Jerilderie - Murrumbidgee

Merger Business Case – Final Draft

Jerilderie Shire and Murrumbidgee Shire Councils

June 2015

Independent insight.

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Introduction

All councils in NSW are required to demonstrate how they plan to become Fit for the Future by completing submission templates provided by the Office of Local Government (OLG).

In its final report the ILGRP recommends both Murrumbidgee and Jerilderie Shire Councils merge with nearby Griffith and Berrigan Shire Councils respectively, or to form a rural council. After earlier consultation with these respective councils, Murrumbidgee (MSC) and Jerilderie (JSC) decided to investigate a potential merger between the two councils.

SGS was commissioned by JSC and MSC to prepare a high level business case to demonstrate the likely merits of a merger in terms of strategic capacity, financial and non-financial impacts and risks.

Scale and Capacity

A strategic appraisal was undertaken with the management teams of MSC and JSC to assess how a merger would improve the strategic capacity of both councils. In this context, strategic capacity refers to the following characteristics identified by the ILGRP:

1. More robust revenue base and increased discretionary spending
2. Scope to undertake new functions and major projects
3. Ability to employ wider range of skilled staff
4. Knowledge, creativity and innovation
5. Advanced skills in strategic planning and policy development
6. Effective regional collaboration
7. Credibility for more effective advocacy
8. Capable partner for State and Federal agencies
9. Resources to cope with complex and unexpected change
10. High quality political and managerial leadership.

The Local Government Act 1993, Section 218 CA[1] requires the merged entity to maintain staff numbers post-merger with the level of the two councils pre-merger. Merger savings may therefore be used to build capacity and broaden scope in priority areas.

The strategic capacity of the merged entity will be enhanced through:

- **Specialisation in asset maintenance functions & increased entrepreneurship**. The merged entity will increase its own source revenue by increased contract work for state and local government, and private businesses. This will create a more robust revenue base, enable new functions and projects, a wider range of skilled staff, organisational innovation and improved partnership capability with the State. Functional specialisation and enhanced entrepreneurship are also expected to contribute to improved leadership.

[1] (2) The transferee council must ensure that the number of regular staff of the council employed at the rural centre is, as far as is reasonably practicable, maintained at not less than the same level of regular staff as were employed by the previous council at the centre immediately before the amalgamation or alteration of boundaries took effect

- **Improved utilisation of plant and equipment**. Improved utilisation rates will enhance service delivery to the community and enable a more robust revenue base and increased discretionary spending.

- **Functional specialisation**. The merged entity aims to develop capacity in the areas of economic development, tourism and planning which will enable new functions and projects, a wider range of skilled staff, and build knowledge and strategic planning capabilities.

- **Communication and information sharing**. State of the art communication IT systems will enable the merged entity to work effectively across locations, and may also support more effective external collaboration.

Key priorities and challenges

The analysis of community strategic plans and council organisational structures shows that there are many commonalities in council priorities and challenges. The two councils are also of a similar organisational size, already share resources and appear to work collaboratively.

Nonetheless, the two municipalities differ significantly in terms of community age structures and socio-economic advantage levels, which are likely to drive different community service needs. Moreover, the two municipalities are oriented towards different regional centres (Jerilderie to Albury; Murrumbidgee to Griffith) and appear to have relatively limited economic linkages between them.

The merged entity will have an improved strategic capacity to address the community priorities and challenges. The merged entity is also expected to generate efficiency gains, which will enable it to focus resources towards increasing own source revenue (through fee for service delivery), establishing or growing strategic functions (such as economic development, tourism and planning), and addressing currently unmet community needs.

Certainly the merged entity will not be able to address all the priorities at once, since the absolute scale of the new entity is still limited, representing a small population of ~3,800 people.

The councils expressed the view that the merger of two smaller councils will enable a continued focus on and representation of local needs, something that may be lost if either of the two were to merge with larger councils (Griffith and Berrigan). Nonetheless, the merger with a larger council may make available more resources to address key priorities, depending on where the overall priorities of such a larger merged entity lie.

Financial appraisal

SGS has independently projected the potential for financial savings generated by a merger of MSC and JSC. This has been done using 3 different modelling scenarios:

- **Scenario 1: Efficiency model:** This approach assumes both MSC and JSC adopt some of Murrumbidgee's systems and processes. A key exception is in regard to transport and communication, where based on consultation with both management teams, an alternative and agreed cost per KM assumption was made that would result in improved asset maintenance outcomes.

- **Scenario 2: Average efficiency (economies of scale) model**: This approach is statistical and uses a multi-variable regression model that examines the relationship between total per capita expenditure and population (controlling for road assets, which represents geographic dispersion and regional variations) for councils. Service cost savings are then derived by comparing predicted aggregate expenditure prior to merging with the predicted aggregate expenditure post amalgamation. Scenario 2 reflects the average efficiencies that may be achieved through amalgamation and reflects the potential efficiencies relating to a larger council. The impact of both scale (population), which increases scale economies, and geographic dispersion, which reduces scale economies, are jointly examined.

