



**To the Delegate of the Chief Executive of the Office of Local Government, Mr Richard Pearson**

## **Blayney Shire Council**

**Submission to the Merger Proposal for Blayney Shire Council, Cabonne Council and Orange City Council**

**26 February 2016**

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## Executive Summary

Blayney Shire Council's preferred position has always been to stand alone.

The NSW Treasury independent financial assessment undertaken in June 2015, gave Blayney Shire a financial sustainability rating of moderate for its current status and positive for future outlook. In addition, Council met all of the financial sustainability ratios established by the Office of Local Government, including the all-important own source revenue ratio (which measures a council's ability to stand alone financially, without reliance on external funding sources such as government grants and contributions), which was higher than both Orange and Cabonne.

The Improvement Plan submitted by Blayney Shire Council in June 2015, demonstrated that Council will achieve all 7 Sustainability, Infrastructure and Service, Management and Efficiency financial performance benchmarks within the 5 year Action Plan. An analysis of the 2013/14 audited financial statements identified that Council met 4 out of the 7 financial performance benchmarks. As evidenced by Council's 2014/15 audited financial statements the organisation has met 5 benchmarks and in the 2015/16 Operational Plan Council will progress to achieving 6.

Clearly this demonstrates Blayney Shire Council would have a financially secure future remaining as an independent stand-alone council; its size belies its strategic capacity. Further, Blayney Shire Council has been a proven partner with both state and federal government agencies.

Regardless of its proven capabilities and despite achieving all of the financial sustainability criteria, an arbitrary 10,000 population benchmark rule was applied retrospectively to the Fit for the Future process to deny the organisation achievement of the 'scale and capacity' objective.

Council accepts that given the IPART 'Not Fit' assessment and consequent limiting of access to NSW Treasury financing facility, the alternative options for Blayney Shire needed serious consideration. Council assessed all the options and determined that strategically we would be prepared to consider joining a regional council if one were proposed, comprising of the existing LGAs of Blayney, Orange and Cabonne, but not one comprising Blayney and Orange alone or any other council. However, Council cannot underestimate the critical importance, in any such urban/rural merger, of careful and collaborative planning and implementation if it is to succeed, particularly given the fundamental differences between the 2 rural shires on the one hand and a city council on the other. As a result Council has concerns for the success of any potential merger.

However Council acknowledges the opportunities that a large regional council may offer. The challenge for the Government and community leaders is to realise these opportunities.



## Section 263(3) Criteria

### Financial advantages or disadvantages [s.263(3)(a)]

Council considers the published KPMG figures as per the merger proposal, which estimate \$29 million in net financial savings over 20 years, are both generic and not necessarily tailored to this proposal. Whilst there is significant public debate about the accuracy, with allegations that forecasts and assumptions made by KPMG are flawed, Council has decided that it would not undertake any further financial analysis.

Blayney Shire Council was assessed by IPART as meeting all financial sustainability criteria for Fit for the Future. Both Orange and Cabonne also met the IPART financial sustainability criteria. However all 3 were deemed 'Not Fit' because of scale and capacity.

Given that all 3 councils were assessed by IPART as meeting the financial sustainability criteria, it is simply common sense that in any long term financial planning process that a merged entity would also achieve a positive rating.

The financial savings, if any, in the medium to long term is not a driver for Blayney Shire. Blayney has been a pro-active member of the WBC Alliance and Centroc joint procurement projects for many years, therefore achieving economies of scale through resource sharing and collaboration with neighbouring councils.

In any council amalgamation the savings are questionable; particularly in rural and regional areas where employment protections quite rightly, are in place and the challenges of distance offset any rationalisation of service delivery and economies of scale achieved by the merger. Unlike private enterprise or state government agencies where mergers can see relocation of whole offices and outsourcing of services-: this is not the intent nor expectations for local government mergers.

The NSW Government recognises that local government is an integral part of many rural communities, providing local employment and delivering services and social benefits to sometimes very remote areas. The outcome of a merger should be to enhance local government and make it more viable.

Council views the funding on offer not a motivation for change. If the merger was to proceed the new entity will receive a Merger Implementation Grant of \$5 million to cover the integration of systems, branding, uniforms and other associated costs of the merger plus access to a Stronger Communities Fund (SCF) of \$15 million (based on \$5 million each for a 3 council merger) for community infrastructure projects. The injection of \$20 million into the Delivery Program for the new organisation will certainly generate significant value add to the region and provide local economic stimulus. Council is strongly recommending that the current councillors of the legacy LGAs are instrumental in determining the priority projects for the SCF grant if a merger were to occur.

