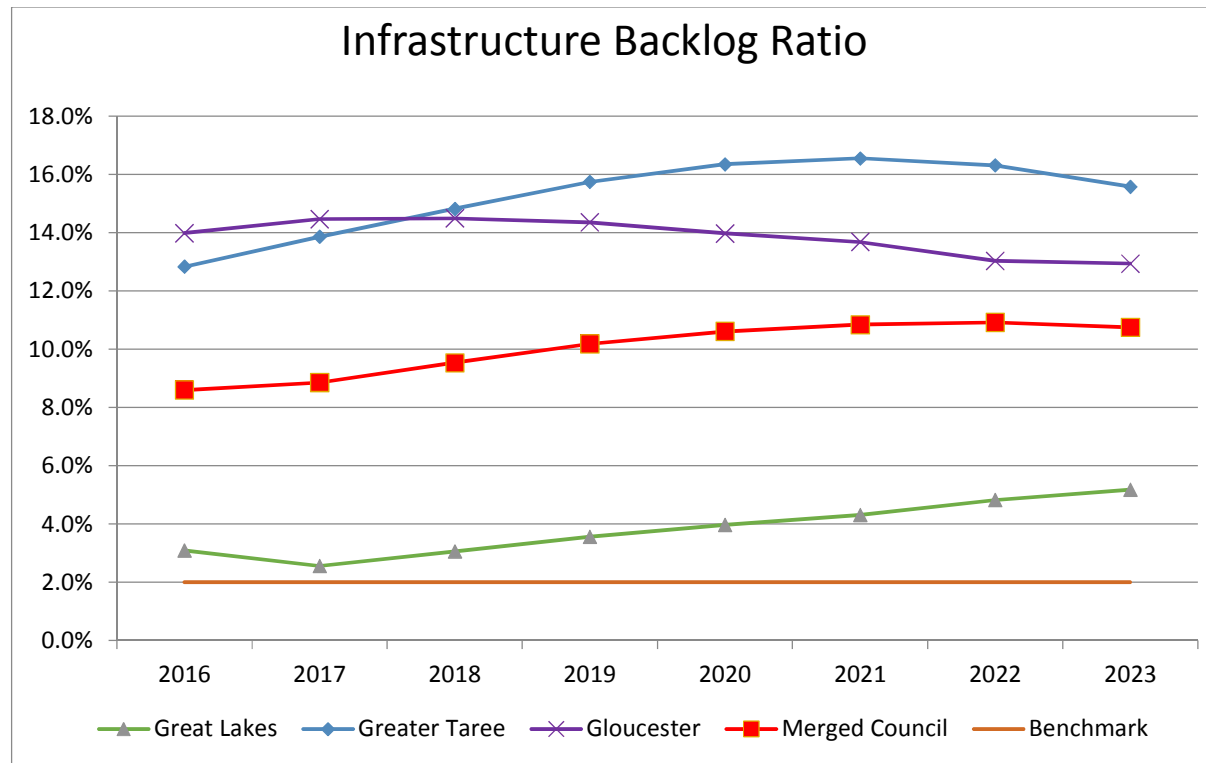


Infrastructure Backlog Ratio

The Infrastructure Backlog Ratio is in place to measure the overall condition of the organisation's assets. In modelling future projections of the backlog for the merged council the Morrison Low model assumes that if the asset renewal ratio is not being met then it is likely that the overall condition of assets will deteriorate and the backlog will increase.

It should be noted that Great Lakes infrastructure assets are reported to be in significantly better condition than those of GTCC and GSC. The Morrison Low modelling suggests at all times the estimated backlog ratio for the merged Council will remain higher than GLC ratio. Addressing the backlog issues for a merged Council will pose a significant equity issue for Great Lakes that must be addressed in the blueprint for success.

At no time over the modelling period will the merged Council meet the backlog ratio. It is estimated that an additional renewals expenditure of \$27.3 Million for 5 years will address the backlog and return it to the benchmark. Again the approval and inclusion of the SRV's will provide considerable funding and financial capacity to address the backlog.

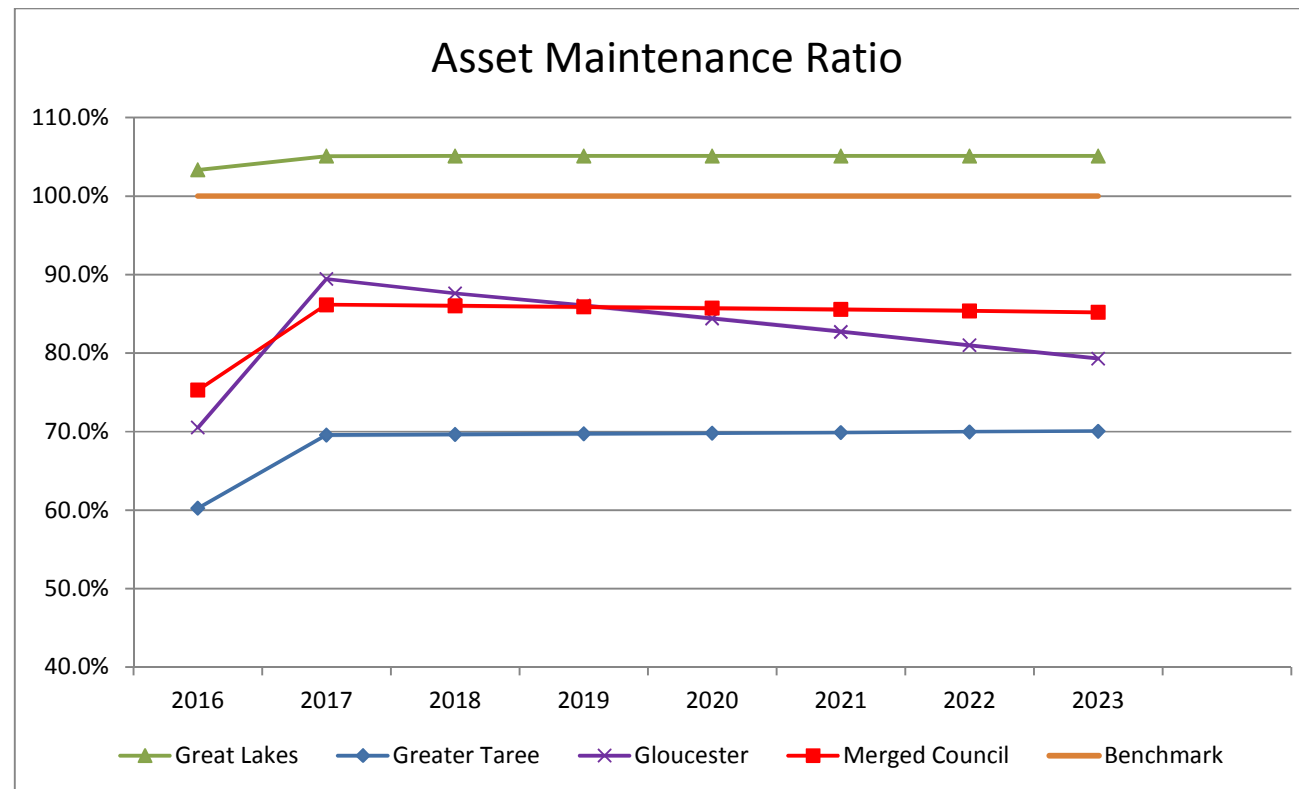


Asset Maintenance Ratio

The Asset Maintenance Ratio is a comparison of what is spent on actual maintenance and what is required to be spent on maintenance.

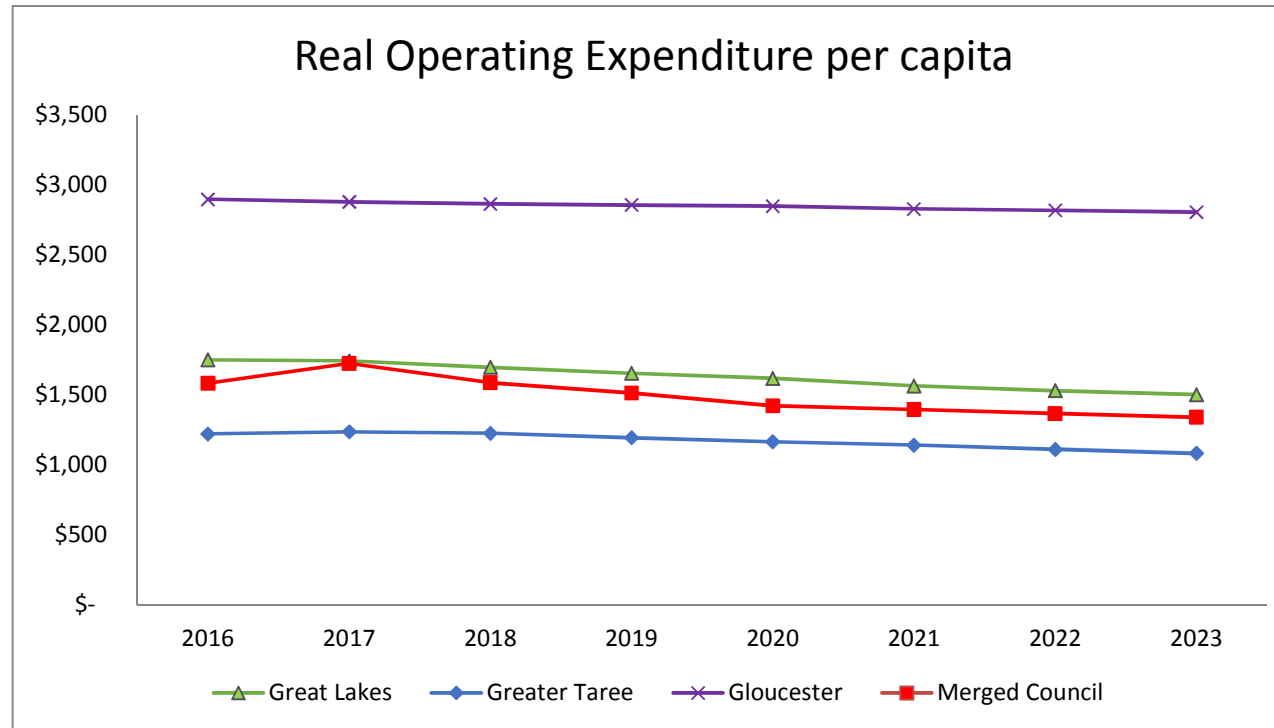
GLC is the only council in the merger proposal that meets or exceeds the benchmark.

It is estimated that over the modelling period the merged Council will not have sufficient funds to cover its required maintained expenditure. This poses another equity issue to the residents of Great Lakes. Currently the Council is allocating sufficient funds to ensure assets are maintained to a sustainable level. There is also some scope for GLC to reallocate some asset maintenance funding to asset renewals which would improve that ratio and assist in addressing the asset backlog position.



Real Operating Expenditure Per Capita

The Real Operating Expenditure per Capita is a measure of the ongoing efficiency of an organisation. All Councils show a decreasing Real Operating Expenditure per Capita, as does the merged council.



Operating deficits (before capital grants and contributions) are predicted for each year to 2024. Further to this, the new entity would be underfunding asset maintenance and renewals, which would result in an increasing asset backlog.

Additional permanent annual revenue would be required by the new entity to address its operating position.

Finding

The financial analysis clearly shows that the merged entity will require additional revenue in order to meet the key benchmarks.

GLC and GTCC have both lodged a SRV application for 2016/17 with IPART primarily for the purpose of addressing infrastructure maintenance and renewal. We understand the Minister's position on rate rises for merged councils is to hold rates on their current path. However, both GLC and GTCC SRV applications were lodged before either Council was included in a merger proposal. Community engagement activities were undertaken by both councils in accordance with OLG and IPART guidelines and the proposed rate increases were supported by both communities. We understand based on advice from

the OLG that the applications are being assessed by IPART in accordance with their usual process and we will receive advice on the IPART determination according to their timeframes.

Acknowledging that the Minister's position is to hold merged entities to their current rate path, we suggest that if IPART were to approve the SRV's (or modify them) then the IPART determination would represent the current rate path and would be in line with the Minister's policy position. This would allow a merged entity to issue rates based on the approved SRVs. This would be a key factor in setting up the new merged entity for success.

4.2 Community of interest - people and place

4.2.1 Factor for consideration (s263(3)(b) of LG Act)

- The community of interest and geographic cohesion of the existing areas and in any proposed new area

4.2.2 Distinctive local identity and history

The Great Lakes area has strong and significant links with our coastline and catchment as well as recognising our rural history. This history of GLC begins in Stroud, an hour and a half inland from Forster.

The Shire of Stroud was gazetted on 7 March 1906 with the town of Stroud the location of the Council chambers. There were a number of boundary alterations from the time of original proclamation, with the most significant addition being the Parish of Forster and Forster village in 1930. In June 1980 the government undertook preparation of legislation for the extension of Great Lakes Shire and the amalgamation of Taree and Wingham Municipalities and the major part of Manning Shire. The main Council administration centre was relocated to Forster in August 1981. (*source: 1906-2006 One Hundred Years of Local Government, Stroud Shire Council - Great Lakes Council - author - Sandra Finn, 2006*).

The relocation of the Council Chambers and main administration centre from Stroud to Forster was consistent with Australian growth patterns of the time - continuing today - towards a 'sea change' lifestyle. The Great Lakes region has experienced significant population growth over the last 10 years with retirees, 'sea' changers and their families being strongly represented in this growth. Population projections suggest that this trend will continue into the foreseeable future.

Further details on the current population are covered in item 4.2.3.