- **Scenario 3: Legislative framework model:** This approach estimates financial savings from the proposed merger taking into account factors that should be considered when contemplating boundary changes, as per Section 263 (3) and Section 218 CA of the Local Government Act 1993. Accordingly, SGS has made specific assumptions about executive level redundancies, natural attrition rates of non-executive staff (GM only), and efficiencies on material and contracts.

The table below summarises the results generated.

COMPARISON OF SCENARIOS

Scenario	NPV of estimated savings over 10 years ('000)
Scenario 1 - lead council model: savings	$3,503
Scenario 1 - lead council: share of base case (standalone entities)	2.4%
Scenario 2 - average efficiency: savings	$3,429
Scenario 2 - average efficiency: share of base case (standalone entities)	2.4%
Scenario 3 - legislative framework scenario: savings	$2,998
Scenario 3 - legislative framework scenario: share of base case (standalone entities)	2.1%

The financial modelling undertaken is at a broad level and is not based on a detailed service review which would be required prior to and to inform decision making and a possible merger process
Source: SGS, 2015.
Note that all estimates (and growth rates) exclude depreciation.

The financial modelling indicates that efficiency savings might be generated by the merger of MSC and JSC. The degree to which these savings arise will depend on the constraints that are ultimately applied during the amalgamation process.

When relevant sections of the Local Government Act (1993) are respected, the forecast efficiency savings still appear to be material; between 2.1% and 2.4% compared to the base case of two standalone councils (taking all caveats into account).

The financial modelling of expenditures does not consider how the merged entity may grow fee for service delivery revenues, increase own source revenue or improve the debt servicing ratio (i.e. the income side).

Due diligence

The financial modelling undertaken indicates that material savings could potentially be generated by the amalgamation of MSC and JSC. However, numerous assumptions were invoked and therefore pose risks. These and other risks associated with the merger option are the:

- Scale and scope of the merger and transition costs.
- Potential clash of organisational cultures, especially during the initial transition period which might require staff relocation.
- Degree to which projected financial savings are pursued/ implemented by the new entity.

- Global assumptions do not hold true and therefore the performance against the OLG financial benchmarks does not improve. For instance, the merged entity will need to successfully develop its ability to compete for contracts, to change its employment structure (not levels) and to attract skilled staff to enable increased specialisation and entrepreneurship.
- Community expectations for improved service delivery may rise beyond merger savings and may be unmatched by a willingness to fund these services through increased rates and/ or user charges.
- Salary equalisation arrangements that would ultimately be required by the new entity.
- Service equalisation arrangements across the merged entity, which may unwittingly cause service delivery improvement expectations.
- The impact on rate payers, particularly on MSC non-farmland and JSC farmland, which the initial modelling indicates may result in material rates changes.
- Local representation. The merged entity would consist of two councils of similar size, and the existing ward system would likely be continued at least for some time. Differences in needs for support and services may result in 'competition' for resources between communities.
- The existence of possible 'legacy issues' where a merging council may feel they are 'subsidising' or 'diverting resources' to address issues its counterpart.

Benefits and Costs of a Merger

The **benefits** of the merger are expected to be:

- The financial modelling indicates the merger will generate efficiency savings of between 2.1% and 2.4%, if the efficiencies were to be spent on reducing expenditure levels.

- The councils indicate the efficiency gains (2.1% to 2.4%) are intended to be used to address a number of key priorities and challenges, including:

    - Increasing own source revenues by expanding fee for service delivery in areas such as road maintenance, building maintenance and works on private land (such as irrigation infrastructure). This in turn may also free up additional discretionary spending options in line with key priorities and challenges.
    - Common community needs and expectations in areas like sport and recreation, street sweeping, aged and community care services and heritage conservation.
    - Enhancing the merged entity's strategic capacity in areas like economic development, tourism and planning.
    - Enabling of functional specialisation and the attraction and retention of well qualified staff.
    - Improvement of administrative and communications systems.

  As a result, the merged entity will be able to achieve enhanced strategic capacity including an improved capacity to generate own source revenue.

- The merged entity will bring together two municipalities of similar size in terms of population. Local representation will be protected more than under the alternative of merging with a significantly larger council. The existing Murrumbidgee ward system would likely be extended to include Jerilderie and would safeguard local representation.

The **costs** of the merger are expected to be:

- The costs of the merger and transition into the new organisation.

- The scale of the merged entity with a population base of ~3,800 residents is still small. The increase in strategic capacity is therefore limited. Also, the merged entity is unlikely to be able to address all key priorities and challenges at once.

- While local representation would be fairly well safeguarded under the merged entity, the councils did express a concern in regards to competition for resources between the communities within the merged municipal area. This may be driven by the differences in the socio-economic composition and advantage levels, and consequent community servicing needs.

- There may be differences in workforce cultures between the two councils. If not managed well, cultural clashes may result in increased transition costs, higher staff turnover rates and lower workplace satisfaction.

- Depending on the equalisation scheme adopted, rates could be impacted considerably for some property categories.

1 INTRODUCTION

1.1 Project context

Local Government Review

The Independent Local Government Review Panel (ILGRP) released a final report titled "Revitalising Local Government" in October 2013. This report identified a reshaping of governance arrangements and consolidation of local government in New South Wales.

