

PALERANG COUNCIL



Contact Person: Peter Bascomb
File: GV0001

29 January 2016

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

Dear Minister

I refer to my email of 17 January and confirm that at its meeting of 14 January, Palerang Council adopted the following recommendation:

CW3/2016 RECOMMENDATION that, pursuant to section 218E(1) of the *Local Government Act 1993*, Palerang Council, having considered the decision making guidelines issued under section 23A of the *Local Government Act 1993*, make the following proposal to the Minister for Local Government:

That the local government areas known as Palerang Council, identified in the map annexed and marked A, and the City of Queanbeyan, identified in the map annexed and marked B, be amalgamated to constitute a new council identified in the map annexed and marked C, in accordance with section 218A of the *Local Government Act 1993*.

Council understands that this is sufficient information for you to refer the proposal for review under s.218F(1) of the *Local Government Act 1993*.

In support of the proposal Council has prepared the attached information using the recently published KPMG assumptions.

Consistent with the Mayor's letter of 19 January, and others, Council considers this proposal as a "Plan B". The Palerang community and Council believe that standing alone remains the best option for Palerang, but that a full merger with Queanbeyan is far superior to the partitioning proposals currently under review. The proposal is made in the understanding that at the completion of the current reviews of the partitioning proposals you have three options, namely:

1. Not implement the current proposals (Council's preferred option, allowing Palerang to stand alone).
2. Implement the current partitioning proposals.

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3. Implement the current partitioning proposals with a minor variation.

Council was of the view that the full merger with Queanbeyan City Council could not be considered a "minor variation" to the proposals currently under review, hence it has prepared this proposal to give you the choice of considering the full merger if you were not in a position to consider option 1 above.

If you require any additional information please do not hesitate to contact either myself or the Mayor, Cr Pete Harrison. As Cr Harrison has previously said, Palerang wants to work cooperatively with you to achieve the best possible outcome for the people of Palerang and surrounding areas.