4.2.3 Population and geography

The Great Lakes region, covering an area of 3,373 km² and housing a population of approximately 36,171 is located about three hours' drive north of Sydney between Port Stephens in the south and Taree in the north

A spectacular environment characterised by unspoilt lakes, rivers, beaches, national parks, mountain ranges, hinterland, flora and fauna provide for a lifestyle that many residents and tourists have come to enjoy. Our natural environment is our greatest asset and requires ongoing protection and management to ensure its preservation for the present and future generations.

The Great Lakes is comprised of two main population centres - Forster/ Tuncurry in the north and Tea Gardens/Hawks Nest to the south. In addition there are a number of towns and villages within the region, each with their own unique character, including Stroud, Bulahdelah, Coolongolook, Nahiack and Boomerang Beach and Blueys Beach.

Tourism is one of the most important industries in the Great Lakes. With almost one million visitors each year contributing around \$359 million in direct spend (growing to \$680 million with the multiplier factor to the economy) it is not surprising that tourism continues to drive the Great Lakes economy. There is a great diversity of tourism operators across the region, many of whom have implemented sustainable business practices as they recognise the importance of the pristine natural beauty of the area to business sustainability.

While the Great Lakes area has strong links with its hinterland communities the sea change growth since the 1980's and tourism appeal results in distinctive characteristics which differentiate it from the proposed merger partners in Greater Taree and Gloucester. These geographical differences also translate into cultural differences which do impact on the challenges facing a merged entity. The sea change growth is reflected in 2006 population figures which indicate that the large majority of the Great Lakes population reside along the coast with approximately 75% of the population in Forster, Tuncurry, Hawks Nest, Tea Gardens, Pacific Palms and Smiths Lake. Another 20% live in our rural towns of Stroud, Nabadac and Bulahdelah.

Demographics

The Great Lakes resident population has the highest proportion of people over the age of 50 years in NSW. People aged 60+ years represent more than one-third of the Great Lakes total population at 39.5%, making it the oldest community in NSW, double the state average and well above the regional average of 24.5%. Population forecasts for 2036 indicate a significant 44.7% increase in older age groups of 60+ years.

The following extract from: *Australian Government, Department of Infrastructure and Regional Development - State of Regional Australia 2015 - Progress in Australian Regions*, indicates:

- Smaller regions that have a high proportion of people aged 65 and over are typically coastal areas, either within accessible distance of a major population centre or historically associated with tourism and leisure

This is the case in the Great Lakes area, with Forster/Tuncurry and Hawks Nest/Tea Gardens being the most popular places for retirees to settle.

The extracts below from the *State of Regional Australia 2015* report clearly illustrate the significant proportion of population aged 65 and over in the Great Lakes area, and the relevance of the linkage of geography, tourism and leisure areas as part of the attraction for this age group. Note - the statistics presented in the report represent *Australia-wide* population characteristics.

Table 1.5 Proportion of population aged 65 and over, top 10 SA2s, 2013

SA2	Percentage of population aged 65 and over	Percentage points above the Australian figure
★ Tuncurry NSW	40.5	26.0
★ Tea Gardens – Hawks Nest NSW	39.9	25.4
Sussex Inlet – Berrara NSW	37.9	23.5
Bribie Island QLD	37.1	22.7
Victor Harbor SA	36.8	22.4
Paynesville VIC	36.5	22.0
Goolwa – Port Elliot SA	34.8	20.4
Queenscliff VIC	33.8	19.3
★ Forster NSW	33.5	19.1
Rosebud – McCrae VIC	32.3	17.8
AUSTRALIA	14.4	

Source: ABS (2014f).

Note: Excludes SA2s with population under 100. SA2s in the table have populations ranging from 4,000 to 21,000.

Population

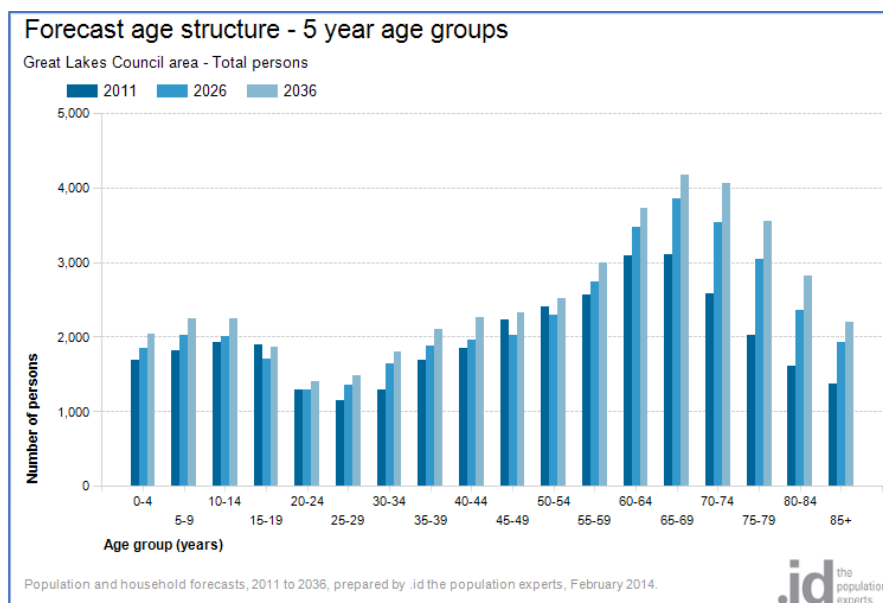
The population forecast for the GLC area is indicated below, with an expected increase of 24.27% between 2016 and 2036.



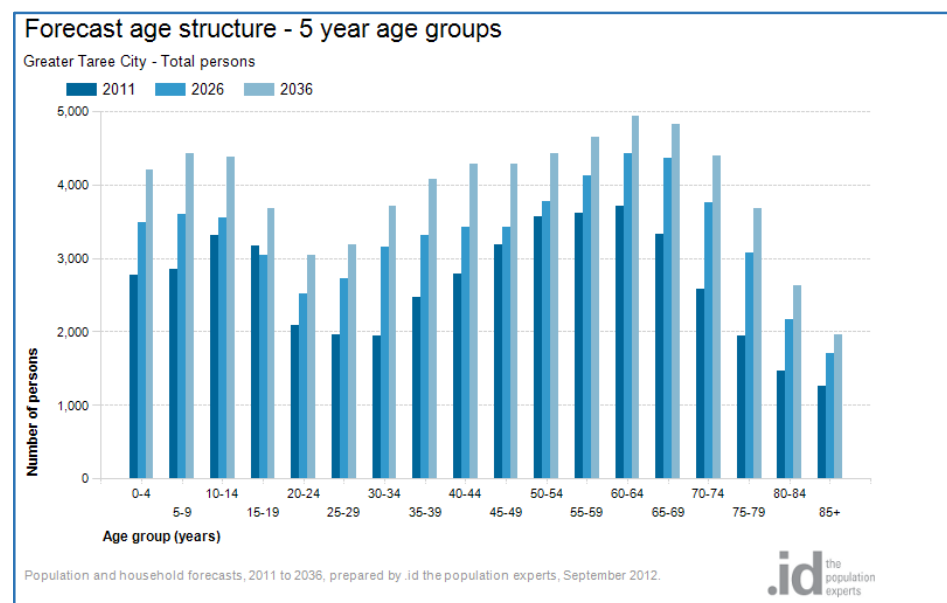
Source: *Forecast.id population forecast summary*

Between 2011 and 2026, the age structure forecasts for the GLC area indicate a 8.1% increase in population under working age, a 37.7% increase in population of retirement age, and a 4.6% increase in population of working age. The forecast population growth for GLC area through 2036 is shown below, in 5 year age groups (Data as at Feb 2014). For comparison purposes, the forecast population growth for GTCC area is also shown below (Data as at Sept 2012)

Great Lakes Council



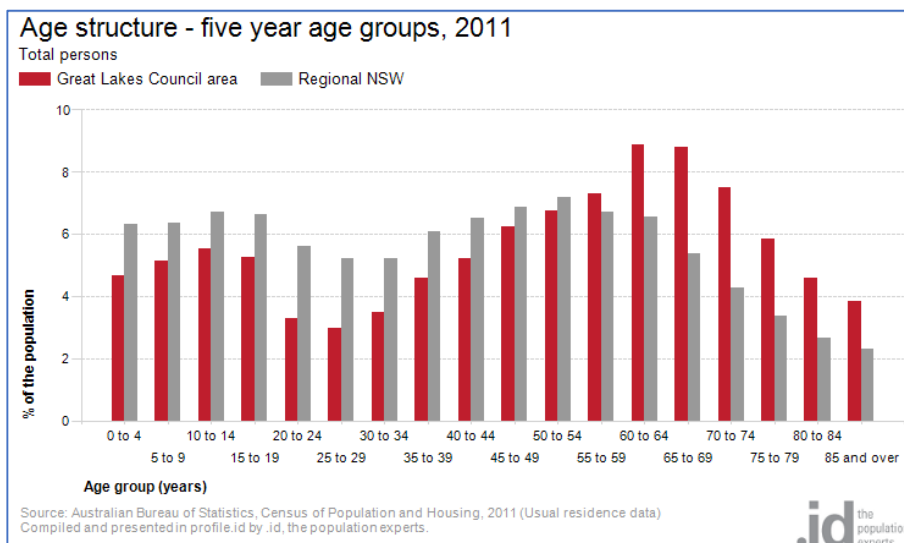
Greater Taree City Council



Source: *Forecast.id population forecast summary*

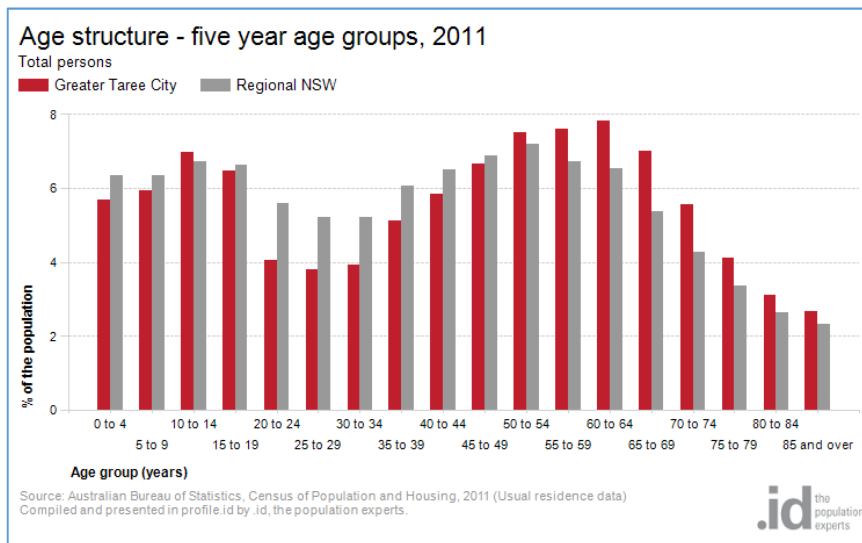
The age structure of the Great Lakes population (in five year age groups) in 2011 compared to regional NSW is shown below. For comparison purposes, a similar graph for GTCC population is also shown below. This data reflects the uniqueness of the Great Lakes population in comparison to other regional areas, with marked differences in several age groups. In the 20-35 year age group the Great Lakes has a significantly lower proportion of residents when compared with the regional average. The widest gap between the Great Lakes resident population and the regional average appears in the age groups from 60 years through to 85 years and over.

Great Lakes Council



Source: *Population.id*

Greater Taree City Council



4.2.4 Service linkages re geographic cohesion

There will be service linkages and cohesion between the proposed merger partners in some areas while other linkages are insignificant. The Independent Local Government Review Panel undertook research and generated a number of maps based on this which show GLC, GTCC and GSC with varying levels of similarity in affiliation.

The large majority of residents who addressed the public inquiry spoke of the uniqueness of their areas. At the Forster Public Inquiry many representations were made about the uniqueness of the Great Lakes' environmental and natural features, and significantly, about the communities of the Great Lakes. The pride and connection residents have with the Great Lakes - both as an area and as a Council was a consistent message. The establishment of this relationship takes time, commitment and leadership. It is a partnership led by Council, senior management and staff with the community. It is based on trust and communication. This solid partnership it has allowed Council and the community to work together towards the community's vision for a sustainable Great Lakes.

Not much will change with connectivity whether the three councils are merged or not – a merger doesn't change the 'connectivity' of areas. People don't choose to travel, shop or take part in activities based on what local government area (**LGA**) they are in or travelling to, their travel is based on fulfilling a need be it health, education, sport, shopping or entertainment. These may vary depending on the need, not the LGA. For example, if you reside in Tuncurry and are taking a train trip you will travel to Taree for the train service. If the councils merge you will still travel to Taree to catch the train, and the fact that it is now part of the 'same' council area will make no difference to the customer/community member.

The ILGRP Research Report also references cross border migration and connection with neighbours (*ILGRP Research Report, Supporting Information, Volume 2, Part 1 - October 2013*). The report classified Greater Taree in the 'Distant - DB' category. The report states that these LGAs do not rely heavily on their neighbours for employment and do not have close migration ties with them. The typical LGA in this class relies on other LGAs to supply retail services and in most cases also experiences mild net outbound commuting. The classification...includes many of the more self-contained coastal LGAs and many inland shires.