The objective for local government reform is to create strategic and "Fit for the Future" councils. That is, councils that:

- Are financially sustainable and efficient
- Have the capacity to effectively manage infrastructure and deliver services
- Have the scale, resources and 'strategic capacity' to govern effectively and partner with the State
- Have the capacity to reduce red tape and bureaucracy for business, and
- Are of a scale and structure that is broadly in line with the Panel's recommendations.

In September 2014, the State Government announced a Fit for the Future package of local government reforms, which responds to the recommendations of the ILGRP. The Fit for the Future package is primarily a funding scheme designed to incentivise local governments, by encouraging them to develop the scale and capacity the Government believes necessary to enable them to provide quality services and infrastructure into the future.

To that end the Government has provided a blueprint that outlines how it will assist in the reform of local government. Key elements included in the blueprint that are relevant are set out below:

- $258m to help councils that have decided to merge to make the transition
- $13m to support local transition committees and ensure elected representatives are involved in the merger process
- $5.3m to get new regional Joint Organisations up and running, and
- Up to $600m potential savings from cheaper finance for Fit for Future councils to invest in local infrastructure.

In addition the Government is providing access to expert assistance, access to the Office of Local Government (OLG) One Stop Shop for local government reform, facilitators and technical support.

Fit for the Future Criteria

To become Fit for the Future, councils must perform a self-assessment of their financial management, service delivery and scale of operations, and submit a proposal on how they plan to become Fit for the Future by June 2015, using the self-assessment tool, templates and guidance provided by OLG.

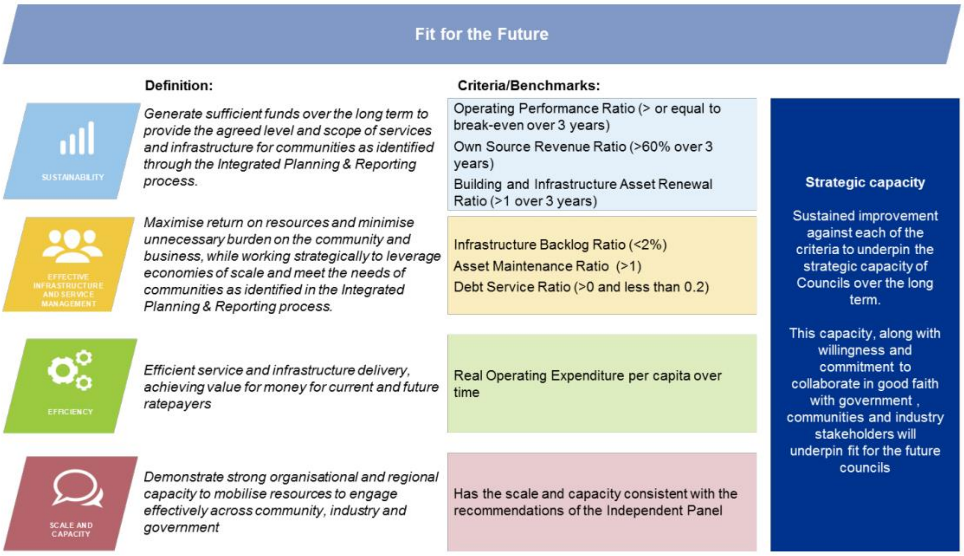
Submissions will be assessed by the Independent Expert Panel on the basis of criteria and benchmarks developed by the OLG. The Independent Expert Panel will make recommendations to the Minister for

Local Government in December 2015. Councils will then begin to implement their approved roadmaps in March 2016, with support to ensure any new arrangements are in place by the next local government elections.

The four criteria that will be used to assess whether a council is fit for the future are: sustainability; effective infrastructure and service management; efficiency; and scale and capacity.

Figure 1 defines these criteria and identifies the benchmarks proposed by OLG for assessing performance against these criteria. It also shows how sustained improvement in the fit for the future criteria will lead to improved strategic capacity.

FIGURE 1. FIT FOR FUTURE – CRITERIA AND BENCHMARKS



Source: NSW Government

Both Murrumbidgee and Jerilderie completed a self-assessment against the FFTF benchmarks identified by OLG, using current financial data. The results are shown in Figure 2 and Figure 3.

Based on this assessment, both councils meet two out of the seven benchmarks only. Murrumbidgee scored strong on asset renewal ratios as well as a decreasing real operating expenditure per capita over time. Jerilderie has a sustainable asset maintenance ratio and debt servicing ratio.