Yours sincerely



Peter Bascomb
FAIM, GAICD, MLGPA
General Manager

CC. The Hon. John Barilaro, Member for Monaro

PALERANG COUNCIL



**Alternative Merger Proposal:
Palerang Council (all)
Queanbeyan City Council
JANUARY 2016**

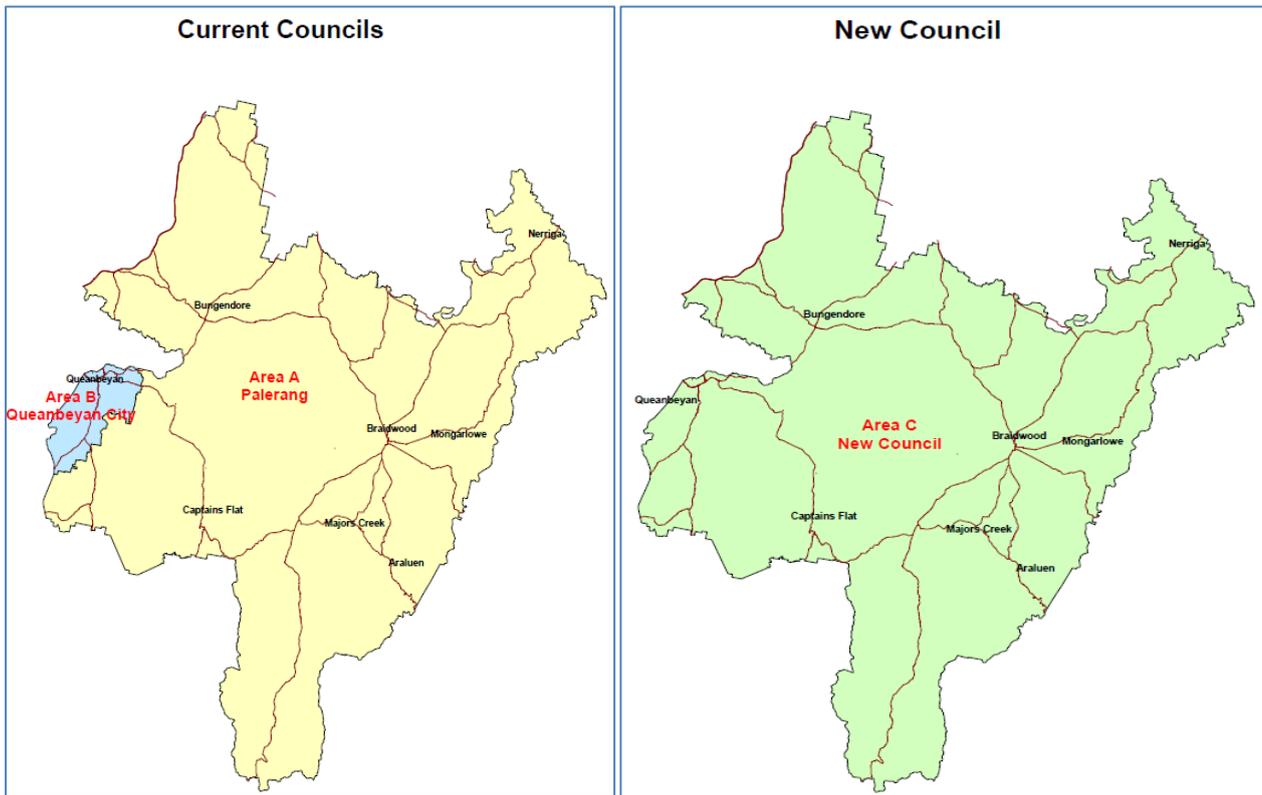


Figure 1: Existing and Proposed new local government areas

MAYOR'S FOREWORD

Four years of extensive consultation, research and analysis have focussed on the full merger of Queanbeyan and Palerang Councils. The Proposal presented by the Minister on 6 January 2016 has varied from this widely canvassed option. The Minister's Proposal excludes approximately 2,000 residents from the Braidwood area of Palerang, and has this part of the Palerang LGA merging with the Goulburn Mulwaree Council area. We strongly believe that the Braidwood community has much stronger linkages with the other Palerang areas than with Goulburn, and that the whole of the Palerang LGA should remain intact. This Proposal therefore suggests that a full merger of Queanbeyan and Palerang should be considered alongside the Minister's Proposal of a partial merger.

Palerang Council was created very recently, in 2004, and with considerable community cost and disruption. This merger is only now starting to demonstrate its benefits. It would be tragic for this community to again be divided against its will.

Our proposed full merger will create a council better able to meet the needs of our community into the future and will provide more benefits for the community than the currently proposed partial merger.

This document has applied the same methodology underpinning the Minister's Proposal to detail benefits a full merger might provide to affected communities. This will enable the full and partial merger proposals to be considered simultaneously and consistently. This, however, does not in any way indicate that we agree with that methodology. We will be making our own assessment of the costs and benefits of a full and partial merger in the submissions we make in response to relevant proposals.

Adopting the Minister's KPMG methodology, the full merger will provide a number of benefits including:

- a total financial benefit of \$35.5 million over a 20-year period that can be reinvested in better services and more infrastructure;
- potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure;
- greater capacity to effectively manage and reduce the infrastructure backlog;
- improved strategic planning and economic development to better respond to the changing needs of the community;
- effective representation by a council with the required scale and capacity to meet the future needs of the community; and
- providing a more effective voice for the area's interests and being better able to deliver on priorities in partnership with the NSW and Australian governments.

With the merger savings, and the NSW Government's funding of \$15 million, the new council will be better able to provide the services and infrastructure that matter to our community. This more streamlined merger proposal still achieves the same efficiencies of the Minister's proposal with further savings from keeping existing communities, cultures and systems together without major disruption

We suggest that the delegate who has been appointed by the Chief Executive of the Office of Local Government to consider the partial merger proposal should also be asked to conduct the review of this full merger proposal against the criteria set out in the *Local Government Act 1993*, and to undertake public consultation to seek community views on this alternative.

Cr Pete Harrison
Mayor
Palering Council
January 2016

EXECUTIVE SUMMARY

The Minister has made a Proposal to merge Queanbeyan City Council and parts of Palerang Council (excluding the eastern area around Braidwood). The Minister's Proposal noted that "the communities of Palerang and Queanbeyan share common characteristics and connections and will benefit by up to \$35 million from a merged council with a stronger capability to deliver on community priorities and meet the future needs of its residents."

This Proposal would provide similar benefits without the dislocation that would be caused by separating Braidwood from its historically aligned communities such as Majors Creek and Araluen. Applying the same financial methodology as used by the Minister's consultants would yield benefits of \$35.5 million.



Introduction

This is a proposal by Palerang Council to the Minister for Local Government under section 218E(1) of the Local Government Act (1993) for the merger of Queanbeyan City Council with all of Palerang Council. This merger proposal sets out the impacts, benefits and opportunities of creating a new council.

Section 218F(1) of the Local Government Act (1993) requires the Minister to refer such a proposal to the Boundaries Commission or Departmental Chief Executive for examination and report.

The Minister has made a Proposal to merge Queanbeyan City Council with parts of Palerang Council (excluding the eastern area around Braidwood). We propose that the Minister's Proposal for a partial merger be examined simultaneously with Palerang Council's Proposal for a full merger.

The creation of this new council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities. It will avoid splitting existing Palerang communities as would occur under the Minister's Proposal. These communities' close proximity to Canberra provides a common driver for sustained population growth and significant employment opportunities.

This proposal has been informed by four years of extensive council and community consultation. We have also engaged consultants with expertise in Council amalgamations to provide independent analysis and modelling using the same assumptions and methodology as the modelling provided to the Minister. This proposal does not endorse these assumptions, but has faithfully applied the same approach so that the two proposals affecting Queanbeyan and Palerang can be assessed on a consistent basis.

This proposal is fully consistent with the 2013 findings of the Independent Local Government Review Panel (ILGRP), which identified this as a high potential merger, as well as the Independent Pricing and Regulatory Tribunal's (IPART) 2015 assessment.

IPART determined that Palerang and Queanbeyan City Councils each satisfied key financial performance benchmarks. However, IPART assessed that operating individually, each council will have limited scale and capacity to effectively deliver on behalf of residents and meet future community needs. Council does not agree that it suffers from any limitations due to its scale, but this proposal would provide slightly greater scale and capacity than the Minister's Proposal.