The report classifies Great Lakes and Gloucester in the 'Distant - DI' category. According to the report, *the difference between DB and DI LGAs is that the latter attract shoppers and also in general experience mild inbound commuting, though not enough to disturb their 'distant' status. No metropolitan LGAs fall into this class but it includes many of the provincial cities, especially those with surrounding rural-residential shires.*

When looking at shopping habits of people within the Council areas, it would appear that most people (across the State) don't consider local government boundaries as an input to where they may or may not shop and procure goods and services. The following statement from the ILGRP report is consistent with this theory:

From a retail hierarchy point of view the Australian states make sense in that the capital city sits at the peak of the retail hierarchy - as it does at the peak of the education and health service hierarchies. However, for historic reasons the borders of New South Wales have been drawn wide. Commerce takes more notice of kilometre distance than it does of administrative borders...

When looking at the economic relationships and interdependence between LGAs, the ILGRP found the following:

Interdependence

Economic relationships between LGAs can be mapped more formally by estimating the extent to which employment in each LGA depends on economic activity in each other LGA. The main mechanism is the extent to which the dependant LGA caters to demands arising in other LGAs. An analysis on these lines was performed using the NIEIR modelling system, based on 2011 data. Two major conclusions emerged.

Along the north coast, the major interdependency is the strong cluster on the Northern Rivers (Lismore with Ballina, Byron, Richmond Valley and Kyogle, with Tweed less strongly attached). Bellingen and Nambucca are strongly interdependent with Coffs Harbour and there are less marked interdependencies between Kempsey and Port Macquarie and between Greater Taree and Great Lakes.

This indicates there is little economic relationship between Great Lakes and Greater Taree which can be interpreted as both Forster/Tuncurry and Taree being major centres in their own right.

Journey to work

“Of the 9,353 people who work in Great Lakes Council area,
7,531 or 80.5% also live in the area.”

The remaining 19.4% of Great Lakes residents who work travel outside the Great Lakes LGA with 7.2% of these people travelling to Greater Taree and .7% to Gloucester for employment. In regards to the Greater Taree area, 90% of people who work also live in the area with 5.7% of people travelling to the Great Lakes for work. In contrast, 1.2% of workers in the Great Lakes area travel from Gloucester.

Source: Australian Bureau of Statistics, Compiled and presented in economy.id. (Usual residence data)

These statistics indicate similar movements of workers between the Great Lakes and Greater Taree, with significantly less travel movements to Gloucester - with both major centres of Forster/Tuncurry and Taree housing and employing the large majority of their own working populations.

Travel times between centres

There is likely to be a component of efficiency loss due to some significant travel times/distances that may be required in the operation of a merged entity. Due to time constraints, modelling of actual impacts has not been undertaken. Travel between the two major centres of Forster/Tuncurry and Taree equates to 1.25 hours of round trip travel time. It should be noted that travel times would have a significant impact on any staff required to travel from their current place of residence to a different place of work, which is covered in more detail in this submission.

In a merged entity, considerable thought would need to be applied to ensuring access to Council services in some of the smaller centres. This feedback was evident at the public inquiries in the Great Lakes, with the aged demographic and many residents being on restricted licences (i.e. Tea Gardens/Hawks Nest). Concern was expressed of not being able to access services they require in their local areas.

The towns and villages located on the extremities of each of the council areas would regularly travel to southern/northern neighbouring council areas more than to the other major centres (ie Bulahdelah – Raymond Terrace/Port Stephens; Johns River – Port Macquarie etc)

4.2.5 Regional alignment and differences

The following information provides commentary on where the councils are positioned in a regional context.

1. NSW 2021 regions

Regions identified in the State Plan



Source: ILGRP Research Report, Supporting Information, Volume 2, Part II - October 2013

The State Plan recognises Great Lakes and Gloucester Shire Council as part of the Hunter region, with Greater Taree City Council in the Mid North Coast region. The NSW Government by designating Great Lakes and Gloucester in the Hunter Joint Organisation, the Hunter Regional Plan (Department of Planning), the Hunter Infrastructure Plan (Dept of Premier and Cabinet) clearly recognises Great Lakes and Gloucester as being in the Hunter region.

2. Regional Organisations of Councils

- Central Coast Regional Organisation of Councils (CCROC)
- Central NSW Councils (CENTROC)
- Hunter Councils Inc
- Macarthur Regional Organisation of Councils (MACROC)
- Mid North Coast Group of Councils
- Namoi Regional Organisation of Councils (NamoiROC)
- New England Local Government Group
- Northern River Regional Organisation of councils (NOROC)
- Northern Sydney Regional Organisation of Councils (NSROC)
- Orana Regional Organisation of Councils (OROC)
- Riverina Eastern Regional Organisation of Councils (REROC)



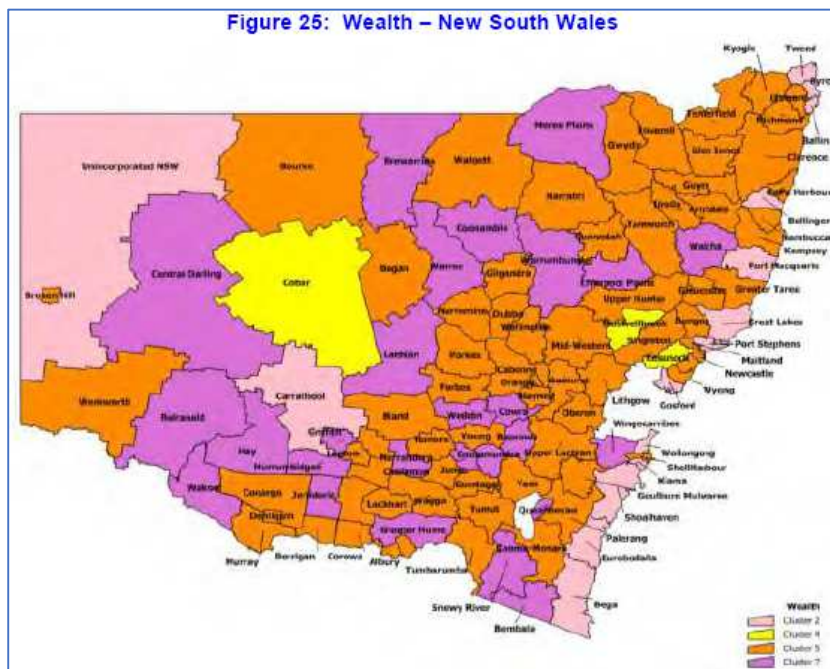
Source: ILGRP Research Report, Supporting Information, Volume 2, Part II - October 2013

In terms of Regional Organisations of Council, GLC and GSC are part of Hunter Councils Inc while GTCC is in the Mid North Coast Group of Councils. GSC has chosen to be part of the Mid North Coast as well as the Hunter.

Council is a long standing member of Hunter Councils and Strategic Services Australia. Hunter Councils and Strategic Services Australia are corporate entities owned by the eleven councils (including GLC) of the Hunter Region and representing a community of more than 600,000 people. In 2015 the story of regional partnerships in the Hunter Region entered a new era with the selection of the Hunter Region as a trial area for a new form of State and Local Government cooperation: the Joint Organisation of Councils. Developed out of the Hunter Councils model, the Joint Organisation is an exciting initiative that will lead to enhanced coordination, sharing of resources between levels of government and united approaches to strategic opportunities. Council's membership of Hunter Councils provides added strategic capacity.

If the merger proposal proceeds it will be important to retain membership of Hunter Councils.

Figure 25: Wealth – New South Wales



Great Lakes is part of 'Cluster 2' in terms of 'wealth'. According to the report, *this cluster features moderately high wealth per household (around \$0.85 million each) with much of the wealth in housing. Both liabilities and the rate of growth of wealth are moderate. The cluster is basically middle metropolitan and coastal.*

Greater Taree and Gloucester are part of 'Cluster 5'. *Low wealth, mainly from property and business with fairly heavy liabilities is countered by reasonable growth in net wealth... This cluster includes most of the inland provincial cities and many of their neighbours.*

Source: ILGRP Research Report, Supporting Information, Volume 2, Part II - October 2013

Source: ILGRP Research Report, Supporting Information, Volume 2, Part II - October 2013

The three council areas encompass different cultures based on the history of the areas. The recent culture of the Great Lakes communities is largely being influenced by the migration patterns of the area with 'sea changers' and active retirees. As evidenced by the earlier statistics on population, this significant sector of our residents choose the Great Lakes area for its link to the coast and the lifestyle that it affords them. As several residents stated in their public address to Dr Tiley, *'We moved to the Great Lakes because it is the Great Lakes'*. There is a distinct connectedness in the community, and between the community and the natural environment.

The Great Lakes' active retirees add significant value to the community and the Great Lakes region, as discussed elsewhere in the submission.

Other regional differences that are also discussed in further detail in the submission, include Council's approach and focus on the natural environment, community engagement and active ageing to name a few.

Average housing prices on the Mid North Coast (between Forster/Tuncurry and Taree) indicate another area of difference in the region. The table below shows the average house prices from 2009-2013, as per the State of Regional Australia 2015 - Progress in Australian Regions report. When comparing Forster-Tuncurry (SUA) to Taree (SUA), the Forster-Tuncurry region has a median price \$114,130 higher than Taree.

Table 1.14 House prices, Mid North Coast SA4, 2009–2013

Region	2009	2013	Change 2009–2013	Percentage change 2009–2013
MID NORTH COAST (SA4)	345,241	367,949	22,707	7
Port Macquarie (SUA)	401,433	446,417	44,984	11
Port Macquarie East (SA2)	408,150	443,012	34,862	9
Port Macquarie West (SA2)	389,321	452,864	63,543	16
Forster–Tuncurry (SUA)	369,769	385,892	16,123	4
Forster (SA2)	377,574	390,373	12,798	3
Tuncurry (SA2)	347,262	371,844	24,582	7
Taree (SUA)	257,993	271,762	13,769	5
Taree (SA2)	257,658	271,234	13,576	5
Wingham (SA2)	259,457	273,575	14,117	5

Source: RP Data–Rismark (2014). Nominal prices.

The Socio-Economic Indexes for Areas (SEIFA) is developed by the ABS and ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census, with the following data on the three regions from the 2011 census:

	NSW rank	SEIFA %
Gloucester Shire Council	47	31%
Great Lakes Council	26	17%
Greater Taree Council	12	8%

** rankings are based on the lowest ranking being '1' being the most disadvantaged*

4.3 Historical and traditional values

4.3.1 Factor for consideration (s263(3)(c) of LG Act)

- The existing historical and traditional values in the existing areas and the impact of change on them

The Great Lakes area has a rich history of fishing and agriculture. With the major population shift of sea changes since the early 1980's, GLC's operations and culture have shifted too.

Our coast, lakes, tourism and oyster industry are different to our neighbouring councils in the merger proposal. Since the 1980's many people have made the lifestyle choice to come to the Great Lakes for what it provides – environment, natural areas, coast and lakes systems. Our community is different because of this and the Council has grown with the community to deliver services which are aligned with these needs. The proposed merger partners are more traditional and their Council services are coordinated differently to meet the very different needs of their community. It is easy to say that a new entity could simply shift or adjust to cater for these differences and to an extent this is true however our Council has strong value systems in place to ensure close cooperation with the tourism is a high priority at all levels of the organisation. The same can be said for how we prioritise environmental and ageing population considerations in everything that we do. This is embedded in the Great Lakes culture and it has taken many years to develop this high level of cohesion. Our community values this greatly and the impact of any slippage would be very detrimental to the local economy and community satisfaction.

Local Aboriginal Land Councils

GLC has developed a very collaborative relationship with the 3 Local Aboriginal Land Councils. We know this relationship is valued by all Land Councils and all have been made aware of the merger proposal and they will consider their positions and decide whether to make a submission.

4.4 Attitude of the residents and ratepayers

4.4.1 Factor for consideration (s263(3)(d) of LG Act)

- The attitude of the residents and ratepayers of the areas concerned

The Great Lakes community have clearly communicated their opposition to the merger proposal through various avenues. With the encouragement of the Delegate and GLC, the community have taken advantage of the invitation to comment on the proposal and have responded with intelligence and passion.