FIGURE 2 FFTF ASSESSMENT OF MURRUMBIDGEE'S CURRENT PERFORMANCE

BENCHMARK	**RESULT**	**MEETS FFTF BENCHMARK**
Operating Performance Ratio (greater or equal to break-even average over 3 years)	-0.072	NO
Own Source Revenue Ratio (greater than 60% average over 3 years)	38.87%	NO
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	195.57%	YES
Infrastructure Backlog Ratio (less than 2%)	3.11%	NO
Asset Maintenance Ratio (greater than 100% average over 3 years)	87.16%	NO
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)	0.00%	NO
A decrease in Real Operating Expenditure per capita over time	Decreasing	YES

Source: MSC, 2015

FIGURE 3 FFTF ASSESSMENT OF JERILDERIE'S CURRENT PERFORMANCE

BENCHMARK	RESULT	MEETS FFTF BENCHMARK	
Operating Performance Ratio (greater or equal to break-even average over 3 years)	-0.178	NO	✗
Own Source Revenue Ratio (greater than 60% average over 3 years)	46.07%	NO	✗
Building and Infrastructure Asset Renewal Ratio (greater than 100% average over 3 years)	84.41%	NO	✗
Infrastructure Backlog Ratio (less than 2%)	2.81%	NO	✗
Asset Maintenance Ratio (greater than 100% average over 3 years)	110.78%	YES	✓
Debt Service Ratio (greater than 0 and less than or equal to 20% average over 3 years)	2.59%	YES	✓
A decrease in Real Operating Expenditure per capita over time	Increasing	NO	✗

Source: JSC, 2015

Scale and Capacity

The OLG argues that scale is a key component of strategic capacity – both in creating individual councils with the resources and skills to provide leadership on regional planning and to advocate on behalf of communities by creating a system of local government where state and local government partner effectively.

A council with appropriate scale and capacity can

- Save money on bureaucracy and administration, freeing up funds for front line services and community facilities
- Contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary, and
- Credibly influence different levels of government and industry.

ILGRP Options for Jerilderie / Murrumbidgee

In its final report (October 2013), the ILGRP proposed the following merger and boundary change options for Jerilderie and Murrumbidgee Shire Councils:

- Jerilderie Shire Council: Merge with Berrigan Shire Council or establish a Rural Council as part of the Mid Murray Joint Organisation.
- Murrumbidgee Shire Council: Merge with Griffith or a Rural Council in Murrumbidgee JO (which is also earmarked as an option for Carrathool, Hay, Griffith, Narrandera and Leeton)

These recommendations were made after drawing from the ILGRP's criteria for determining future local government boundaries.

1.2 Project Scope and Objectives

The RFQ stipulates that the business case will:

- Provide a high level strategic and economic appraisal of the proposed merger

- Address the issue of scale and capacity for the councils in question, and consider how the proposed merged entity could become fit for the future over time

- Ensure the proposed merger option has regard to the factors set out in Section 263 of the Local Government Act 1993

- Include a high-level due diligence assessment of any risks or concerns identified by the councils which they require to be addressed to allow consideration of the merger option to be undertaken.

- Contain a sufficient level of information to enable the councils to complete the Council Merger Proposal - Template 1.

The project approach delivers the following main elements:

1. Strategic appraisal of the merged entity and how it would deliver 'strategic capacity' (or scale & capacity). A workshop with the management teams of both councils informed elements of this appraisal. Strategic capacity refers to the following characteristics, which were identified by the Panel:

   - More robust revenue base and increased discretionary spending
   - Scope to undertake new functions and major projects
   - Ability to employ wider range of skilled staff
   - Knowledge, creativity and innovation
   - Advanced skills in strategic planning and policy development
   - Effective regional collaboration
   - Credibility for more effective advocacy
   - Capable partner for State and Federal agencies
   - Resources to cope with complex and unexpected change
   - High quality political and managerial leadership.

2. Appraisal of the functional similarities and linkages between the two communities and councils, and how these align with the Independent Panels' criteria for local government boundary changes.

3. Assessment of the financial implications, wider benefits and costs, and risks of the merger

SGS also considered the conditions in Section 263 of the Local Government Act 1993 in analysing the merits of the merger.

2 SCALE & CAPACITY

2.1 Approach

This section considers how a merged entity would deliver strategic capacity, or scale and capacity. A workshop with the management teams of both councils informed elements of this appraisal. Strategic capacity refers to the following characteristics, which were identified by the ILGRP:

1. More robust revenue base and increased discretionary spending
2. Scope to undertake new functions and major projects
3. Ability to employ wider range of skilled staff
4. Knowledge, creativity and innovation
5. Advanced skills in strategic planning and policy development
6. Effective regional collaboration
7. Credibility for more effective advocacy
8. Capable partner for State and Federal agencies
9. Resources to cope with complex and unexpected change
10. High quality political and managerial leadership.

The Jerilderie and Murrumbidgee merger is expected to enhance the strategic capacity of the two councils in a number of ways. The contributions to the strategic capacity are categorised in line with the characteristics identified by the ILGRP.

Prior to this assessment, it is important to refer to the Local Government Act 1993, specifically Section 218 CA[2] which requires the merged entity to maintain the staff numbers post-merger at the level of the two councils pre-merger. The management teams indicated the merger *could* result in significant savings in staff in certain functional areas by avoiding duplication and enhancing efficiencies. The application of the LGA Act means the efficiency savings enable the merged entity to broaden its scope in areas that generate additional revenue and other areas, as is explained in this section.

2.2 Strategic capacity

Specialisation in road/ asset maintenance

An important area for building strategic capacity is in road maintenance services. As a merged entity the councils will become more capable of targeting RMS State highway maintenance contracts, both within their own boundaries and as to the wider region on a for fee service basis. The increased capability will flow from the collective technical skills and complementary fleet of plant and equipment. By building this capacity the merged entity will become a more capable partner for the State in delivering these services.