According to the Minister's Proposal "the new council for the new local government area will not only oversee an economy that shares many similar residential, workforce and industry characteristics, but will have enhanced scale and capacity to help it deliver on local infrastructure priorities such as the upgrade and maintenance of parking, streetscapes, public amenities, and footpaths in villages as well as upgrading walking and cycling tracks throughout Queanbeyan and supporting housing growth". Under our proposal, the addition of the Braidwood area would also include all of the area that in 2004 was amalgamated into Palerang.

Impacts, Benefits and Opportunities

A range of benefits and opportunities has been identified in the Minister's proposal from the proposed merger, including a stronger balance sheet to meet local community needs and priorities. Our proposal would result in a Council with a slightly larger asset base.

Analysis utilising KPMG methodology shows the new council has the potential to generate net savings to council operations. The merger is expected to lead to around \$20.5 million in net financial savings over 20 years. This compares with \$20 million in the Minister's Proposal.

The analysis also shows the proposed merger is expected to generate, on average, around \$2.0 million in savings every year from 2020 onwards. This compares with \$1.8 million in the Minister's Proposal. According to the Minister's Proposal, savings will primarily be from the redeployment of back office and administrative functions, streamlining of senior management roles; efficiencies from increased purchasing power of materials and contracts; and reduced expenditure on councillor fees.¹

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

As with the Minister's Proposal, these savings might enable the new council to reduce its reliance on rate increases to fund new and improved community infrastructure.

Each of the two councils is currently seeking or has received approval for a Special Rate Variation (SRV) from IPART. For example:

- Palerang Council intended to request a cumulative SRV of 24.0 per cent over a five-year period from 2016–17; and
- Queanbeyan City Council received approval for a SRV of 5.8 per cent over a one-year period in 2012–13.

According to the Minister's Proposal the proposed merger is also expected to result in simplified council regulations for many residents and businesses in the Palerang and Queanbeyan City council areas, given each council is currently responsible for separate and potentially inconsistent regulatory environments. Regulatory benefits include consistency in approaches to development approvals, health and safety, building maintenance, traffic management and waste management. Under our proposal, this factor would be extended to the Braidwood area which is already in the same regulatory regime as the rest of Palerang.

As with the Minister's Proposal, the proposed merger will provide similar opportunities to strengthen the role and strategic capacity of the new council to partner with the NSW and Australian governments on major infrastructure projects, addressing regional socio-economic challenges, delivery of services and focus on regional priorities.

¹ NSW Government (2015), *Local Government Reform: Merger Impacts and Analysis*, December.

This could assist in:

- reducing the existing infrastructure backlog across the Palerang and Queanbeyan City areas;
- improving liveability and boosting housing supply to meet population growth;
- delivering upgrades to road infrastructure and urban development in Queanbeyan; and
- supporting economic growth and regional development while enhancing the standard of living and rural lifestyle that local residents value.

As with the Minister's Proposal, a merged council will increase the current ratio of residents to elected councillors, the new ratio is likely to be comparable with levels currently experienced by other communities across regional NSW.

Next Steps

We request that this merger proposal be referred for examination and report under the Local Government Act (1993).

Local communities have an important role to play in helping ensure the new council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the new council should be structured.

We also request that our local communities have an opportunity to attend combined public inquiries for this and the Minister's merger Proposal and an opportunity to provide written submissions.

INTRODUCTION

The Minister's Proposal and this merger proposal have been informed by an extensive four-year consultation and review process. Palerang Council has also undertaken considerable community consultation and surveys.

The NSW Government has been working with local councils and communities since 2011 to strengthen council performance and ensure local government is well placed to meet future community needs.

A first key step in that process was the ILGRP's comprehensive review of local government and subsequent recommendations for wide-ranging structural reform and improvements to the system. In response, the NSW Government initiated the *Fit for the Future* reforms that required each local council to self-assess against key performance indicators and submit proposals demonstrating how they would meet future community needs.

The NSW Government appointed IPART in 2015 to assess each council's submission. IPART has now completed its assessment of 139 proposals (received from 144 councils) and concluded 60 per cent of councils are 'not fit' for the future. Many of these councils did not meet the elements of the 'scale and capacity' criterion (refer Box 1 below).

Palerang and Queanbeyan City councils each submitted *Fit for the Future* proposals to remain as stand-alone councils. In assessing each council's submission, IPART determined that neither of the two councils were 'fit' to stand alone and that a merger was needed to achieve the required scale and capacity to meet the needs of residents now and in the future.

Box 1 Overview of scale and capacity

Key elements of 'scale and capacity'

Scale and capacity is a minimum requirement as it is the best indicator of a council's ability to govern effectively and provide a strong voice for its community. At a practical level, this includes being able to:

- *undertake regional planning and strategic delivery of projects;*
- *address challenges and opportunities, particularly infrastructure backlogs and improving financial sustainability;*
- *be an effective partner for NSW and Australian governments on delivering infrastructure projects and other cross-government initiatives; and*
- *function as a modern organisation with:*
 - *staffing capacity and expertise at a level that is currently not practical or economically possible for small councils;*
 - *innovative and creative approaches to service delivery; and*
 - *the resources to deliver better training and attract professionals into leadership and specialist roles.*

A NEW COUNCIL FOR THE PALERANG AND QUEANBEYAN AREA

The proposed new council will be responsible for infrastructure and service delivery to more than 56,000 residents across the Palerang and Queanbeyan areas.