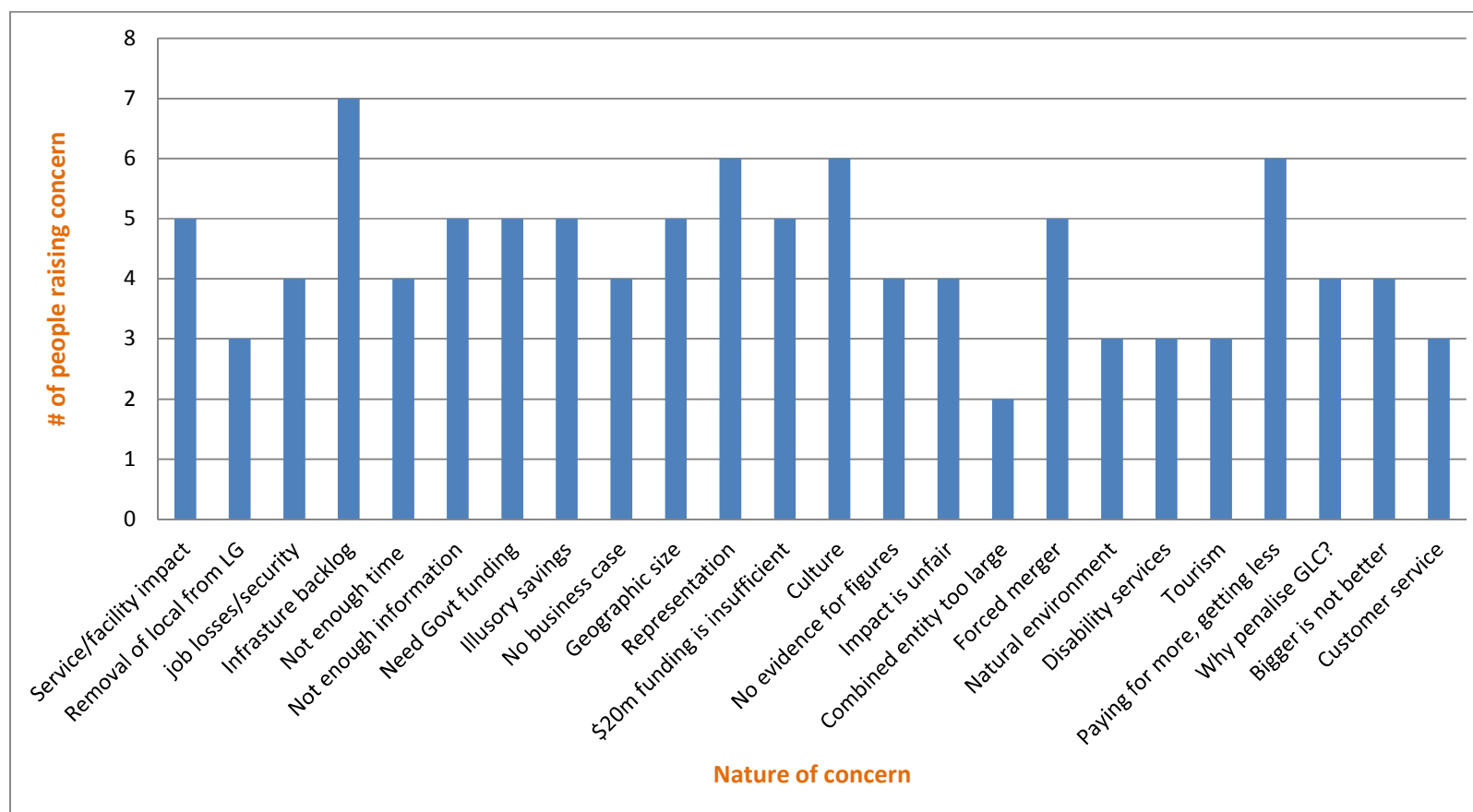
Council arranged a series of community information sessions to provide its communities with objective information to assist in their understanding of the issues and the proposal. The community was also encouraged to participate in the public inquiry process (in accordance with the request from the Delegate to do so). The sessions were well advertised in local media - newspapers, radio, television, website and social media and advertisements included promotion of the public inquiry dates and process. Council also placed information regarding the merger prominently on its website which was updated regularly.

Council's relationship with its community has built capacity within the community to better understand the broad range of issues that impact on the delivery of effective and efficient local government services. Accordingly, the response to the six public meetings that were held from the end of March into early April is representative of the quality of that relationship with over 300 people attending. Staff briefings were also held during this time. Council also placed a YouTube video on the GLC website of the General Manager's presentation at the Forster community information session which has received 140 views (a copy of the community presentation is attached as **Appendix E**).

Council was encouraged by the response to the community information sessions which ensured that the community was aware of and informed on the merger proposal. This was evidenced by the community's attendance and participation at the public hearings.

At the Forster public inquiry, the energy in the auditorium was inspiring, and truly reflective of the uniqueness of the Great Lakes community. There were representatives from throughout the community - from individuals to business owners to community group representatives and from long term residents to those that had newly settled in the area. With an attendance of approximately 250, the Delegate, Dr Tiley, commented that it was the largest attendance he had seen at an inquiry to date. An additional 100+ attendees at the Bulahdelah inquiry (which represents a significant number for a small rural centre), highlighted the fact that the residents of the Great Lakes community care about their local area and its future.

A summary of sentiments from the public inquiries is shown in the table below.



This chart was prepared using data taken during the public inquiries held by the Delegate, Dr Tiley, at Forster and Bulahdelah on 5 April 2016. Whilst care was taken to collect the data and put the chart together, it is indicative only and should not be taken as being conclusive or representative of every concern raised at those hearings.

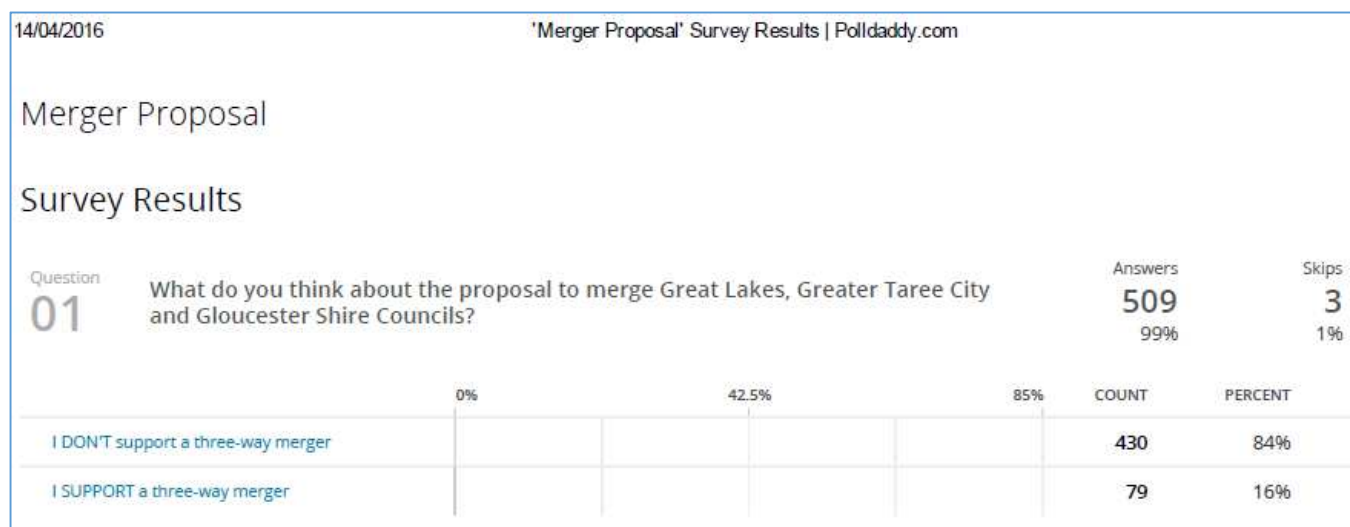
There was a very consistent message from the community that they welcomed the Government's announcement that GLC was 'Fit for the Future' as recognition of the combined effort from GLC and the community to achieve that outcome. They now felt the injustice of being included as a merger partner with two councils that had been deemed 'unfit', and with whom there was little in the way of shared communities of interest. There was a high degree of understanding of what the community could lose as a result of the merger (as explained GLC's General Manager in his presentation utilising the water tank analogy). There is considerable community concern about a reduction in service levels, priority asset maintenance being delayed due to higher priorities in other council areas, and a loss of leadership and culture both in the council and between the council and the community.

The chart demonstrates that the residents and other stakeholders within the GLC area have numerous concerns regarding the merger proposal. No particular concern (or concerns) strongly outweighed any other (based on the number of residents/stakeholders raising the concerns), however similar concerns were raised during the Council's community information sessions.

Several local polls were taken to gauge public opinion.

The local newspaper, the Great Lakes Advocate ran a poll regarding the merger proposal. The poll question asked '*What do you think about the three-way merger plan between Great Lakes, Greater Taree and Gloucester Councils?*' As at 8 April 2016, 11:30am the results (based on 224 votes) showed 92.86% thought it was a *bad idea*, 5.36% a *good idea*, and 1.78% *not concerned either way*.

GLC also ran a similar poll that was available on GLC's website.



Council undertook a 'straw poll' at the community information sessions with 57 people submitting responses. To the question '*What do you think about the proposal to merge Great Lakes, Greater Taree City and Gloucester Shire Councils?*' 54 (94.7%) of people did not support the proposal and 3 (5.3%) supported the merger. As time did not allow for a statistically valid community survey, these polls at least provide some degree of insight into the community's views, in addition to the speakers at the public inquiries and community information sessions.

A number of residents have also undertaken campaigns to inform the community and encourage people to have a say regarding the proposed merger. By way of example, one well informed and interested resident started a 'Save the Great Lakes' Facebook site which attracted approximately 500 followers.

4.5 Representation

4.5.1 Factors for consideration (s263(3)(e), (e4) and (e5) of LG Act)

- 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 matters as it considers relevant in relation to the past and future patterns of elected representation for that area
- 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
- 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

4.5.2 Reduced per capita representation

Currently GLC elects nine councillors, which equates to one councillor per 4,035 residents. GTCC elects nine councillors, which equates to one councillor per 5,427 residents. GSC has 7 Councillors, which equates to one Councillor per 711 residents. Gloucester residents have six times the representation of Greater Taree and Great Lakes.

Under the proposed merger, if the number of councillors were set at nine (based the maximum number from any of the former councils) each councillor would represent approximately 10,000 residents each.

Modelling future representation on a merged entity based on the populations of the three existing councils would likely result in the following number of councillors elected out of the former areas:

- Great Lakes 3 - 4
- Greater Taree 4 - 5
- Gloucester 0 - 1

While per capita representation is significantly reduced under the merger proposal there are a range of methods, tools and techniques that would allow councillors to engage with and represent all sections of the community. This aligns with the intent of the Integrated Planning and Reporting requirements of the Act and of the proposed Act amendments to reinforce IP&R as the central plank of the legislation.

GLC has also considered the method by which the Mayor should be appointed. It supports the election of the Mayor from within the elected council rather than a popularly elected Mayor. Its reason for this is that it believes that a popularly elected Mayor runs the risk of becoming marginalised if the relationship with the other Councillors is not established at the commencement of the term or deteriorates during the council term. A Mayor elected from within the elected body is recognised as the 'first among equals' and provides an important platform for stable government.

4.5.3 Division of proposed area into wards

Great Lakes has considered the issue of a ward and non-ward based electoral system. Council prefers a non-ward based system for the following reasons:

- Promotes the concept of a council-wide focus, with councillors being elected by and concerned for the area as a whole, rather than parochial interests tied to locality or former council area loyalty. This encourages elected members to act like a board focussing on the strategic issues that are essential to ensure the success of a new entity.
- Gives residents and rate payers a choice of councillors to approach with their concerns.
- Results in simple, less expensive voters' roll for elections as compared with separate voters' rolls for individual wards and reduces the overall cost of the election by avoiding the need for separate ballot papers, counts etc.

4.6 Service delivery

4.6.1 Factor for consideration (s263(3)(e1) of LG Act)

- 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

Due to time constraints in the preparation of this submission, GLC did not have time to undertake a full service delivery comparison between the three Councils and additional in depth analysis would be required to fully understand the impact of a merger on services in each LGA.

However, taking into account what is known regarding the three Councils and their comparative position regarding Fit for the Future, GLC has looked at the potential impacts on the residents, ratepayers and businesses of the LGA from a high level view. Council's General Manager also presented this information to the community at its community information sessions and to Dr Tiley at the Public Inquiry at Forster.

The water tanks analogy shown below represents the three councils as assessed against the Fit for the Future criteria determined by the NSW Government. When measured against this criteria GLC is financially sustainable, is Fit for the Future, has improving assets, is addressing backlog and can 'stand alone'. Importantly it also has effective leadership and a constructive culture which is discussed further in this submission.

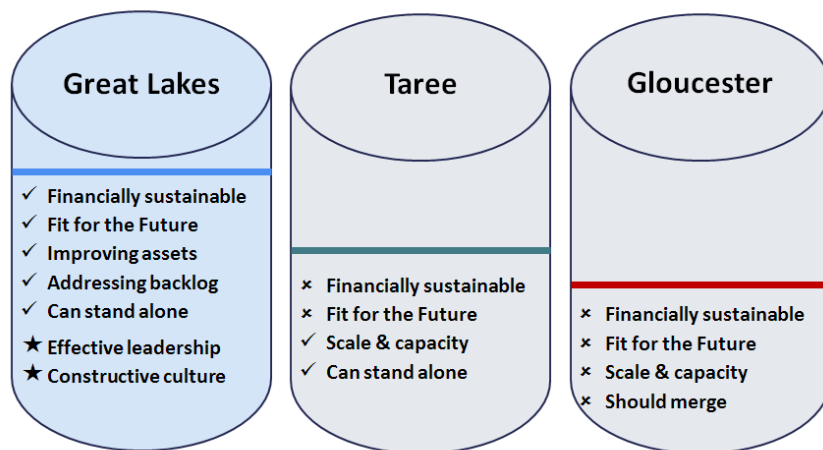
GTCC and GSC on the other hand are shown with lower levels with varying levels of compliance with the various NSW Government criteria.

The 'Impact on GLC' shows what could be likely should the merged entity proceed.

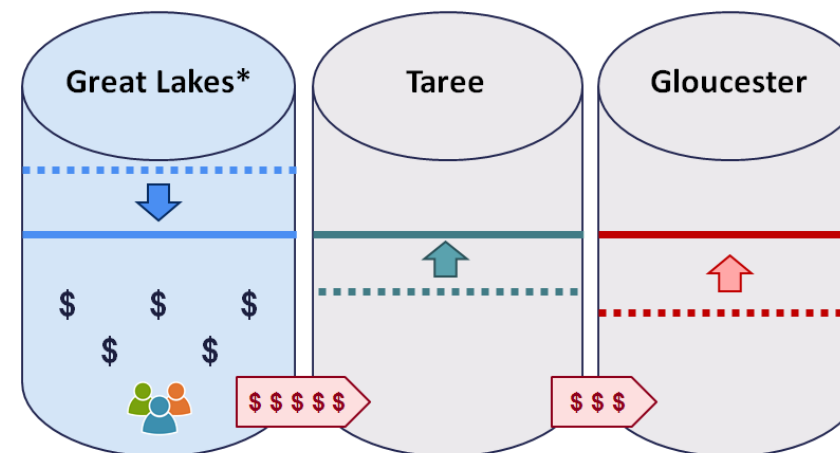
The water tank analogy shows that GLC's levels could drop in order to supplement and support the areas of need in the other Councils. For example, Asset Planning for roads and bridges would be prioritised based on need and with GLC assets generally in better condition priorities would naturally shift to areas of higher need. This raises equity issues as Great Lakes residents have been paying higher rates through support for previous SRVs to ensure their assets were maintained at the service level agreed between Council and the community.