Another example is in regards to the provision of building maintenance services to nearby councils and other customers, who currently pay high rates for these services given their regional location.

[2] (2) The transferee council must ensure that the number of regular staff of the council employed at the rural centre is, as far as is reasonably practicable, maintained at not less than the same level of regular staff as were employed by the previous council at the centre immediately before the amalgamation or alteration of boundaries took effect

Improved utilisation of plant and equipment

The two councils have a number of significant equipment items that are not fully utilised. This is especially true for road maintenance machines, graders, garbage collection trucks and street sweepers.

As a merged entity, savings could accrue from removing duplication in under-utilised equipment, which also increasing utilisation rates. Savings may be used to acquire other equipment, enhance service delivery and/or substitute other services that were previously outsourced. A concrete example is the anticipated improvement in the frequency of street sweeping and garbage collection.

Alternatively, spare capacity could be used to deliver fee based services, as mentioned earlier.

Improved entrepreneurship

The merged entity would have an increased capacity to deliver services to the private sector. Both councils already deliver services on a fee for service basis, e.g. building and maintaining irrigation infrastructure on private properties. The merged entity has the capacity to enhance its in-house expertise to operate as a business, engage in tender processes and deliver services to the private sector.

There are numerous contracts that are tendered each year which the councils do not respond to because of the lack of time or resources, and the desire not to compete with local businesses. However, the merged entity could offer real value for money here, particularly where there are few local private operators (competitors).

Increasingly, operating in a business-like manner may also enhance the merged entity's capacity to apply these processes and services throughout the organisation, enabling organisational innovation.

Functional specialisation

The additional scale generated by the merger will enable different functions to move from being either 'un-provided', 'implicit' and/ or 'distributed' tasks across council staff members into explicit role requirements and functions. It will therefore enable a more dedicated focus on tasks and the development of in-house expertise in delivering these tasks. Teams would become better structured.

For example, the councils could collectively fund a full time economic/ tourism development officer and planning officer. Another example is that environmental reporting could become the dedicated responsibility of one staff member.

The merged entity will also be able to build managerial capacity, e.g. in the engineering area (water and sewage). The merged team could be structured in a better manner, e.g. where there is a single manager supervising three to four others, rather than multiple managers which is currently the case.

Communication and information sharing

The merged entity would likely adopt state-of-the-art administrative and communications systems. This will be required to ensure the entity operates effectively across multiple locations throughout the merged municipal area. This will improve overall communication, administrative processes and project/service delivery practices.

Being a remote council, these internal innovations will likely also contribute to external communications, and enhance regional collaboration.

TABLE 1 MERGER CIONTRIBUTIONS TO STRATEGIC CAPACITY

	Specialisation in road & asset maintenance	Improved P&E utilisation	Enhanced entre-preneurship	Functional specialisation	IT & communications
1. More robust revenue base and increased discretionary spending	√	√	√		
2. Scope to undertake new functions and major projects	√	√	√	√	
3. Ability to employ wider range of skilled staff	√		√	√	
4. Knowledge, creativity and innovation	√		√	√	√
5. Advanced skills in strategic planning and policy development				√	
6. Effective regional collaboration					√
7. Credibility for more effective advocacy				√	
8. Capable partner for State and Federal agencies	√			√	
9. Resources to cope with complex and unexpected change					
10. High quality political and managerial leadership.			√	√	

Both councils agree that regional collaboration is already strong, especially through RAMROC and through existing arrangements for service sharing (food inspections and street sweeping) and the collaborative regional library.

Some of the concerns the councils hold in relation to a merger and that may affect the abovementioned contributions to strategic capacity are:

- Possible cultural differences between to two council workforces
- Possible staff turnover as a result of changes, such as staff relocations
- Communities within the merged entity may increasingly compete for resources
- Distances to travel for council staff and related travel times and costs for meetings or service delivery.

3 KEY PRIORITIES & CHALLENGES

3.1 Functional region analysis

The ILGRP has identified the following criteria for determining local government boundaries (Figure 4).

FIGURE 4. CRITERIA FOR DETERMINING FUTURE LOCAL GOVERNMENT BOUNDARIES

Sustainability and Strategic Capacity
Councils need a strong base to ensure their long-term sustainability; to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented councillor candidates; to attract skilled staff; and to develop strategic capacity in governance, advocacy, planning, and management.

Efficiency and Effectiveness
Councils should be able to operate efficiently and effectively within the limits imposed by their location, geography and the characteristics of the communities they serve. They should be able to provide 'value for money' to their ratepayers and external funding agencies.

Integrated Planning
LGA boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; they should facilitate integrated planning, coordinated service delivery, and regional development.

Local Identity and Sense of Place
Consistent with the need for integrated planning, boundaries should reflect a sense of identity and place, including important historical and traditional values. (However, other mechanisms available to maintain local identity should be taken into account.)

Population Growth
The boundaries of a local government area (LGA) should be able to accommodate projected population growth generated by the LGA over at least the next 25 years.