The creation of a new council provides the opportunity to bring together the communities from across the local government areas of all of Palerang and Queanbeyan. These communities have strong population growth outlooks, particularly as a result of the demographic and economic expansion of Canberra. Many residents are employed by government and related service sectors within the Australian Capital Territory (ACT).

The new council will be responsible for infrastructure and service delivery to more than 76,000 residents by 2031. This reflects an expected population growth across the region of 1.9 per cent per annum.² Growth will be accommodated in new release areas Googong and South Jerrabomberra, the potential expansion of Bungendore as well as the continued uptake of rural lifestyle opportunities around Royalla, Wamboin, Bywong and Bungendore.

The proposed merger aligns with the NSW Government's initiatives for regional planning in the South East of NSW. In particular, the proposed merger makes a stronger council to deal with the cross border challenges of the area around the ACT including planning for the future population's needs for housing, jobs, infrastructure and a healthy environment. The NSW Government has identified a number of regional priorities that are directly relevant to the proposed new council. For example, to:

- manage the coordinated development and servicing of new release areas at Googong and South Jerrabomberra;
- encourage the take up of employment lands at the Poplars and North Tralee that will meet regional demands for business development opportunities associated with defence and other high technology activities in the Canberra region;
- address traffic congestion of roads going into Canberra through integrated planning and project development with Queanbeyan City Council;
- improve environmental management of important native grasslands, as well as the water catchment of the Queanbeyan, Molonglo and Yass Rivers;
- enhance and further develop services for the ageing population of the region, including supported discharge and therapies that aim to help older adults improve independence and confidence after a hospital stay; and
- support vulnerable families and individuals by enhancing delivery of services including case management for at-risk communities.

For the Plan to be implemented effectively, a coordinated approach will be required to manage the expected population growth across the Palerang and Queanbeyan region and the related changes in service and infrastructure needs. The Minister's Proposal claims that a new council with appropriate scale and capacity will be better able to partner with the NSW and ACT governments on the implementation of these regional priorities. Our Proposal provides more scale than the Minister's Proposal.

The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce the current duplication of back-office functions, senior executive positions and the many layers of current regulations. Any savings generated by a merger of these two councils could be

² NSW Department of Planning & Environment (2014), *NSW Projections (Population, Household and Dwellings)*.

redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery. An overview of the current performance of the two existing councils and the projected performance of the new proposed entity is provided below in Figure 2.

In addition, while IPART found each of the two councils satisfy financial performance criteria given that QCC recently had implemented an SRV and Palerang was intending to apply for one, it also found that each council's ability to effectively advocate for community priorities is affected by a lack of scale and capacity. A merged council will improve this, with an enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should also put the new council in a better position to advocate to the NSW, ACT and Australian governments for the regional investments that will be needed for the future.

	Palerang Council	Queanbeyan City Council	New Council
Population (2014)	15510	40,858	56,368
Area	5,147 sq km	172 sq km	5,319 sq km
IPART Rating	Not Fit	Not Fit	The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community
Operating Revenue (13-14)	\$28.4m	\$64.6m	\$93.0m
Operating Result (13-14)	\$0.1m	\$11.3m	\$11.4m
Asset Base	\$150.0m	\$435.9m	\$585.9m
Infrastructure back log	27 per cent	1 per cent	6 per cent

Figure 2: Council profiles

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

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position is based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013-14). In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019-20 operating result for the new council. Further details are available in NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

BENEFITS, OPPORTUNITIES AND IMPACTS

According to the methodology applied in the Minister's Proposal, the proposed merger has the potential to provide a \$35.5 million benefit to communities over 20 years which could support investment in critical local infrastructure and services and/or be utilised to address rate pressures.

Financial Benefits of the Proposed Merger

Analysis utilising the methodology outlined by KPMG, shows the proposed merger has the potential to generate a net financial saving of around \$20.5 million to the new council over 20 years. Consequently, the merged council will have a balance sheet that is stronger and in a better position to meet local community needs and priorities.

Gross savings over 20 years are modelled to be due to:

- streamlining senior management roles (\$5.0 million);
- the redeployment of back office and administrative functions (\$15.6 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$4.7 million); and
- a reduction in the overall number of elected officials that will in turn reduce expenditure (\$3.3m) on councillor fees (estimated to be around \$380,000 per annum).³

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

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

Merger savings could be reinvested to:

- improve infrastructure – annual savings could be redirected towards infrastructure renewal or capital works including sewage treatment plant upgrades and improvement of parking, streetscapes, public amenities and footpaths. Redeployment of savings could lead to cumulative additional infrastructure expenditure of around \$20.5 million over 20 years;
- enhance service delivery – redeployment of duplicate back office and administration functions and streamlining of senior management roles could provide the basis for employing an additional 11 staff for frontline services. This could include services such as community health programs as well as maintenance of parks and waste management services; and/or
- reduce rate pressures – annual savings could be used to reduce the existing dependency on SRVs to fund community infrastructure and/or avoid future rate increases.