Guidelines should be established to set some 'in principle' criteria to ensure that this funding is directed to community assets, asset infrastructure backlogs and fast tracking of locally identified projects.



The merged council would be deemed 'Fit' and therefore have access to the new NSW Treasury borrowing facility providing low interest loans for infrastructure projects.

There are some differences in debt per capita and net assets per capita between the LGAs as reported in 2015 YE Audited Financial Statements as shown in the table below.

Council	Borrowings \$'000	Debt Service Cover Ratio	Debt per Capita (\$)	Net Assets \$'000	Net Assets per Capita \$'000
Blayney Shire	\$2,349	10.65%	\$317.05	\$216,462	\$29.22
Cabonne	\$2,713	25.45%	\$196.94	\$564,638	\$41.32
Orange City	\$27,656	4.59%	\$667.52	\$1,067,437	\$25.77

[Source: Audited Financial Statements 30 June 2015 for each council]

The variation of % of each category and rating structures are significantly different between Cabonne, Blayney Shire and Orange City as demonstrated in the following tables. Rates harmonisation would require a long term and flexible approach to accommodate socio-economic factors, service levels and community expectations.

Blayney's significant mining rate income is unique, as is Cabonne's farmland and Orange City's residential focus. Both Orange and Blayney have base rates; Cabonne has minimum rates for some rating categories. There is a large variation in the farmland Ad Valorem rate between the 3 LGAs.

Rates and Other Charges Income YE2015 (\$'000)								
	Blayney		Cabonne		Orange		Combined	
<b>Ordinary</b>								
Residential	1,463	18%	2,645	29%	18,972	70%	23,080	52%
Farmland	1,871	24%	4,680	51%	656	2%	7,207	16%
Mining	2,400	30%	1,669	18%	-	0%	4,069	9%
Business	291	4%	218	2%	7,015	26%	7,524	17%
<b>Special Rates</b>								
Community Centre	275						275	
Town Improvement					611		611	
Mining SRV Rate	1,643						1,643	
<b>TOTAL</b>	<b>7,943</b>		<b>9,212</b>		<b>27,254</b>		<b>44,409</b>	

[Source: Audited Financial Statements 30 June 2015 for each council]



For Blayney, Council acknowledges that a larger diverse council is less reliant on the mining rate. A reduction in exposure to the commodity price cycle and the consequent risk of a reduction in the mining lease valuation and the ability to cope with economic and social disruption from job losses is a sensible objective for the current Blayney ratepayers.

<b>Detailed Rating Categories and Rates FY16</b>			
	<b>Ad Valorem</b>	<b>Base Rate</b>	<b>Minimum Rate</b>
<b>Residential</b>			
Blayney town	0.6385	325.00	
Millthorpe	0.5132	325.00	
Carcoar	0.5966	275.00	
Blayney villages	0.3502	275.00	
Canowindra	1.1684	-	550.00
Cabonne villages	0.4235	-	429.15
Orange City	0.6112	641.23	
Clifton Grove	0.4743	641.23	
Ammerdown	0.5306	641.23	
Rural Residential	0.3699	641.23	
Orange villages	0.4190	384.05	
<b>Farmland</b>			
Blayney	0.4156	400.00	
Cabonne	0.4213	-	429.15
Orange	0.1811	641.23	
<b>Mining</b>			
Blayney gold/copper	0.5816	1000.00	
Blayney other	0.5967	1000.00	
Cabonne	7.1327	-	429.15
<b>Business</b>			
Blayney town	1.0093	325.00	
Blayney other areas	0.7313	325.00	
Molong town	0.4235	-	429.15
Canowindra town	1.1684	-	550.00
Cabonne other areas	0.4235	-	429.15
Orange	1.2914	641.23	

[Source: Revenue Policy contained in current Operational Plan 2015/16 for each council]

Some potential benefits if a merger were to proceed is in the capacity of the new organisation to:

- interface with state and federal governments;
- leverage funding to attract state and federal support for major infrastructure projects;
- be an effective regional voice;
- provide opportunities for staff development/career progression; and
- respond to emergencies.



## Community of Interest and Geographic Cohesion [S.263(3)(B)]

Blayney is well located, geographically equidistant between the regional cities of Orange and Bathurst and has diverse communities of interest. Whilst some outlying areas may feel stronger 'connections' with large population centres other than Orange such as Eugowra (Forbes), Newbridge (Bathurst) and Canowindra (Cowra) a successful merger is dependent on these outlying areas being included. These villages should be engaged and supported as part of the merged entity. The real risk is that these communities would feel more remote or removed from the decision making process in a larger council.