Accessibility
As a general rule, it should be possible to drive to the boundaries of a LGA from a main administration centre within 60-90 minutes in country areas, and within 30 to 45 minutes in metropolitan areas.

Strong Centre
Each LGA should have a substantial population centre that can provide higher order commercial, administrative, education, health and other services.

Key Infrastructure
As far as possible, key transport infrastructure such as airports and ports, and those nearby urban and regional centres that are principal destination points, should be within the same LGA.

Combining Existing Municipalities
Wherever practicable, amalgamations should combine the whole of two or more existing LGAs without the additional cost and disruption of associated boundary adjustments.

Source: ILGRP, October 2013.

Functional linkages are important indicators for determining local government boundaries and identifying functional regions. The following section explores the functional linkages between Jerilderie and Murrumbidgee.

Jerilderie Shire Council and Murrumbidgee Shire Council are adjacent to each other. Murrumbidgee Shire is located along the Murrumbidgee River. Jerilderie is to the south of Murrumbidgee.

Jerilderie has a total population of 1,496 people, with just over half of residents living in Jerilderie township. Murrumbidgee has a population of 2,261 dispersed over the two urban centres of Coleambally and Darlington Point.

TABLE 2 POPULATION BY TOWN AND RURAL BALANCE, 2011

	Resident Population
Jerilderie township	775
Remainder Jerilderie	721
Jerilderie total	**1,496**
Coleambally	632
Darlington Point	1,016
Remainder Murrumbidgee	613
Murrumbidgee total	**2,261**

Source: ABS Census 2011

Travel time/accessibility

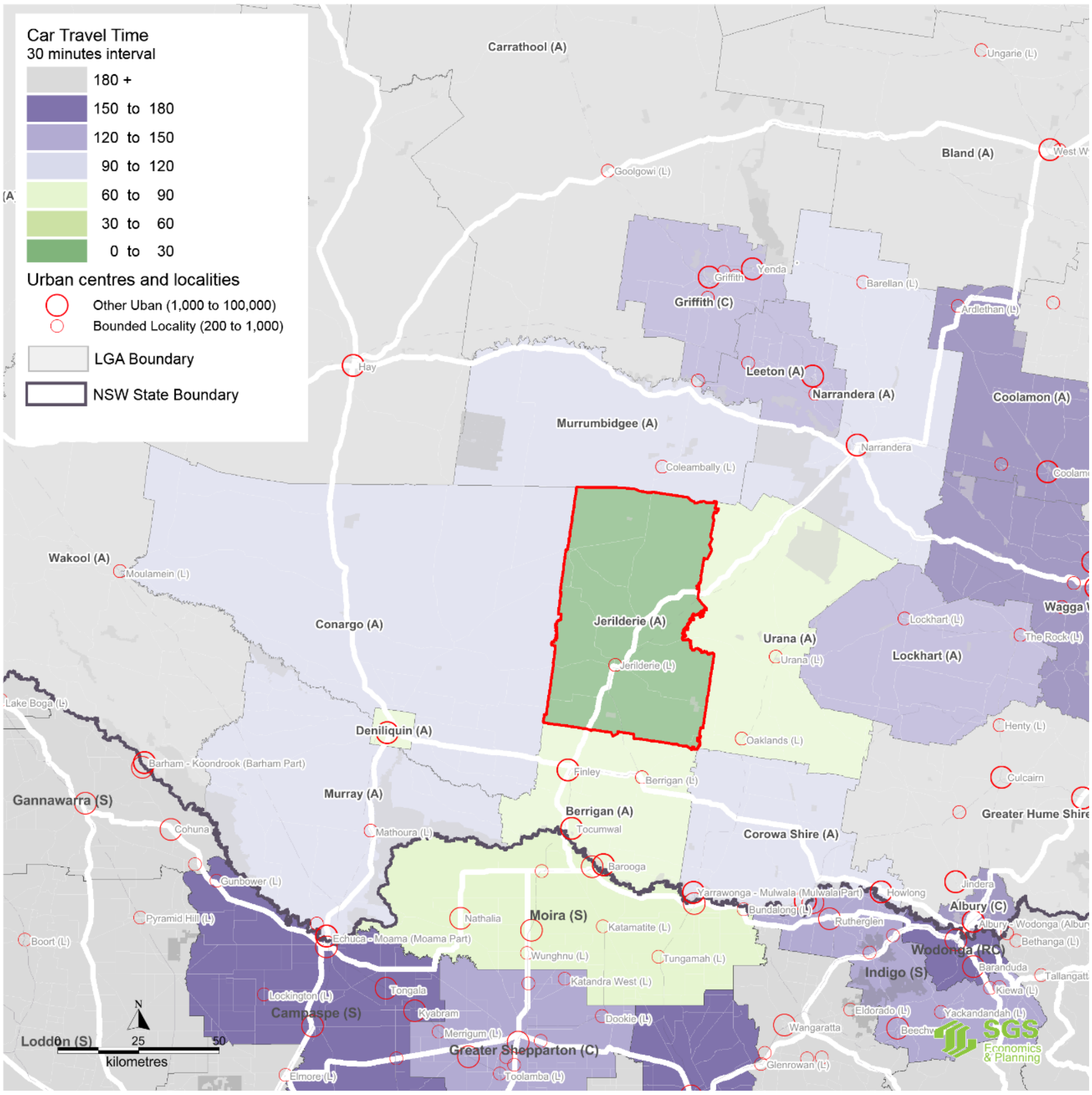
Travel times determine to what extent areas are reasonably accessible for work, training, recreation and other services. Jerilderie is 330km or 3.5 hours drive north from Melbourne and 620km or 6.5 hours' drive south west of Sydney.