The expected operating performance ratio of each council over the next 10 years is illustrated in Figure 3.⁴

³ NSW Government (2015), *Local Government Reform: Merger Impacts and Analysis*, December

⁴ Calculation of a council's operating performance ratio excludes any grants received from the council's reported operating revenue. This enables comparison of council operating performance based on own-source revenue.

Analysis of operating performance over the next 10 years and applying the KPMG methodology, shows an improvement for both councils. This merger proposal will provide the new council with the opportunity to strengthen its balance sheet and provide a more consistent level of financial performance. Overall, with the application of the KPMG methodology, the proposed merger is expected to enhance the financial sustainability of the new council through:

- net financial savings of around \$20.5 million to the new council over 20 years;
- achieving efficiencies across council operations through, for example, the redeployment of duplicated back office roles and administrative functions, and streamlining senior management;
- establishing a larger entity with revenue that is expected to exceed \$191 million per year by 2025;
- an asset base of approximately \$585 million to be managed by the merged council; and
- greater capacity to effectively manage and reduce the infrastructure backlog across the region by maintaining and upgrading community assets.

The Local Government Act contains protections for three years for all Council employees below senior staff level. The Act also protects the number of Council jobs in rural townships, and therefore existing staff levels in Palerang.

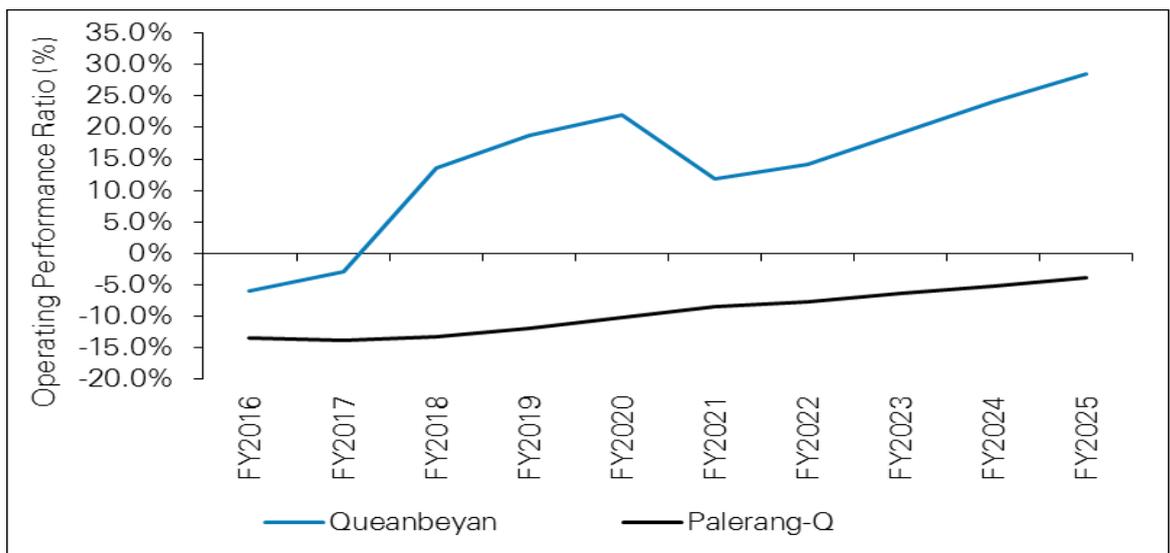


Figure 3: Projected operating performance ratio by Council (2016-2025)

Note: Operating performance ratio measures a council's ability to contain operating expenditure within operating income.

Source: Council Long Term Financial Plans (2013-14), Palerang Council (part) Queanbeyan City Council Merger proposal, January 2016

Opportunities for Improved Services and Infrastructure

The efficiencies and savings generated by the merger under the KPMG methodology will allow the new council to invest in improved service levels and/or a greater range of services and address the current infrastructure backlog across the two councils. Examples of local infrastructure and service priorities that could be funded by any merger-generated savings include projects like:

- provision of new services to urban release areas, as well as maintaining a road network that connects the area to the Canberra region;
- upgrading walking and cycling facilities in and around the Queanbeyan CBD;
- extending and improving infrastructure such as parking, streetscapes, public amenities and footpaths in villages to support local business development in Bungendore; and
- water and wastewater projects including renewal of the Queanbeyan Sewage Treatment Plant, better stormwater management, mains renewal and secure water access for Bungendore.

Regulatory Benefits

There are currently 152 separate regulatory and compliance regimes applied across local council boundaries in NSW. According to the Minister's Proposal, these many layers of regulations are making it hard for people to do business, build homes and access services they need. NSW businesses rated local councils as second to only the Australian Tax Office as the most frequently used regulatory body, and highest for complexity in dealings.⁶

It can be expected that the proposed merger will result in simplified council regulations for many Palerang and Queanbeyan residents and businesses. Palerang and Queanbeyan City councils are each responsible for separate and potentially inconsistent regulatory environments. A merged council provides an opportunity to streamline and harmonise regulations. However, our proposal is considered preferable to the Minister's Proposal because all of Palerang would remain under the same regulatory regime, whereas the alternative proposal is to split the Braidwood area from the rest of Palerang.