Another significant risk is to the leadership and culture development work that Great Lakes has embarked on. This focus provides an essential component to the organisational improvement efforts and supports the effectiveness and efficiencies of the services provided to its community. The water tank analogy is similar to the work espoused by Ken Wilber, a well-known philosopher who talks about how cultures around the world 'normalise' towards a mid point - where cultures at lower levels lift and the 'outliers' at the higher levels shift down to establish a new 'prevailing culture'.

Current status



Impact on GLC



* Asset condition & backlogs will be impacted

* Focus on leadership & culture is having a significant impact; at risk of losing some of that

There are a number of functions or services that GLC currently provides that represent areas of concern (having regard to their importance to the GLC community) in a new merged entity. These are strategic areas of importance in the Great Lakes community and a decrease in the level of service or importance in a merged entity would increase community dissatisfaction with the new council.

The comments below in relation to these functions have been prepared by the relevant Managers as they have the best understanding of their business and of the impacts of changes in service levels on the community.

ASSETS

Under the merger proposal the key strategic and financial issue facing a new merged entity is the management of the consolidated assets of the three councils.

Current Asset Statistics

The following information predominately relates to Infrastructure Transport assets (roads, bridges, footpaths etc) being the most significant asset class for all councils.

Tables 1 & 2 below indicate current asset statistics for each council and as a merged entity

Table 1 - Regional & Local Road Lengths

Council	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)	Total Sealed Regional Roads (km)
Gloucester	35	206	408	649	108
Great Lakes	262	263	431	956	136
Greater Taree	252	420	951	1,624	102
Merged Entity	549	889	1,790	3,229	346

Table 2 - Concrete/Steel and Timber Bridge Numbers

Council	Concrete/Steel Bridges (in number)	Timber Bridges (in number)	Total (in number)
Gloucester	130	20	150
Great Lakes	130	72	202
Greater Taree	87	103	190

Merged Entity	347	195	542

Note:

- Information gathered for GSC & GTCC from Local Government Grants Commission data 2013/14
- GLC data as of April 2016.
- Regional Road lengths for GSC & GTCC obtained from RMS & GTCC web site

Table 3 - Consolidated assets backlog amounts (as indicated in the latest audited financial statements)

Council	Backlog Amount (\$)	% of Total
Gloucester	16,779,000	13%
Great Lakes	23,467,000	19%
Greater Taree	85,428,000	68%
Total	125,674,000	100%

A breakdown of the backlog amounts indicate the following asset groups are some of the main challenges for a merged council, notably **sealed local roads** totalling approximately **\$87,000,000**.

Sealed Local Roads

Council	Backlog (\$)
Gloucester	12,718,000
Great Lakes	19,048,000
Greater Taree	55,150,000
Total	86,916,000

Bridges

Council	Backlog (\$)
Gloucester	739,000
Great Lakes	0
Greater Taree	3,190,000 (timber)
Total	3,929,000

Buildings

Council	Backlog (\$)
Gloucester	1,839,000
Great Lakes	2,471,000
Greater Taree	10,936,000
Total	15,246,000

Recreation Facilities

Council	Backlog (\$)
Gloucester	33,000
Great Lakes	350,000
Greater Taree	4,325,000
Total	4,708,000

Source: Special Schedule 7 2014 - 2015 Financial Statements - Great Lakes Council, Greater Taree City Council and Gloucester Shire Council

Adequacy of Services

Comments and information provided at the recent merger proposal public hearings indicate that both GTCC and GSC have significant road and bridge servicing issues.

By far the greatest current and future challenge facing all three councils (irrespective of the proposed merger) is the ongoing maintenance and renewal costs to meet agreed community levels of service on the road networks.

GLC has developed a strategic focus on asset management services to the community. Council has documented levels of service, particularly for key asset groups such as transport assets (roads, bridges, footpaths). Capital works programs are developed based upon on condition status and asset usage (i.e. traffic counts)

In October 2014, GLC conducted community consultation in order to identify and inform their asset management resourcing strategies for the LGA. The results of that research demonstrated that the community was happy with Council's asset management arrangements with 57% indicating that they were either very satisfied or satisfied with Council's performance and 72% of those surveyed indicating that they were either very satisfied or satisfied with Council's communication. In terms of how satisfied the community was with the quality of community assets then provided by Council, 58% of survey respondents confirmed that they were either very satisfied or satisfied with those assets.

This would indicate that the current asset management practices by GLC are at an adequate level. Room for future improvement does exist and GLC continues to implement the asset management improvement program developed in 2012 as documented in the Asset Management Strategy.

Road Management Practices

GLC currently has budget allocations structured and aligned to suit the long term needs of roads assets. This was done to ensure they remain in a safe condition with minimal defects and suit the agreed needs of the community. Renewal ratios for sealed local roads are currently above the benchmarks so as to reduce the backlog amount over time, with a focus on the rural sealed road network as identified in Asset Management Plans published in December 2014.

A detailed community asset survey in 2014 confirmed GLC's current priorities and levels of service. The survey confirmed Council's additional need for the injection of approximately \$1.0m into the sealed road network. The additional funds sought are the subject of the current SRV application.

Council's road network is componentised into road segments to enable efficient management of its road pavement assets. Segments vary in length from short cul-de-sacs of around 100m long to rural road segments of about 1.0km. Currently Council has 2600 road segments to manage. Each segment is of a known age, pavement type, surface type and current condition.

Routine visual and automated condition assessments of its road pavement assets are undertaken on a programmed basis. A simple assessment numbering scheme (1 - "Very Good" to 5 - "Very Poor") has been applied for visual assessments, taking into account the extent (%) of road defects throughout the individual segment.

Annual urban resurfacing programs are undertaken within defined "precincts" within each of the towns and villages. This enables seals to be of a similar age/condition and works can be programmed more easily and efficiently. Generally, bitumen re-seals are currently on a 10 year cycle for the urban roads network.

Bridge Management Practices

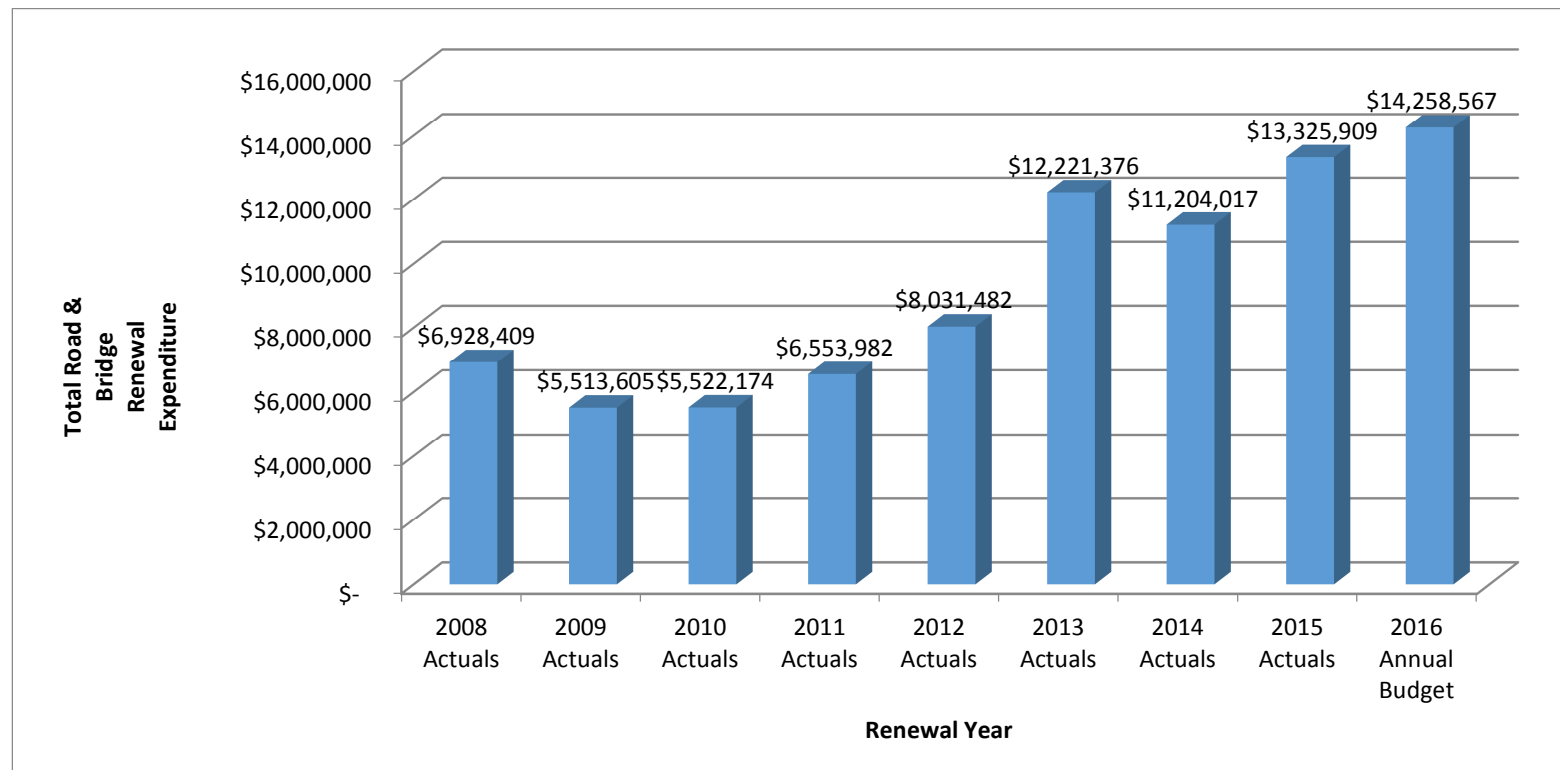
GLC's current bridge stock totals 202 structures, which includes 72 remaining timber bridge structures. Great Lakes contracted UTS Bridge Diagnostics in August 2010 to undertake dynamic load testing of approximately 27 bridges recognised as towards the end of their lifecycle.

The results were utilised to determine a priority timber bridge replacement program. This also included testing of all regional road concrete bridge structures at the time to ensure integrity.

GLC has replaced 22 timber bridges since 2008. The average annual investment has been \$810,000 p.a. over the period, totalling approximately \$7,286,000.

Financial statements for 2014/15 indicate that GTCC has a bridge backlog of the order of \$3,190,000 with \$720,000 being the relevant amount for GSC. A combined amount of \$3,910,000 of bridge replacements does not seem insurmountable over the short term to resolve.

The graph that follows illustrates the increase in renewal expenditure undertaken by GLC since 2008. GLC has almost tripled its expenditure on roads and bridges renewals since 2010.



Equity of Services

The proposed merger would bring some uncertainty to the distribution of funds across the new LGA to service a much larger consolidated asset base. Current figures indicate that GTCC has a substantial backlog amount and this may cause funds to flow to that existing LGA if condition reports indicate higher priorities exist in that area.

This approach may be to the detriment of the current GLC LGA assets where budgets are generally meeting the needs of the community as documented in the Fit for the Future results.

If sealed road resurfacing amounts are minimised in the GLC LGA this will likely lead to the backlog amount increasing back to levels of the past, obviously to the community's dissatisfaction.

To enable financial equity to occur under the merger case, a total budget expenditure and asset condition review across all asset groups will be required. The expenditure review needs to be over at least a 10 year period, looking at medium term capital and maintenance needs.

Proposed Merger Asset Implications

For what is now a manageable asset position by GLC, as documented under the Fit for the Future criteria, this will likely become an insurmountable problem to the enlarged community base of the proposed merged entity. An estimated combined backlog amount of around \$126,000,000, if accurate, would prove to be unmanageable without access to significant funding amounts over the short term.

Current uncertainties relating to asset are;

- Reliability of GTCC backlog amount - reduced from \$274m (TCorp report 2013) to \$85.5m (Financial statements 2014/15)
- Current SRV applications to IPART by GLC and GTCC to fund asset backlogs
- Alternative funding sources to manage backlog with merged councils
- GTCC & GSC bridges backlog amount accuracy

Environmental Health - On-site Sewage Management

Background

On 14 February 1997, the NSW Health Department issued a public warning advising consumers to avoid eating Sydney Rock Oysters harvested from Wallis Lake. The public warning was issued as a result of 370 reported cases of Hepatitis A infections and one associated death of an elderly male, associated with the consumption of contaminated oysters from Wallis Lake.

Viral hepatitis A is commonly transmitted through the faecal-oral route, thus the Wallis Lake hepatitis A outbreak was attributed to failing on-site sewage management systems, leaking sewerage systems and the illegal discharge of holding tanks from recreational vessels using Wallis Lake.

The resulting outcome of the Wallis Lake hepatitis A outbreak lead to the NSW Government undertaking significant regulatory reforms for the operation of on-site sewage management systems (OSMS). In 1998, amendments were made to the Local Government Act 1993 and Local Government (General) Regulation, requiring owners and operators of OSMS to seek an Approval to Operate from their local authority. Local Councils were also encouraged (through NSW Government grants) to develop and implement On-site Sewage Management Strategies.