The following maps (Figure 5 and Figure 6) depict the average travel times from the key residential centres in Jerilderie and Murrumbidgee.

Within Jerilderie and Murrumbidgee, travel times are mostly within 30 minutes when travelling from the main town. Berrigan, Moira (Vic) and Urana are within a 90 minute drive of Jerilderie. For Murrumbidgee, Griffith and Leeton are within a 90 minute drive.

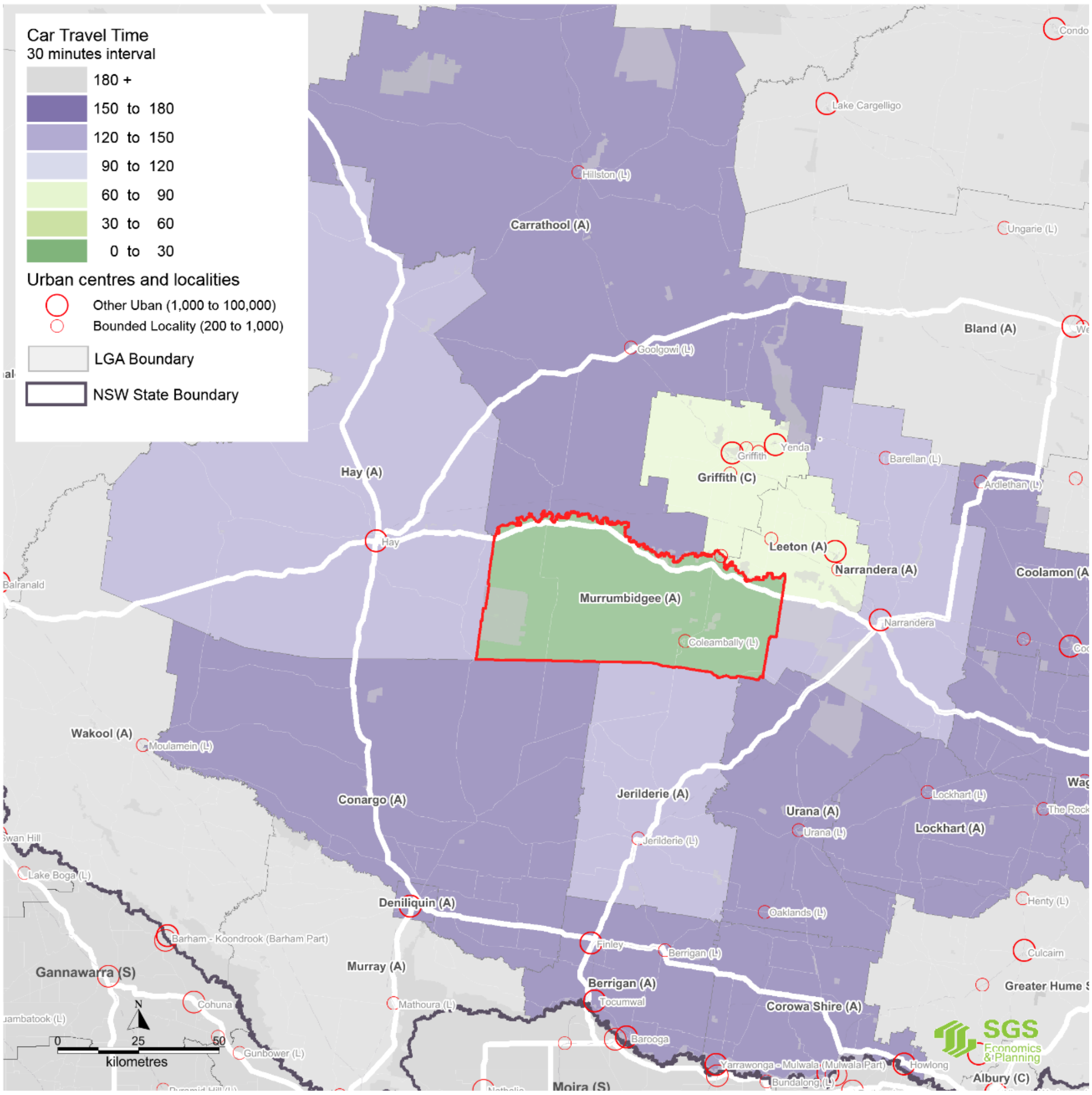
Albury – the major regional centre for Jerilderie- is 2 – 2.5 hours' drive from Jerilderie, while it is more than 3 hours from Murrumbidgee. Griffith, as a major regional centre for Murrumbidgee, is within 90 minutes travel time for Murrumbidgee, while it is a 2.5 hour drive from Jerilderie.