According to the Minister's Proposal, adopting best practice regulatory activities will generate efficiencies for a merged council and benefit local residents and businesses. For example:

- a tradesperson who operates a small business across Bungendore and Queanbeyan will have just a single local council regulatory framework to understand and comply with; and
- residents can have greater confidence that development applications will be subject to a more uniform process than the existing variation in regulations, which can add to the cost and complexity of home renovations and building approvals.
- Under our proposal, consistent regulations would apply across all of the Palerang area, especially between Bungendore and Braidwood.

Impact on Rates

Each of the councils was either planning to seek, or has received approval for, rate increases to meet local community and infrastructure needs:

- Palerang Council intended to request a cumulative SRV of 24.0 per cent over a five-year period from 2016–17; and
- Queanbeyan City Council received approval for a SRV of 5.8 per cent over a one-year period in 2012–13.

Any savings generated by a merger may enable the new council to reduce reliance on rate increases to

fund community infrastructure.

In addition, the proposed merger will bring together a range of residential and business premises across the Area, providing the new council with a larger rate base on which to set ratings policies and improve the sustainability of council revenue. Table 1 outlines the mix of business and residential rating assessments that underpin current rate revenue across the existing whole council areas.

Local Representation

The ratio of residents to elected councillors in each of the two existing councils is markedly different. This reflects the wide variation in resident populations and size of the areas. While the proposed merger will increase the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be similar to those currently experienced in other regional NSW councils, including the similarly-sized Clarence Valley Council (Table 2). For the purpose of analysis of merger benefits, this proposal has applied the same assumptions as the Minister's Proposal. Therefore it is assumed that the new council will have the same number of councillors as Queanbeyan City, as this has the larger number of councillors of the councils covered by this proposal.

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

According to the Minister's Proposal, the new council will be in a position to use its larger scale and capacity to advocate more effectively for the needs of the Palerang and Queanbeyan communities. As the new council will represent a more significant share of the broader Area's population, and have a substantial economic base, it will be able to advocate more effectively on behalf of its residents. It will also be able to develop improved strategic capacity to partner with the NSW and Australian governments, including on major infrastructure initiatives, community services and regional planning and development. Our proposal would enable a similar result.

Table 2: Changes to local representation in Palerang and Queanbeyan

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Palerang Council	9	15,510	1,723
Queanbeyan City Council	10	40,858	4,086
Merged council	10*	56,368 [#]	5,637
Clarence Valley Council	9	51,043	5,671

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

[#] Estimated population under the proposed boundaries of the merged council.

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

The many ways communities currently engage with these Councils will continue, including through public forums, committees, surveys and strategic planning. Councillors will continue to represent local community interests and will have the opportunity to take a more regional approach to economic development and strategic planning.

THE LOCAL COMMUNITY

According to the Minister's Proposal, the communities across the Palerang and Queanbeyan region share common characteristics and connections. Both the Minister's and our proposed new council will have similar scale and capacity to shape and deliver the economic development, community services and infrastructure that underpin the lifestyle of these communities.

Geography and Environment

The region is characterised by a mix of rural and urban environments in close proximity to Canberra. The Palerang and Queanbeyan region incorporates rural zones with agricultural economies, residential centres such as Bungendore, Braidwood, Jerrabomberra and Queanbeyan. Queanbeyan is relatively suburban in its residential character, functioning as part of the broader Canberra housing market, while Bungendore and Braidwood and the areas of Wamboin, Bywong and Captains Flat provide rural lifestyle opportunities within close proximity of the Canberra job market. Our proposal retains the Braidwood area, whereas the Minister's Proposal would relocate that area to Goulburn Mulwaree, severing the historical links between Braidwood in its associated villages such as Majors Creek and Araluen.

The region contains many national parks and features, including the Kowen Pine Forest and Lake George. It also contains water catchment areas that are important to neighbouring councils and the ACT such as the Molonglo, Queanbeyan and Yass Rivers.

Important road connections link Queanbeyan to the ACT, such as Canberra Avenue, Lanyon Drive and Pialligo Drive. Old Cooma Road connects Queanbeyan to the Monaro Highway and the neighbouring areas of Cooma. The Kings Highway connects Canberra to the Joint Operational Command Headquarters (HQJOC) outside of Bungendore, as well as the further connections between Canberra and the south coast. Sutton Road and the Federal Highway provide important linkages to Canberra from Bungendore, Wamboin, Bywong and Sutton East.

The eastern boundary of the new council will follow the existing Queanbeyan and Palerang area boundaries except for the elimination of the common boundary between the Councils.

The area contains a number of important environmental corridors that link the ACT rangelands to the Great Eastern Range.

Local Economy

The local economy is characterised by (unless otherwise specified, the statistics are based on the existing Local Government Areas):

- an average household income of \$104,629 in Palerang Council local government area, which is significantly above the NSW regional average of \$65,168 and also above the Queanbeyan City Council average of \$98,104;
- low rates of unemployment in Palerang (1.3 per cent) and Queanbeyan City (1.8 per cent) council areas relative to the average NSW regional rate of 5.4 per cent;
- employment growth below the NSW regional average of 0.6 per cent in both Queanbeyan City Council (zero growth) and Palerang Council (0.3 per cent);
- educational attainment in Palerang Council area (the proportion of residents holding a post-school qualification) is 63 per cent. This is above the NSW regional average of 53 per cent, while Queanbeyan City Council sits at 57 per cent; and
- similar industry composition across the two council areas with public administration and construction the largest sectors in the economy.