Blayney Shire Council recognises that there are communities of interest within its current LGA that either favour or oppose a merger depending on which is the regional centre proposed to merge. Council cannot however ignore for the shire as a whole the terrific working relationship that we have already developed with Cabonne Council over the past 10 years of the WBC Alliance.

Council appreciates the existing linkages and work undertaken in our tourism promotion, strategic land use planning and economic development activities with both Cabonne and Orange.

The merger of Cabonne and Orange was the preferred option of the NSW Independent Local Government Review Panel (2013) which recommended the merger of Orange City and Cabonne Council and/or Blayney Shire.

Our ties with the city of Orange are economic and commercial (tourism, health, education, specialist retail) as opposed to personal or community ones (eg sporting) which are more regionally and evenly spread. The location of both the Orange Base Hospital and the Orange Airport on the Blayney side of the city makes these major regional facilities both accessible and therefore advantageous to Blayney Shire residents.

Workforce analysis also demonstrates the linkages between Orange and Blayney LGAs. The Orange/Blayney daily flow of to and from work is over double that of the Bathurst/Blayney commute.

Of the workforce that live in Blayney as their usual residence:

- 48.5% work in Blayney LGA
- 24.5% work in Orange City LGA
- 8.7% work in Bathurst Regional Council LGA and
- 6.6% work in Cabonne LGA.

Of the 2,411 jobs in Blayney:

- 60.8% of the workforce live in the Blayney LGA
- 21.8% live in Orange City LGA, and
- 9.4% live in Bathurst Regional Council LGA.

[Source: ABS, 2011 Census of Population and Housing/2015 Workforce Demographics Data]



In terms of migration flow there are significant relationships between Blayney and Cabonne with Orange and vice-versa. The flow between Blayney and Orange is close to equal each way and there was a small net migration from Orange to Cabonne as follows:

LGA of Current Residence Moved To	Source LGA	No Persons
Blayney	From Orange	216
Orange	From Blayney	213
Cabonne	From Orange	742
Orange	From Cabonne	695

[Source: ABS, 2011 Census of Population and Housing for the period 2006-2011]

### Historical and Traditional Values [s.263(3)(c)]

Blayney and Cabonne have a long standing relationship through the WBC Alliance which has realised significant economies of scale via regional procurement and shared contracts, joint projects and resource cooperation activities. Despite the distance, both Blayney and Cabonne have strong bonds between their towns and villages and promote their shires as a whole.

Blayney has focussed much of its energies in being the Village Shire in recent years, which has fostered the heritage values of our rural base. This branding has been well supported by the community who are being empowered to take charge of and promote their local identity.

Blayney and Cabonne have very similar demographics and economic base of agriculture and mining. Both councils are members of Mining Related Councils. Blayney Shire Council respects and understands the position held by Cabonne Council in regards to this merger proposal and the reasons for it.

Blayney's connections with both Cabonne and Orange are through local government membership and/or participation in the following organisations:

- Tourism Marketing campaigns (Orange Region Towns and Villages Brochure 2015)
- Central NSW Tourism RTO
- FOOD (Food Of Orange District)
- Taste Orange
- Arts Outwest
- Sustainable Collections - Museums
- Rural Fire Service (Canobolas Zone)
- Central West Libraries





### Attitude of Residents and Ratepayers [s.263(3)(d)]

As made apparent during the Public Inquiry process there is distrust and animosity in some sections of Blayney and Cabonne towards Orange City Council. No doubt there are many reasons for this, whether well founded or not. The inference has been that this merger will be a takeover by Orange City with claims that 'rates will dramatically increase', 'service levels will change without consultation', 'swimming pools will close', 'sporting facilities charges will be unacceptable for volunteer groups' and 'rural roads will deteriorate'. As a result, residents are generally sceptical that any new council can or would think regionally.

Highlighting the different set of interests between a city and that of a rural council is contributing to the negative sentiment towards the merger proposal. The mixed messages and lack of a resolution to the issues raised by residents and ratepayers are a major detractor to any constructive community discussion. It is clear that the community is very concerned about being involved in a larger LGA and losing their close connection with their smaller council.

### Elected Representation [s.263(3)(e)]

Both Blayney and Cabonne have a tradition of a non-political councillor body and council elected Mayors, whilst Orange City, having voted in a referendum in 2012, was about to move to a popularly elected Mayor in September 2016.