Early adoption of management strategy

GLC first developed and adopted an On-site Sewage Management Strategy in October 1999, and was amongst the first Councils in NSW to develop and implement such a strategy to address the local government regulatory reforms. The strategy adopted affords Council with the framework for the implementation and ongoing surveillance of ecologically and social sustainable OSMS practices and endeavours to:

- Manage and regulate the impact of OSMS within Great Lakes LGA and to ensure community accountability;
- Assist Council in the prioritising of resources for efficient regulation and monitoring of OSMS according to the risk they present to the environment and public health;
- Coordinate data collection, OSMS approval processes, monitoring and environmental assessment.

GLC has developed and implemented a vigorous and dynamic inspection and monitoring program of existing OSMS to ensure that they perform and meet the environmental and health objectives outlined in GLC's strategy. To carry out effective and ongoing inspections of all OSMS, Council has classified all OSMS into risk categories, based upon a number of contributing factors that individual systems pose to the environment and public health.

Within GLC, there are currently 4110 registered OSMS. Due to the environmental sensitivity of the Great Lakes region, and in accordance with Council's On-site Sewage Management Strategy, the table below identifies the number of OSMS operating according to the risk they present and their inspection frequency.

Table 1- OSMS Operating Risk and Inspection Frequency

System Risk Rating	No. of OSMS	Inspection Frequency
High	2256	Annual
Medium	1221	3 yearly
Low	630	5 yearly

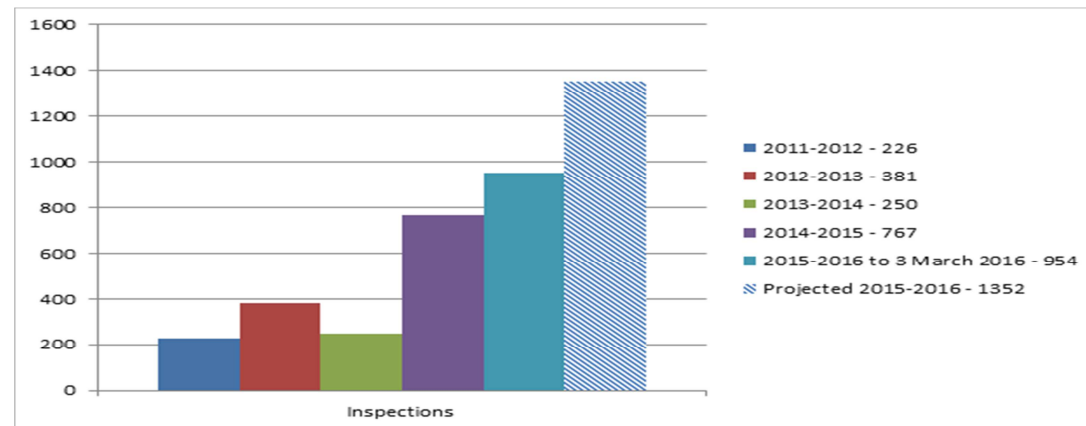
GLC has long been recognised by local governments within NSW as being a leading council through its implementation and application of regulating OSMS. GLC has recently invested considerable time and resources in further developing and reviewing its On-site Sewage Management Program, through the development and implementation of electronic devices and process improvements to ensure that Council's inspection and monitoring regime remains efficient, vigorous and robust in ensuring that OSMS do not pose a threat to the environment and public health. A major component of this review was the systematic and comprehensive review of all data stored in GLC's licensing database. GLC is now assured that all information kept within its database is accurate and reliable.

Council also currently has a draft Development Assessment Framework (DAF), which has been specifically developed and designed for the Great Lakes LGA. The DAF sets out minimum requirements for the assessment, design and construction of on-site sewage management systems (both individual systems and unsewered development applications). The Framework adopts a risk based approach, based upon a number of parameters including soil landscapes, slope, allotment size, environmental sensitivity and climate (rainfall etc). The Framework is a reference document that can be used to confirm how applicants can meet the minimum standards and acceptance criteria set by GLC to ensure unsewered development is undertaken in a safe and sustainable manner.

GLC currently has 1.5fte Environmental Health Officers (EHO), 1 temporary EHO and 1 part time business support officer to implement its On-site Sewage Management Strategy. The recent efficiencies developed by GLC has led to considerable improvements in the inspection, assessment and monitoring of OSMS, as demonstrated in the graph below. These efficiencies have placed Council and the community of Great Lakes in a positive position whereby all

factors of the environment (social, economic and physical) and adequately secured and protected against possible risks associated with failing on-site sewage management systems.

GLC Inspections of OSMS



Greater Taree City Council

GTCC has developed and implemented an On-site Sewage Management Strategy and have recently complemented the strategy with the inclusion of a Development Assessment Framework (similar to Great Lakes) for the management and regulation of OSMS within their LGA.

GTCC has significantly larger numbers of OSMS compared to Great Lakes, due to its geographical size and population. Of the 6,200 registered OSMS GTCC has a KPI of 100 OSMS inspections/year, significantly less than the number undertaken by Great Lakes and therefore would not be affording the community of GTCC that same level of protection against failing OSMS the environment and public health.

Gloucester Shire Council

GSC also has developed an On-site Sewage Management Plan, similar to GTCC and GLC. However like GTCC, due to the geographical location and the smaller population, the number of OSMS vary significantly to GLC, with 1,300 registered systems. The Plan includes objectives around monitoring and maintenance however it is understood that inspections are undertaken on a complaint-made basis.

Findings

If the proposed merger proceeds, it will be critical that the continuation of the existing GLC service level and management practices of OSMS is retained so the environmental and public health protections currently provided are not lost. There are substantial risks to the community, environment and to a new merged entity should this focus and due diligence be lost.

Tourism

The commentary below highlights the significance of tourism to the Great Lakes economy. It is the key economic driver in the region. With many NSW coastal councils relying on tourism to drive their economies it is necessary to be strategic and remain focussed to ensure that this economy continues to thrive in a competitive market.

Statistics below reinforce the significance/importance of the visitor economy to the Great Lakes and its communities.

Great Lakes

- 1 million visitors
- \$359 million direct spend & \$330 million indirect spend (total value \$680 million)
- 2.4 million visitor nights
- \$549 million overnight expenditure

Greater Taree

- 677,000 visitors
- \$159 million direct spend
- 904,000 visitor nights
- \$115 million overnight expenditure

Source: Annual Statistics - (National and International Visitor Surveys, Tourism Research Australia 2014)

The statistics highlight the differences between GTCC and GLC with the major differentiator being the domestic overnight market or traditional tourist market.

The difference in target tourism markets is also significant when you consider that over 60% of the Great Lakes visitation occurs over five weeks of summer. The impact these visitors have on our infrastructure and the need to plan and invest accordingly are critical considerations to ensure we retain this market share. Even the slightest impact on our summer visitation has a significant impact on our local businesses and economy for that year and beyond.

The Great Lakes brand

- The current Great Lakes "it's you" brand was established in 2011. The Great Lakes Brand has always been strongly linked to its communities and diverse landscapes. The new tag and messaging reflects this "sense of place".
- Our brand is a foundational piece in our marketing communication and one we cannot be without.
- Our brand is more than a logo, it fosters a set of emotions and ideas visitors associate with our destination. With the infinite number of choices offered to travellers these days, we have to continuously look for unique ways to connect emotionally with them.
- Imperative that we keep the Great Lakes Brand into the future. It has been established over many years it is has high awareness in key markets and has a huge associated loyalty.

- Social media platforms.
 - Our 'Love the Great Lakes' Facebook page has 27,000 fans. It is the 3rd largest destination Facebook page on the NSW North Coast behind only Newcastle and Byron Bay.
 - Importantly the engagement & interaction on this page is significant. Last summer this page reached 1.1 million people, with over 39,000 likes, tags, comments and shares. This engagement is significant and shows very clearly the loyalty that our visitors and potential visitors have to the Great Lakes

Tourism Culture

- GLC's approach to delivering tourism also differs from many other councils.
- Through Great Lakes Tourism, Council takes a very strategic approach to managing visitation to the Great Lakes - encompassing planning, development & marketing. This requires a "whole of council" approach with initiatives often crossing different departments and areas of responsibility.
- Our work culture not only enables this to happen but encourages it. We are now building the visitor economy for the future with the soon to be completed Destination Management Plan. This plan will detail how we build on our environmental credentials to become a world-class nature destination.
- This can only become a reality within a Council & community that understands the value of tourism and the need for sustainable tourism.
- This very culture also recognises that the tourism industry (like business) is dynamic and to be effective its tourism team and processes must be flexible enough to respond quickly to market trends.
- The tourism teams structure also reflects best practice with skilled staff in key areas such as digital/social' research & data, partnerships, events, marketing and eco-tourism. Innovation is encouraged.

Natural environment

There is a dichotomy between the political and organisational framework and the systems between GLC and GTCC in regards to the management and protection of the natural environment. There is a risk in a merged Council of having negative and far-reaching consequences for the protection, restoration and management of biodiversity, water quality and the natural environment. A table is attached as **Appendix B** summarising environmental management activities and providing a comparison of the activities between GLC, GTCC and GSC.

Since at least 1997, the elected Great Lakes Councillors and GLC staff have been on a natural resource management journey that has placed the Great Lakes at the forefront of achievement. Together with the community, there is a collective realisation of the linkage between an impaired catchment landscape and serious impacts on our productivity, our way of life, our economy and our natural assets.

As a consequence, GLC has, with limited resources, achieved significant outcomes for the natural environment and the community. This has been via the organisational framework, the guiding direction of the elected Council and the management executive, the engaged Community, the strategic deployment of

a full suite of NRM tools and an outcome-focus. Council has realised key achievements in the areas of urban water-quality management, catchment-programs, ecological assessments, strategic processes, innovative partnerships and collaborations, wetland conservation, urban tree management and threatened species recovery. This has not been achieved within an anti-development framework, but within a balanced, sustainable and innovative approach.

The environmental assets of the Great Lakes include:

- Unique coastal lake system including Wallis Lake, Smiths Lake, the extensive Ramsar listed Myall Lakes system and the Karuah River estuary
- Extensive and important 140km section of the NSW coast
- Biodiversity hotspot containing an overlap of the Sydney Basin Bioregion and the NSW North Coast Bioregion
- Linkage of the Barrington Tops with the Coastal Lakes
- Port Stephens Great Lakes Marine Park
- Strong connectedness of natural assets within the LGA. That is there is a strong correlation across the Great Lakes which support similar communities of interest and economic activity. This connectedness and inter-relationship underpins the eco civic regionalisation model

The natural environment of the Great Lakes is integral to the economy of the area. The landscape and natural assets and their health underpin our key industries of Sydney Rock oysters (30% of the NSW production), estuarine fishery (second most productive in NSW), tourism and relocation/lifestyle choice.

GLC's integrated system approach to management of the natural assets is based on:

- Risk management approach underpins strategy
- Adaptive strategic framework completed for each catchment and lake
- Regular review cycle for strategic plans and strategies
- Implementation activities link to and are embedded within Integrated Planning and Reporting Framework
- Community and stakeholder participation underpins policy and strategy and informs iterative strategy refinement.
- Multi focussed implementation. Includes policy, strategy, on-ground implementation, regulatory and education/capacity building approaches

Our approach is proven and successful and has been continuously applied and improved for nearly two decades. The results of this ongoing application on our best practice approach is reflected in community support for the Environmental Levy since 2001, improving health of our waterways as confirmed by the annual Great Lakes Waterway and Catchment Report Cards and external awards including:

- 2004 National Riverprize
- 2012 National Awards for Excellence in Local Government - Natural Resource Management.
- 2012 Stormwater NSW Award for Excellence. Excellence in Strategic or Master Planning for the development and implementation of the Water Sensitive Design Development Control Plan to protect the Great Lakes Region
- 2011/2012 Winner LGSA Excellence in the Environment Awards, Natural Environment Protection and Enhancement and On-ground Works award for the Durness Borland Landcare Corridor.
- 2008 Winner LGSA Excellence in the Environment Awards, Natural Resource Management Integration Award, Integrating NRM specifications in planning and development assessment.
- 2012 Winner LGSW Excellence in the Environment Awards, Community, Education and Empowerment. GLC for the Great Lakes Sustainable Business Program

The success of the approach is dependent on partnerships with community, landcare groups, industry, government agencies (federal and state) and research organisations. An environmental rate, NRM plans and expertise are essential but the scale of the challenge and the cross tenure nature of natural systems issues means partnership with other players and custodians is essential. This necessitates clear objectives and a consultative ethos that underpins all planning and on-ground work. The commitment to relevant and meaningful community engagement is applied throughout GLC, with 'customer focus' a key organisation value.

As shown, GLC has been delivering on the community expectations for nearly two decades. Over this time, trust has been built between Council and the community that adopted plans will be progressively implemented and that the natural environment will continue to be actively managed through the application of the environmental levy.

The risk of losing this trust and focus in a merged entity can be seen as an opportunity as well. GLC's model for local government led natural system management can be extended across a wider region. Careful and considered integration and leadership would be required to protect and sustain the framework that has had, and continues to have clear results. (see the latest Waterway & Catchment report card, 2015, **Appendix C**). GTCC has recently introduced an environmental rate which indicates there is community support for such initiatives. A new entity would need strategic natural resource management planning and strategy (LEP and DCP consistency), environment assessment and integration into DA assessment and rezoning decisions, on-ground works guided by strategy and risk management approach and community capacity building.