Residents in the area typically commute to a workplace outside the area. The proximity to Canberra also means the Palerang and Queanbeyan communities are relatively well connected to services such as education and training, healthcare, and the large shopping precincts of the ACT.

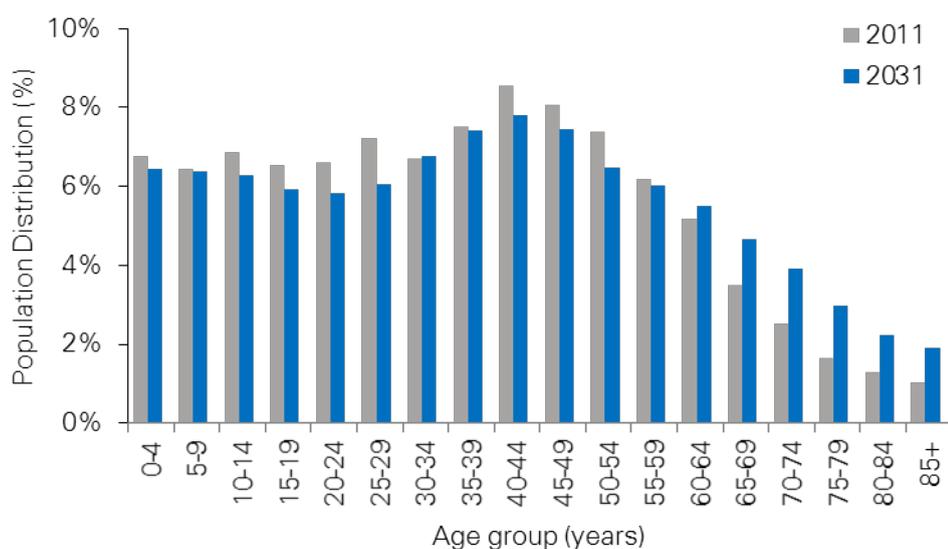
The business profile across the Area and the corresponding workforce will require relatively similar services and infrastructure. A merged council will be better placed to deliver these services and infrastructure in a coordinated manner. This proposal differs from the Minister's Proposal by including the Braidwood area so that all of the current Palerang area remains within the same Council area.

Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 74,000 residents by 2031. Like most regions across NSW, the Palerang and Queanbeyan Area will experience the impacts of an ageing population over the next 20 years (Figure 4). The new release areas will be focused in three locations, the 'new town' of Googong, South Jerrabomberra and the expansion of Bungendore.

A strong council with the appropriate scale and capacity is needed to respond and adapt to the changing service needs of the community particularly as these new release areas develop. An ageing population is likely to increase demand for community health services, creation and maintenance of accessible parks and leisure areas, and community outreach services.

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



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

In comparison with the rest of regional NSW, the communities across the existing Palerang and Queanbeyan City Council areas are relatively advantaged from a socio-economic standpoint. The Socio-Economic Index for Areas (SEIFA), illustrated in Figure 5, measures a range of factors to rate an individual council's relative socio-economic advantage. Each of the current Palerang and Queanbeyan City Council areas have socio-economic profiles with SEIFA scores that are well above both the NSW and regional NSW averages. This reflects the common characteristics across the Palerang and Queanbeyan communities in relation to, for example, household income, education, employment and occupation.

The current Palerang Council area has a large proportion of separate houses, consistent with the rural and suburban distribution of the population, while Queanbeyan has a large proportion of separate house dwelling types as well as 25 per cent medium density and approximately 10 per cent of high density dwellings. Given the expected population increase across the local government areas, a merged

council provides an opportunity to apply a more regional and strategic focus to planning for the additional households and associated amenities that are predicted to be required by 2031. This approach can also help to ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular neighbourhoods.

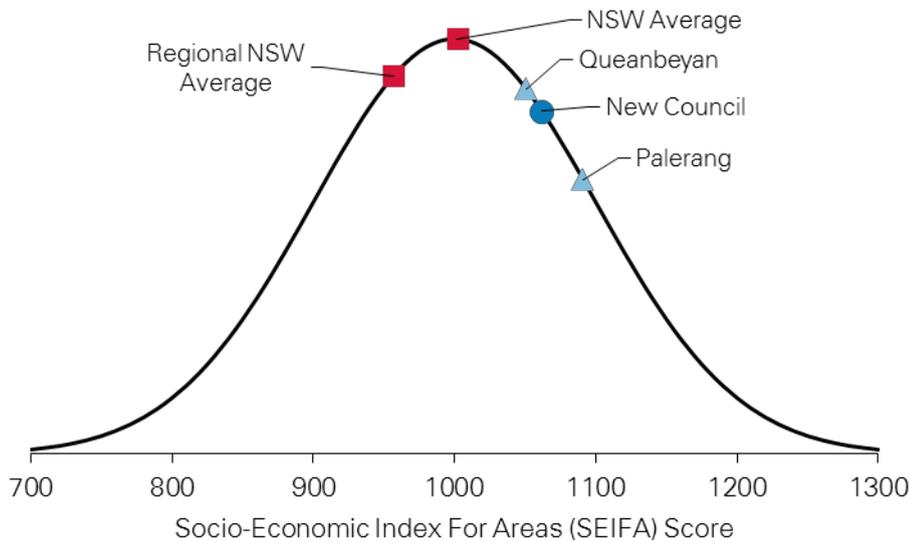


Figure 5: Comparison of councils' socio-economic profile

Source: Australian Bureau of Statistics, SEIFA 2011 by Local Government Area.