It has to be recognised that being a councillor representing 65,000 people will be a big job as a semi-professional occupation, requiring a significant investment in time and money by councillors to undertake their civic duties and responsibilities. An unintended consequence of having an LGA of this size and scale is the election process; which for some people will be simply unattainable to manage the costs incurred. This is a big concern for the community of Blayney whose Councillors have traditionally been all independent candidates.

As a council that has shown leadership in reducing numbers from 9 to 7 in 2008, Blayney Shire supports the need to keep councillors numbers low to have an effective group and minimise politics. A model could be a 9 member elected body with the Mayor to be elected by the councillor body. This is consistent with the objectives outlined in the proposed amendments to the Local Government Act (Phase 1).

A 9 member regional council however, runs contrary to the needs of residents to have access to a 'local' councillor. The people from Blayney Shire are concerned about representation and what the implications of a larger council would be for them. Blayney Councillors are very accessible, attending local community meetings and have a visible presence supporting local events and activities. This important connection could easily be lost in a larger LGA.

Rural councils have closer personal relationships with individual community members and groups. Arguably larger councils do not share these same connections.



### Ability to Provide Services and Facilities [s.263(3)(e1)]

Each council in general provides a level of services that is meeting community expectations. Notwithstanding the community support displayed for standing alone, there are individual genuine complaints and issues that each LGA has to address. Certainly a merger should not see a reduction of services.

As shown in each of the organisation's Fit for the Future Improvement Plans, there are programs scheduled to improve asset infrastructure renewal, measure community satisfaction, improve customer services and take advantage of regional projects. The proposed new Council's IP&R process will commence with a conversation with the community about levels of service, and for that to be achieved the costs of delivering those services and facilities need to be measured and comparable. At this stage, this comparative information is not shared nor aligned.

### Impact on Employment of Council Staff [s.263(3)(e2)]

Whilst the majority of the Council workforce live in Blayney, there are employees who travel from Orange, Bathurst and Cowra LGAs. There is only one senior staff member on contract as defined by the Local Government Act (1993) being the General Manager. The current General Manager of Blayney Shire commenced her 5 year contract of employment in November 2014.

It is critically important to recognise that staff in small communities add value to those towns and villages; as members of volunteer associations, sporting associations and parents of children attending local childcare services, preschools or schools. The provisions of the Local Government Award (2014) and Local Government Act (1993) regarding employee protections would apply to this merger, as would the additional rural centres protection for those staff employed in Blayney and Cabonne having town populations of less than 5,000.

There are some differences in conditions of employment that either pertain to the enterprise agreement for Orange City Council or arise from specific arrangements for both Cabonne and Blayney. The issue of a new organisational structure, combining the 3 salary systems, grading and position descriptions would be a matter for the consultative committee, the interim, then the new General Manager, senior staff and HR teams.

There is a significant business as usual workload that must continue for each LGA, as established in the respective 2016/17 Operational Plans and 2016/20 Delivery Programs.

### Impact on Rural Communities [s.263(3)(e3)]

The merger has the potential to have a very adverse impact on economic growth and employment in towns and villages and residents are very concerned for their future interaction with their 'local' council. Unless the new council can satisfactorily preserve the sense of community in villages the proposed merger will not succeed at a social level and there will be disconnect at the boundaries towards other centres.



Apart from Orange City and the 3 larger towns of populations over 1,000 (Blayney, Molong and Canowindra) there are 14 villages or hamlets of populations ranging from 200 – 750 in the surrounding rural area. These include;

- Millthorpe (inc Forest Reefs)
- Carcoar
- Mandurama
- Lyndhurst
- Neville
- Newbridge (inc Hobbys Yards, Kings Plains and Barry)
- Eugowra
- Manildra
- Cudal
- Cargo
- Yeoval
- Cumnock
- Lucknow
- Spring Hill

Blayney have adopted a 'think local, shop local' attitude in regards to engaging contractors and businesses for council purchasing and procurement. We have delivered Centroc WHS induction training for local tradespeople and are pro-active in facilitating the process to enable local suppliers to tender for council work. Whilst each village has similar concerns and issues there are unique features that residents are intensely proud of and wish to retain.

The retention of the 'local' factor for rural communities needs to be the first priority of the new council, should the merger proceed. Councillors and the council are often the only advocate or facilitator for rural people accessing or attaining funding, support and services from agencies other than local government. This important role of providing connections for people in rural areas should not be underestimated and must be preserved.