Active ageing

The GLC area has a very high proportion of its population in the over 65 category as referred to previously in this submission. Our services are structured to ensure we meet the needs of this demographic.

One initiative to recognise and meet the needs of an ageing population was to become a member of the WHO Global Network of Age-friendly Cities and Communities.

WHO identifies eight domains of an age-friendly city as shown below:



The project enabled Council to engage with its community on priorities for becoming 'age-friendly' and has since adopted the *Great Lakes Active Ageing Strategy (2015-2018)*. The Strategy includes an action plan which was developed as an outcome of community input and ensures the alignment of action with the eight WHO domains and with Council's Integrated Planning & Reporting framework including the community's strategic plan for the LGA. The plan identifies actions across a range of responsibility - from GLC, to other groups and agencies, to individuals. (refer to Active Ageing Strategy **Appendix D**).

GLC receives funding of some \$3.5M per annum from the Federal and NSW Governments to assist and support frail, older people and people with a disability to continue living at home and accessing their community as independently as possible, thereby preventing inappropriate or premature placement into residential care. This Service has 29 permanent staff and 17 casual staff, 117 volunteers, and 571 clients across the Great Lakes, Manning and Gloucester areas.

Ageing and disability services

GLC has been providing high quality aged and disability care services to the Great Lakes LGA since 1996. GLC has also been providing those same services to the GTCC area for some 15 years, and GSC area for some 11 years. Over the 20 years of delivering these services, GLC has received and acquitted more than \$29 million of Commonwealth and State funds.

Not all councils in NSW are involved in the management of Aged and Disability services; although there are more than 20 that do so; usually these are councils with a high demographic of aged people in their community.

The ageing and disability services provided by council are extremely highly valued by the clients, their carers and their families. This is reflected in multiple client and carer surveys, polls and feedback mechanisms, including interviews with independent assessors carrying out accreditation assessment.

GLC meets all responsibilities prescribed in the Disability Services Act 1986, the Social Security Act 1991 and the National Health Act 1953. The services are accredited via a comprehensive independent audit process every 3 years.

Four years ago, GLC was successful in receiving a \$495,000 grant from the Department of Human Services to design and construct a multi-purpose Centre-based Respite Centre to provide services to people with a disability and to meet the needs of people with dementia. This project was completed on budget and ahead of schedule, and was officially opened in June 2013.

The provision of these services is not at a financial cost to GLC, as the services have always paid all direct employment costs and an administration overhead. They also pay for their own vehicles, office equipment, computers and rental for office accommodation. In 2012, GLC commissioned Morrison Low to conduct a comprehensive review of the overheads income received from Ageing and Disability Services (then named HACC services) to ensure that an adequate overhead was being recovered. This resulted in the level of overhead contribution being set at 11.3% of operating expenditure and it remains at this level.

GLC's Ageing and Disability Services are competing strongly in the new funding models of individualised care packages that are being introduced. This is a competitive environment and Council's delivery model has rapidly adjusted to compete under the new funding guidelines. Our services have received some \$500,000 worth of aged care packages to date in 2016; this is where the individual selects the organisation of their choice to provide service. In this same financial year, our services also bid for, and were successful in obtaining Commonwealth Homecare funding packages across all 4 categories of care, to a value of more than \$400,000. This demonstrates our capacity to be nimble and adjust our way of doing business to changing circumstances to ensure the local community continues to receive high quality services.

Volunteering

GLC's demographics provide for a large and active base of volunteers and Council has a long history of supporting this vital aspect of the community. Council has over 1000 volunteers spanning across a variety of Council services including: parks, dune and bush care, library, tourism, ageing and disability, graffiti removal to name a few. These volunteers have a well-developed sense of community, they take pride in their local areas and reap social and health benefits from volunteering. The loss of local identity and close connection between Council and the community may threaten the existing level of volunteering.

The benefits of volunteering are well-documented. According to NSW Government Family & Community Services, being a volunteer can bring meaning and purpose to your life, increasing self-esteem and wellbeing. Whilst relieving stress and helping symptoms of depression. All whilst helping the community. Volunteering also links directly to three of the WHO domains of:

- Social participation
- Respect and social inclusion
- Civic participation and employment

GLC employs a community liaison officer to coordinate mowing and regeneration groups in our parks, natural areas and beaches. The registered parks volunteers number over 900, with an approximate value add of \$580,000 per year worth of work. The groups are spread throughout the GLC LGA and they look after over 52 hectares.

GLC's work in this area has led to recognition Awards in volunteer management from the LGMA and from Statewide Mutual.

In a larger entity it would be necessary to increase resourcing of this area to ensure the communities of the other LGAs received the same level of support to ensure this vital aspect of community culture would continue into the future. This is yet another example of the uniqueness of the Great Lakes.

Community engagement

Council's community engagement has developed from the traditional issues based consultation to a community partnership and capacity building program. Our issues based consultation for matters such as Growth Strategies, LEP's, Management Plans and the like was effective and good networks had been developed with the community. There was however no broad based two-way engagement on Council's overall direction and key challenges.

The path to the current integrated approach commenced when Council embraced the Integrated Planning and Reporting Framework (IPR) and actively engaged with the community on the Community Strategic Plan, Delivery and Operational Plans and Asset Service levels. This led to extensive consultation on Council's Special Rate Variations including Environmental Rate renewal and provided better linkages between Council's need to raise revenue to meet community expectations as reflected in Council's IPR Plans. As a result of this more in depth conversations were being held with the community on service levels and the ability of Council to fund community priorities.

This level of engagement built capacity within Council to better understand our community and also within the community to understand Council's operating environment. To further embed this Council in 2012 committed to undertaking a bi-annual community engagement program. This involves the General Manager, senior staff and Councillors providing face to face community updates around the Great Lakes LGA in Forster, Tea Gardens, Stroud and Bulahdelah. These sessions provide an opportunity for Council to inform the community on a number of big picture topics (such as asset management, long term financial information, organisational and cultural development, specific service and project information etc), and importantly have provided the community with regular means of contact with Councillors and senior staff. At the same time, there has been a focus on involving the community and bringing them along on our journey of becoming a sustainable organisation.

Over the years, these meetings have enabled more open and transparent communication between the senior leaders and the community. They are an integral part of continually lifting the knowledge of residents on important issues impacting the local area which in turn enables robust discussion and more informed decision making. Through this approach we have been able to take the community's understanding of complex issues including financial sustainability, broader local government reforms and asset management to a much higher level.

As part of Council's continual review and improvement of services it was recognised in 2014 that there was a gap in our community engagement in terms of developing strong links with key groups across the Great Lakes and developing capacity within smaller communities to a greater level. A restructure was implemented to enable the appointment of a Community Engagement Officer to achieve this outcome on a cost neutral basis. Council now has a dedicated program of working with villages and small communities across the Great Lakes to develop localised strategic plans that are owned and driven by the communities that they represent. The plans inform the development and revision of the Great Lakes Community Strategic Plan, as well as the Operational and Resource Plans. The process has led to greater optimism in our smaller communities about being heard and genuinely represented in the future of the Great Lakes. They feel that their unique identities are being valued and protected.

In addition capacity is being built within the staff of GLC to deliver better community engagement outcomes through the transfer of knowledge from the Community Engagement Officer.

While this type of engagement could be continued and upscaled to meet the needs of a new entity it is an example of the relationship with the community we have built in the Great Lakes and why it is so highly valued by the community.

4.7 Staff

4.7.1 Factor for consideration (s263(3)(e2) of LG Act)

- The impact of any relevant proposal on the employment of the staff by the councils of the areas concerned

4.7.2 Staff morale and productivity suffer through merger uncertainty

As with any uncertainty in the workforce, it is ultimately the staff who suffer. Both the Morrison Low merger business case and the KPMG analysis assume that to achieve the savings required to make the mergers financially successful, there will be significant job losses.

Many of Council's employees live locally, having made long term family and financial decisions and commitments to the local area in order to live within close proximity to work, and form a part of the Great Lakes community. The announcement of a merger proposal, following the feelings of pride associated with being declared Fit For Future and the declaration of approval to stand alone, has created a high level of shock and uncertainty for Council staff right across the organisation.

Great Lakes has had a long standing commitment to nurturing talented and committed staff in the delivery of its high level of service to its community. Council has made a significant investment in staff development programs that have facilitated a desirable culture change and the establishment of team values across the organisation. In short staff now understand how what they do aligns with corporate objectives in a clear and meaningful manner.

The uncertainty of the merger transition process creates a very real risk that these staff will be lost to the community, meaning that the community is ultimately disadvantaged under the merger proposal and the benefits of the organisation's investment in its staff may be lost.

Council would also submit that there is a risk in any merger scenario that the cultural integration of the different council organisations may not go well, further resulting in low morale, decreased productivity and an increased staff turnover rate. This would reduce business performance and prolong the time it takes for the predicted efficiencies to be achieved. These are not outcomes that serve the best interests of the communities that this organisation exists to serve.

4.7.3 Merger will have fundamental impacts on staff into the future

At present current indications are that the entire non senior staff of Gloucester Council are captured under "rural centre" protection legislation. This has implications for the staff at the major centres of Forster and Taree so the loss of jobs will occur between Great Lakes and Greater Taree only. Our younger staff, staff with disabilities or carers/family responsibilities as well as the 40 plus staff who are externally funded or funded via the environmental levy are feeling particularly vulnerable to job loss after the 3 year protection period expires.

The separate submission to the Delegate from the GLC employee representatives of the consultative committee states the staff are very proud of the culture at Great Lakes and the business excellence improvements that have been implemented to date and that they support the development of a comparable culture within the new workforce (a copy of this submission can be found at **Appendix H**). They say "the workforce of Great Lakes Council is highly concerned that the significant efforts taken over many years to grow Great Lakes Council to the point it now finds itself could be largely dismantled by a poorly implemented amalgamation, should an amalgamation occur." The consultative committee submission also indicates that although there are employee protections in place, there are concerns within the workforce about the possible negative workplace environment that may occur and a fear about the

consequential impacts both upon the organisation, through lost knowledge and capability, and employees families and extended community with Council being the largest employer in the region.

The differential in real estate values (as mentioned elsewhere in this submission) will be a major financial impediment for existing staff to permanently relocate to live closer to new offices or depots and this will force existing staff of some /all organisations to increase their travelling time to work. We do not believe this has been factored into the KPMG financial modelling based on the assumptions that have been provided.

The geographic area of the proposed merger extends some 179km north to south so it is not unreasonable to anticipate that a proportion of our staff will be impacted by greater travel times.

Increased travelling times have real financial costs, as well impact on work/ life balance, health and WH&S risks, which need to be factored in to the merger considerations. On top of vehicle running costs and increased environmental pollution it is expected that there will be very real impacts on families and communities through the loss of time due to increased travel.

Currently, most employees live within a short drive or walk to work. The merger proposal will create an additional 40 minutes' travel time each way to Taree with limited public transport between centres.

Assuming that no staff are transferred between Great Lakes, Gloucester and Taree, the cost of the additional travel between the three administrative centres and other council locations could be \$7.7M per annum.

Great Lakes, Greater Taree, Gloucester

Increase in travel costs resulting from merging of councils

	Kms	Time (mins)	Ave speed
Average distance between merged councils	35	30	70
Increase in business travel requirements			
Staff size of merged council	619		
Proportion of staff often travelling for business	0.3		
Average number of trips per week	2		
Proportion of trips requiring longer distance	47%		
Number of trips involving longer distance (per year)	18,158		
Additional travel time required per annum (hours)	9,079		
Economic cost of travel time	\$ 456,713	\$4,838,423	\$3,949,595
Additional Vehicle Operating Cost	\$ 432,016	\$4,576,779	\$3,736,015
Increase in economic cost of travel	\$ 888,728	\$ 9,415,202	\$ 7,685,610

Findings

Should the merger proceed, there will be a significant impact on the existing staff of GLC, both in terms of staff morale, culture integration, attraction and retention, loss of corporate knowledge and of particular concern to staff is that if key leaders change our business excellence journey may stall and with it real benefits to the community. It is anticipated that there will be significant job losses initially, in the order of 50 across the merged organisation, which will have a flow on economic cost to the local community. The merged organisation will also suffer in terms of lost productivity and additional costs as a result of staff travel costs and the risk of increased sick leave may occur if the merger is not managed well.

4.8 Impact on rural communities

4.8.1 Factor for consideration (s263(3)(e3) of LG Act)

- The impact of any relevant proposal on rural communities in the area concerned

Council has concerns about the impact of the merger proposal on the many small rural communities that are an important part of the Great Lakes area. Many of those concerns and potential impacts have been identified throughout this submission. Some of the major concerns include:

- Loss of access to an elected representative in a larger organisation
- Reduction in services received as funds flow to higher priority works
- Loss of community assets through asset rationalisation or service reductions eg sale of local hall
- Decrease in current engagement opportunities
- Decreased likelihood of funding of local projects as now competing against a larger pool of requests

4.9 Other issues

4.9.1 Factor for consideration (s263(3)(f) of LG Act)

MidCoast Water considerations

GLC has considered the matter of MidCoast County Council (**MCW**) and agrees with the MCW position as below:

"It is MCW's position that a model of self-governing water and sewerage utility should be retained. This approach delivers:

- *A specialist essential services-focussed organisation*
- *Consistency with the articulated drivers for reform*
- *Alignment with national directions recommending regionalisation and specialisation*
- *Appropriate fiscal management for a water and sewerage business*
- *Equitable and affordable water and sewerage service for all*
- *Targeted planning, investment and management*
- *Strong compliance focus on key products and services*
- *Focus on the value and costs of water and sewage products and services encouraging efficiency of resource use and identification of markets for products and services*
- *Focus on borrowing for water and sewerage services' capital investment*

It is essential that sector reform initiated by multiple reviews over the past three decades is not ignored in the current consideration of Local Government reform. Doing so would lead to a sub optimal result and waste the resources that have been sunk in establishing MCW as a separate legal entity focused purely on integrated water cycle management and in provision of superior water and sewerage services. Preserving a self-governing utility is consistent with urban water and local government reform. A self-governing utility would be able to support other local water utilities in the future through the proposed Joint Organisation / Regional Alliance models. The ultimate legal structure (e.g. County Council, Joint Organisation, Local Government owned Corporation) of the separate water and sewerage utility can be reviewed in further detail if this recommendation is followed."