Shared Community Values and Interests

Box 2 below provides examples of community organisations, services and facilities that have a presence across the region, indicating the strong connections between the communities in the council areas.

Box 2: Examples of common community services and facilities

Shared regional services and facilities

Examples of community services which operate across the Area include

- the region is served by local radio stations based in Canberra, including 666 ABC;
- Queanbeyan Palerang library service operates across the Area, providing residents with easy access to books and in house library services;
- Palerang and Queanbeyan share a local community newspaper *The District Bulletin*, which is published in Palerang and distributed in Queanbeyan and Canberra. *The Queanbeyan Age* is also circulated to residents across the Area;
- the Southern Tablelands Arts regional network operates across the area and works at a strategic level to enhance the existing arts and cultural infrastructure in the area;
- the Queanbeyan Health Service provides hospital inpatient services to the Palerang and Queanbeyan local government areas, including resuscitation and paediatric bays and a mental health room, as well as medical and surgical services; and
- the Queanbeyan City Council Regional Arts Awards promotes artists and craftspeople from across the Queanbeyan and Palerang area while supporting the area's artistic networks.

Residents within the region identified within respective IPART submissions a strong preference for growth through environmentally sustainable practices. The Palerang/Queanbeyan region is already home to a growing renewable energy industry, including substantial investments in wind farms at Bungendore (Capital Wind Farm for example) and the approved solar farm at Bungendore. The proposed new council would possess sufficient scale and strategic capacity to leverage these existing links to either provide local support for the sector, or work with other levels of government to grow the industry in the area.

The Councils are members of the Canberra Region Joint Organisation (formerly South East Regional Organisation of Councils (SEROC)), now a partnership of 12 councils in the region plus the ACT Government. Examples of how these Councils have been working collaboratively in the past, including through SEROC, are outlined below:

- negotiations with the ACT Government over appropriate infrastructure for the regional growth of the area, including the economic growth of the region;
- as part of SEROC, both Councils are involved in the Regional Waste Strategic Plan, which seeks to facilitate a strategic approach to waste management and minimise waste through innovative waste stream management;
- SEROC facilitated a joint ePlanning Software project which provides Councils with an online system of assessing and tracking development applications. The initiative also aims to enable Councils to access information regarding development applications through a more efficient online process; and
- Palerang Council and Queanbeyan City Council are constituent members of the South East Australian Transport Strategy organisation, which advocates for better transport infrastructure across parts of NSW.

The Canberra Region Joint Organisation (CRBJO) works with stakeholders in the Canberra region to enhance and promote economic opportunities and competitive strengths. Additionally, the two Councils have also participated on the Canberra Airport Community Aviation Committee reflecting the importance of Canberra Airport to the region.

The connections between the Councils and communities are evident in these existing partnerships and collaborations. A new council will be better placed to deliver these services and projects into the future, without relying on voluntary collaboration.

CONCLUSION

This proposal to create a merged council, under the same methodology applied in the Minister's Proposal, has the potential to provide a range of benefits to local communities, including:

- a \$35.5 million total financial benefit over a 20 year period that may be used to deliver better community services, enhanced infrastructure and/or lower rates;
- NSW Government funding of \$15 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the redeployment of back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees all of which are expected, on average, to generate savings of around \$2.0 million every year from 2020 onward;
- greater capacity to effectively manage and reduce the infrastructure backlog across the two councils by maintaining and upgrading community assets;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community, including adopting a strategic, regional economic development plan that capitalises on the area's proximity to the ACT;
- building on the shared communities of interest and strong local identity across the area;
- providing effective representation through a council with the required scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

All of the above benefits will be achieved under this proposal, with a significantly more streamlined process that results in additional savings compared with the Minister's current proposals.

NEXT STEPS

Every community should have an opportunity to help shape a new council for their area.

Community Engagement

This merger proposal should be referred to the Chief Executive of the Office of Local Government for examination and report under the Local Government Act (1993). The Chief Executive has delegated the Minister's Proposal to a suitably qualified person. The delegate will consider this proposal as required under the Act, including against statutory criteria and hold a public inquiry. The delegate will also undertake public consultation to seek community views. The delegate is also required by the Act to provide the delegate's report to an independent Boundaries Commission for review and comment. The Minister for Local Government under the legislation may decide whether or not to recommend to the Governor that the merger proposal be implemented.

We request that this Proposal be delegated to the same delegate as the Minister's Proposal, so that the two proposals covering similar areas can be assessed simultaneously.

Through the merger assessment process, there should be opportunities for communities and stakeholders to consider merger proposals and have their say. Each merger proposal should be the subject of a public inquiry where the community can hear about and discuss the proposal. Through the consultation process, the delegate should ensure that the opinions of each of the diverse communities of the resulting area or areas will be effectively represented.