#### [Desirability of Wards \[s.263\(3\)\(e4\)\]](#)

The population concentration in the city of Orange with the contrasting small population pockets means that wards would not have any benefit for the rural areas or representation. Given the current demographics, there would be undifferentiated wards in the Orange City area and large rural areas with a 5:1 ratio for city to rural. Wards encourage local thinking which is not in the spirit or intent of the IP&R framework where Council needs to represent the LGA as a whole. As such, Council does not support a ward structure.

#### [Representation of Opinions of Diverse Communities \[s.263\(3\)\(e5\)\]](#)

This factor raises similar issues as discussed in elected representation, attitude of residents and rate payers, and impact on rural communities. The importance of the new council establishing a governance model that empowers the Towns and Village Associations cannot be overstated.

Interaction and communication with non-English Speaking Background or local Aboriginal groups, socially disadvantaged and people with disabilities is more challenging in larger and more remote areas where public transport is limited. It is critical that villages are empowered to assist with socially diverse activities and support is given to groups via the IP&R framework.



## Other Factors [s.263(3)(f)]

### Council Name

The name for any new local government area must be of strong symbolic importance, reflect the role of local government to deliver services to the community, and be in sync with the organisation's goals and objectives to represent and advocate for the region.

The name should clearly identify what the organisation is; *i.e.* a 'Regional Council' and where it is located within NSW or that it features geographically, *e.g.* Central Tablelands or Central West Regional Council.

The visitor economy is oblivious to and not influenced by local government boundaries.

The name of the local government entity must not be confused with the regional tourism product. The easy option of naming it 'Orange Regional Council' would jeopardise the significant and successful branding work undertaken by Orange City Council to promote Orange as the Colour City, FOOD (Food of the Orange District) and Taste Orange. Also this would undermine and devalue the 'Australia's Food basket' brand of Cabonne and the 'villages and heritage' brand of the Blayney district. In addition, the connotations of an Orange 'takeover' would be a serious backward step and devalue any goodwill for a merger of three equal partners. The importance of a council name cannot be underestimated.

The proposed area is wholly within the Aboriginal tribal area known as Wiradjuri country and if a significant geological feature of the region was selected then it would be Mount Canobolas. Canobolas is derived from the Wiradjuri words 'Gaahna Bulla' for the area meaning 'two shoulders', in reference to the two main peaks of Old Man Canobolas and Young Man Canobolas.

Canobolas Regional Council is then worthy of consideration.

### Interim Council or Administrator?

If this merger proposal proceeds, the proclamation will need to deal with the interim governance arrangements between the date the new council is proclaimed to commence and the declaration of the results of first election of councillors.

The governance structure adopted during this period of transition must address the very real community concerns previously noted about lack of representation and the perception that the proposed merger is a 'takeover' by the larger city council. Council strongly advocates for an interim council model and the interim council should comprise of 9 members. The composition of the interim council should be of equal representation from all three existing councils.



## Role of existing Councillors

Should the merger proceed, and during the period of transition, it is recommended that the current section 355 committees of each LGA should continue. There is no basis for the existing councillors of 3 financially sound councils to be, in effect, dismissed on mass and a continuing role for all existing councillors until the next council elections is a commitment given by the government.

In the Blayney, Cabonne and Orange councils there is a total of 30 serving councillors. If 9 councillors form the interim council, the other 21 current councillors should remain as chairs or members of the various Council Committees. Further, to maintain stability, the current council delegates to County Councils should continue in that role to ensure continuity of leadership until the next elections. In the case of Blayney this includes Central Tablelands Water and Upper Macquarie County Council.

## Conclusion

Should the NSW Government create a new LGA for the region, Blayney Shire Council would expect an opportunity to help shape the future of the new council. Council has given consideration of the key success factors critical to underpin the creation of the proposed merged council for the region.

Notwithstanding the position of Blayney Shire Council to its stand-alone preference, the following fundamental principles are vitally important:

- No amalgamation without all three former LGAs;
- A three way partnership approach to planning and implementing the new council with equal council representation;
- A new culture, separate and distinct from that of the former councils;
- A councillor body of manageable size that is focussed on creating a powerful new council, building on existing strengths and avoiding pitfalls;
- A role for existing councillors in an advisory capacity to help the integration process prior to the first elections;
- The current councillors to determine priorities for the allocation of the Stronger Communities Funds on community infrastructure projects within their LGA
- A role for all existing staff during the planning phase which draws on their skills and experience to the maximum benefit of the new council; and
- A structure that devolves autonomy to local town and village communities, free from unnecessary central interference.