GLC Journey towards becoming a financially sustainable organisation

This submission has identified many challenges for a new council. From our experiences, there are some essential elements that contribute to operating an effective local government organisation. The following outlines the GLC journey to becoming a financially sustainable organisation that meets all requirements of the NSW Government Fit for the Future Program and more importantly meets its community's expectations. Our learnings through this journey reinforce our belief that these are important factors to consider and incorporate into the creation and establishment of a new council so as to give it the greatest opportunity to succeed.

Background

In 2007 GLC, facing regular annual deficits and a poor financial outlook, embarked on a program to improve its financial sustainability.

Professor Percy Allan conducted a Financial Sustainability Review through his company Review Today in 2008. This identified serious long term financial sustainability issues and an inability to fund maintenance of key Council owned infrastructure, particularly road assets.

To further inform Council's financial position, it engaged Morrison Low to prepare a 10 Year Long Term Financial Plan which was completed in 2009. While preparing 4 year budget projections, Council had not previously developed a Long Term Financial Plan covering a greater period. The Morrison Low LTFP identified that Council's financial position would deteriorate into serious deficits over the 10 year period.

Council responded to the above situation by implementing various strategies to address its long term financial sustainability. The key actions taken are shown below.

1. Integrated Planning & Reporting was embraced to guide business and strategic planning and prioritisation. Resources were allocated and priority given to the development of improved asset management plans; more accurate and sophisticated long term financial plans; and obtaining a clearer understanding of community priorities through the building of stronger relationships with the Great Lakes community.
2. Financial constraint and downsizing was implemented. Many staff vacancies were not filled and downsizing occurred through natural attrition. A strong financial constraint message was driven by management which resulted in some organisational restructuring to achieve financial savings.
3. SRV - IPART approved a special rate variation which enabled Council to increase rates by 8% per year for 2011/2012, 2012/2013 and 2013/2014. This significantly improved Council's rate base and allowed it to restore essential services, restructure its loan borrowing practices and allocate funds to asset renewal works. During the period of the SRV the rate base increased from \$24M to \$30.5M.
4. Organisational wide service level review undertaken in two stages. The initial stage included a high level scan of services delivered by Council asking key questions around the services delivered, barriers and challenges, and structural changes to improve service delivery. The second stage involved confirming service levels with the community, reviewing service delivery models and identifying alternative models of service delivery to achieve efficiencies and service improvements.

5. Local Infrastructure Renewal Scheme (LIRS) - Council borrowed \$18 million through the NSW Government's LIRS Program which enabled it to bring forward rehabilitation works on urban and rural sealed road pavements classified in poor or very poor condition and replace 12 timber bridges with concrete structures.

As a result of these actions Council was assessed by NSW TCorp in 2013 as one of the few financially sustainable councils on the north coast of NSW.

Additional funds have been and are continuing to be channelled into infrastructure maintenance. The challenge remains to deliver sufficient funds to address backlog issues and to this end a special rate variation application has been lodged with the IPART to commence in 2016/2017. If successful this application would provide additional funds to address road, playground and community facility asset renewal works.

Having ensured the financial sustainability of the organisation, strategic management issues were identified as needing to be addressed to enable the organisation to move beyond service level reviews and budget constraint so as to create an organisation which could continue to deliver sustainable and ongoing efficiencies. The strategic issues identified included:

- 1 Leadership & Organisational Culture
 - Leadership vision, mission, values
 - Situational leadership, leadership development
 - High performing teams
 - Organisation structure to deliver the vision and mission
- 2 Business Planning & Business Performance
 - Business planning to underpin leadership goals and culture
 - Performance measurement & monitoring
 - Project/program management
 - Service level reviews
 - Integration of plans and strategies
- 3 ICT
 - Modernisation
 - Deliver business results
 - Customer Service
 - Meet future community engagement/interaction needs
- 4 HR Management
 - Organisational development capability
 - Alignment of training, recruitment and staff development with 1 and 2 above

- Organisational culture
- Change Management
- Succession Planning

5 Council & Community Expectations

- Efficient service delivery
- Communication and engagement
- Modern and responsive
- Balanced progress
- Continued responsible financial management
- Asset/infrastructure management

Given these issues, Council framed an approach to ensure systemic improvements and long term business sustainability. Following investigation both within local government and in other industries, the Australian Business Excellence Framework (ABEF) was adopted as the management framework to drive business improvement throughout the organisation.

The ABEF is a management framework which aims to create an environment which leads to sustained business success. It is an integrated leadership and management system that describes the elements essential for organisations to sustain high levels of performance. The ABEF is based on proven business success, is recognised internationally and importantly for Council addresses the strategic issues in a holistic and integrated manner, recognising the interdependencies that exist between these issues. It is also a long term approach which includes continuous improvement as a core principle and is used by organisations of all sizes, both public and private.

With guidance and mentoring from an expert in the fields of Business Excellence and Organisational Cultural Development, Council has initially focussed on developing its leadership and people. The rationale for this approach is that improvements in business process, efficiency and innovation will only occur with a Leadership and Organisational Culture to support this. Council's previous experience with business improvement initiatives support this rationale.

As part of this integrated approach we have used tools to assist us including Human Synergistics and their circumplex to identify what our current culture is and what our ideal or aspirational culture is, why we have the culture we have and not the culture we aspire to so we can focus our efforts on areas that will make a difference.

Our executive and management level leaders have participated in leadership & management impact surveys which are based on 360 degree review across peers and direct reports. Action plans for each leader with a focus on leadership improvement continue to be implemented as means of developing and improving leadership capability across Council. All leaders discuss and negotiate their action plans with their teams. We also use visual management boards, to allow direct feedback from staff to leaders and we ensure that all feedback is respected and responded to.

A significant proportion of the organisation have also completed Myers-Briggs Type Indicator (MBTI) surveys to gain a better understanding of their preferred personality styles and these results are being shared and discussed amongst individuals and teams to break down silos, deal with conflict and to improve communication and relationships.

A quote from U.S. business consultant Zig Ziglar quote captures the essence of why there has been this initial focus - "You don't build the business you build the people and then they build the business".

Council was also introduced to the Integral Model as a way of looking at our improvement efforts from a holistic point of view and in alignment with the principles and categories of the ABEF. We have included our simplified version of Integral model below. This graphic allows us to explain the theory behind Integral and our approach to business improvement and ongoing sustainability to a wide audience including at recent community information sessions and the Government's public inquiry.



The bottom right hand quadrant is the area of traditional focus for both private and public entities - it focuses on more 'traditional' management areas of finances, assets, processes and viability. The Integral approach places a focus on culture and leadership to drive long term continuous improvement which is represented in the other three quadrants.

In summarising our approach (represented in the graphic on the left hand side), those two quadrants reflect the individual attitudes, thinking, values and preferences (including what motivates us to do a good job) as well as the shared values of the organisation, the organisational culture and the relationships and partnerships both within and external to the organisation. The right hand side reflects the external rather than the internal, it considers actions and the things we do - it is more visible externally than the left hand side.

We deal with all elements of the quadrants concurrently as our view is without a holistic approach business improvements can be made however long term transformational improvements can only be made when all aspects of the business are worked on. Our focus is on developing our people and our products to achieve sustainable results and we believe that "you build the people and then people build the organisation" increasing value to our customers

GLC's progress in business improvement will continue to be measured by regular assessment against the ABEF and other instruments that measure the organisation culture and through an integrated performance measurement framework.

While improvements are focussed on the long term and significant efficiencies will build over the next 3-5 year period, there are already significant improvements occurring and the changes are leading to significantly improved outcomes in areas such as ICT strategy implementation and targeted process review. Teamwork is significantly improved and systems thinking is being applied to improvement processes.

In a merged entity it will be essential for a similar approach to continue to ensure the organisation is set up for sustainable success from inception.

Blueprint

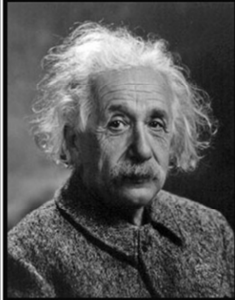
The blueprint GLC recommends for a new entity is simply based on the principles, practices and approach that has been discussed throughout this submission. It is a blueprint for taking an integrated approach to the establishment and operation of a new entity and it applies to any size organisation - large or small, public or private, 'stand-alone' or merged. GLC's considered approach reflects good business practice. It is based on a few key elements and provides for a sustainable organisation, with engaged employees and satisfied stakeholders and customers.

The intention here, and of this submission is to outline what needs to be considered in development of a blueprint that sets a new organisation up for success. It identifies the key elements, theories and practices that are required. Should the merger proposal proceed it will be imperative to ensure the blueprint takes *a considered, well thought out approach across the merged entity and importantly, as GLC has modelled, will need technical expertise and internal resourcing to guide the new organisation on an integrated improvement journey.*

The blueprint is based on ensuring a focus on all four quadrants of the Integral model and setting the new organisation up for success, not failure. The key components include:

- Creating a vision and transforming the vision to action
- Strategic delivery of vision through cooperative working relationships with all stakeholders
- Ensuring our communities are engaged and have a voice
- A governance structure to ensure equity to the communities of the new LGA (i.e. water tank example)
- Sound financial and asset management and business planning
- Creating value for our customers
- Building people to build the organisation and developing leaders throughout the organisation and in the community
- Working *on* the business not just *in* the business
- A structure that reflects the needs of the organisation, in the best interest of its customers and stakeholders

Two quotes attributable to Albert Einstein illustrate the need for a new approach in respect of thinking and decision making for the establishment and operation of a new merged council. As mentioned earlier in this submission, simply merging the existing 3 councils and hoping for the best will not ensure a successful outcome. Different thinking and actions may achieve a different result.



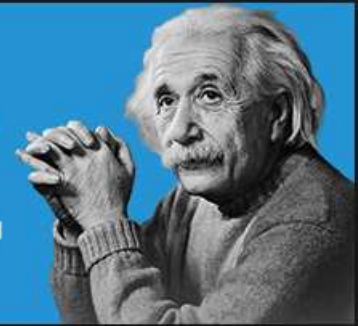
We can't solve problems by using the same kind of thinking we used when we created them.

(Albert Einstein)

izquotes.com

"If you **always** do what you **always** did, you will **always** get what you **always** got"

-ALBERT EINSTEIN



5 Conclusion

This submission has set out some detail around the proposal to merge GLC, GTCC, and GSC.

The following summarises some key points for consideration in relation to the merger proposal:

Business Case

The business case identifies some major challenges for a merged entity. There are significant infrastructure maintenance and backlog challenges which will require careful management for the new entity to succeed. Both GLC and GTCC have SRV's being assessed by IPART - if merged it will be critical for the IPART determination to be considered as the approved rate path for the merged council. There are equity issues for the Great Lakes community about having partnered with Council to achieve a Council which is Fit for the Future with a prosperous future. The business case shows a new entity would be in a less favourable position.

Community Opinion

The Great Lakes community has strongly voiced its opinion that it wants the Great Lakes to stand alone and it does not support a merger. It has raised serious concerns around equity issues having supported GLC in its journey to be a Fit council. The Great Lakes community is proud of its area and sees the Great Lakes as being very different to both Taree and Gloucester. The very clear environmental and tourism values are a major point of differentiation. This sentiment was made very clear at the community meetings at which the merger was discussed. The risk of this is that this sentiment creates a community opposed to the merger which creates challenges for the new local government entity. This is particularly relevant as both Taree and Great Lakes contain two similarly sized major townships in Taree and Forster-Tuncurry. Usually in mergers there is one obvious major centre and this is not the case with the proposed merger. History in other States shows that community resistance in such circumstances can remain for considerable time and hinder the performance of the new entity. This is an issue which would need to be acknowledged and appropriate strategies developed to ensure the communities of all three councils are actively engaged in the vision and direction of the new council.

Blueprint - setting up a business for success

There are significant challenges for the new entity if the merger proceeds. The development of a detailed blueprint that sets a new organisation up for success would be essential. The blueprint would need to take a considered, well thought out approach across the merged entity and importantly, as GLC has modelled, will need technical expertise and internal resourcing to guide the new organisation on an integrated improvement journey.

Optimum outcome

GLC acknowledges the NSW Government's position on council mergers. We are prepared to cooperatively work with the Government on achieving a positive outcome in either the 3 way merger or an alternative to achieve an optimum outcome for the communities across the three LGAs. The business case for the proposed three way merger identifies some serious challenges and the community differences add another layer of complexity. We believe our reputation with the NSW Government is positive and we raise these challenges in the interests of fully exploring all factors relating to the merger to ensure the best long term outcome for achieving NSW Government objectives and meeting community needs and aspirations.

Great Lakes is a council which always works with the NSW Government and we will continue to do so - our concern is that a new entity will by necessity be a completely new organisation which may or may not forge such a strong relationship.

Appendix A

Appendix B

Appendix C

Appendix D

Appendix E

Appendix F

Appendix G

Appendix H