FIGURE 5. TRAVEL TIMES FOR JERILDERIE



Source: SGS Economics and Planning, 2015

FIGURE 6. TRAVEL TIMES FOR MURRUMBIDGEE



Source: SGS Economics and Planning, 2015

The following maps (Figure 7 and Figure 8) show the situation of the two LGAs in relation to accessibility of key regional services:

- Hospitals
- Tertiary education
- Art galleries and museums
- Federal services (Centrelink, Human Services), and
- Regional airports.

It is recognised that sometimes the distinction between local and regional services is unclear. Consequently, local services are also mapped where they appear relevant.

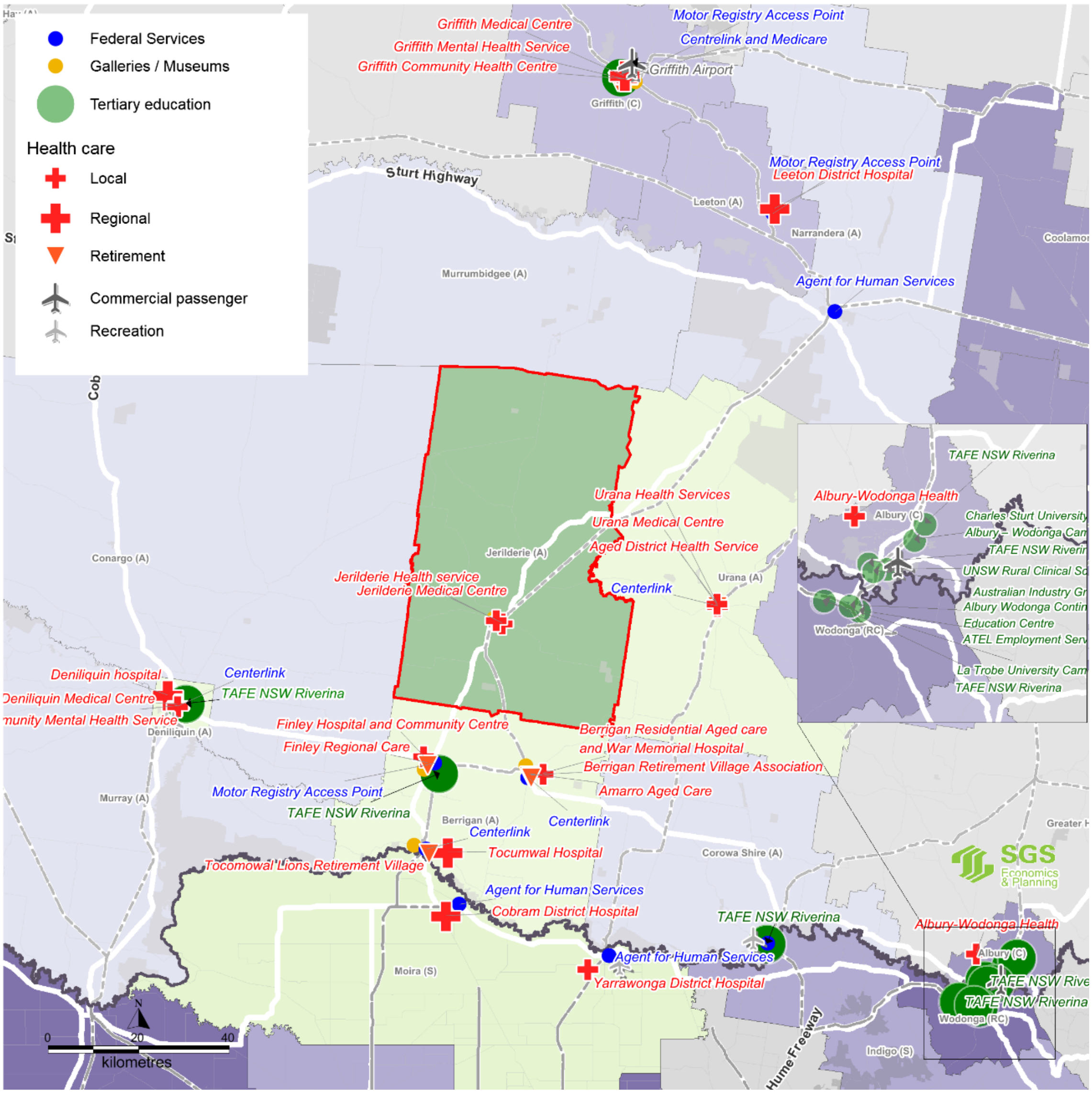
The maps show Jerilderie and Murrumbidgee and their regional services in the context of private vehicle accessibility. These private vehicle travel times are between the centre of each LGA and have been estimated using the actual road network and the speeds applicable to the classifications of each of the roads in the network.

The maps show that Jerilderie is serviced in a north-south direction via the Newell Highway. Murrumbidgee is serviced in an east-west direction via the Sturt Highway.

For Murrumbidgee, the nearest regional airport for passenger travel is Griffith, which is within a 90 minute drive of Murrumbidgee, and at least a 3 hour drive from Jerilderie. The nearest airport for Jerilderie is Albury which is just over a two hour drive.

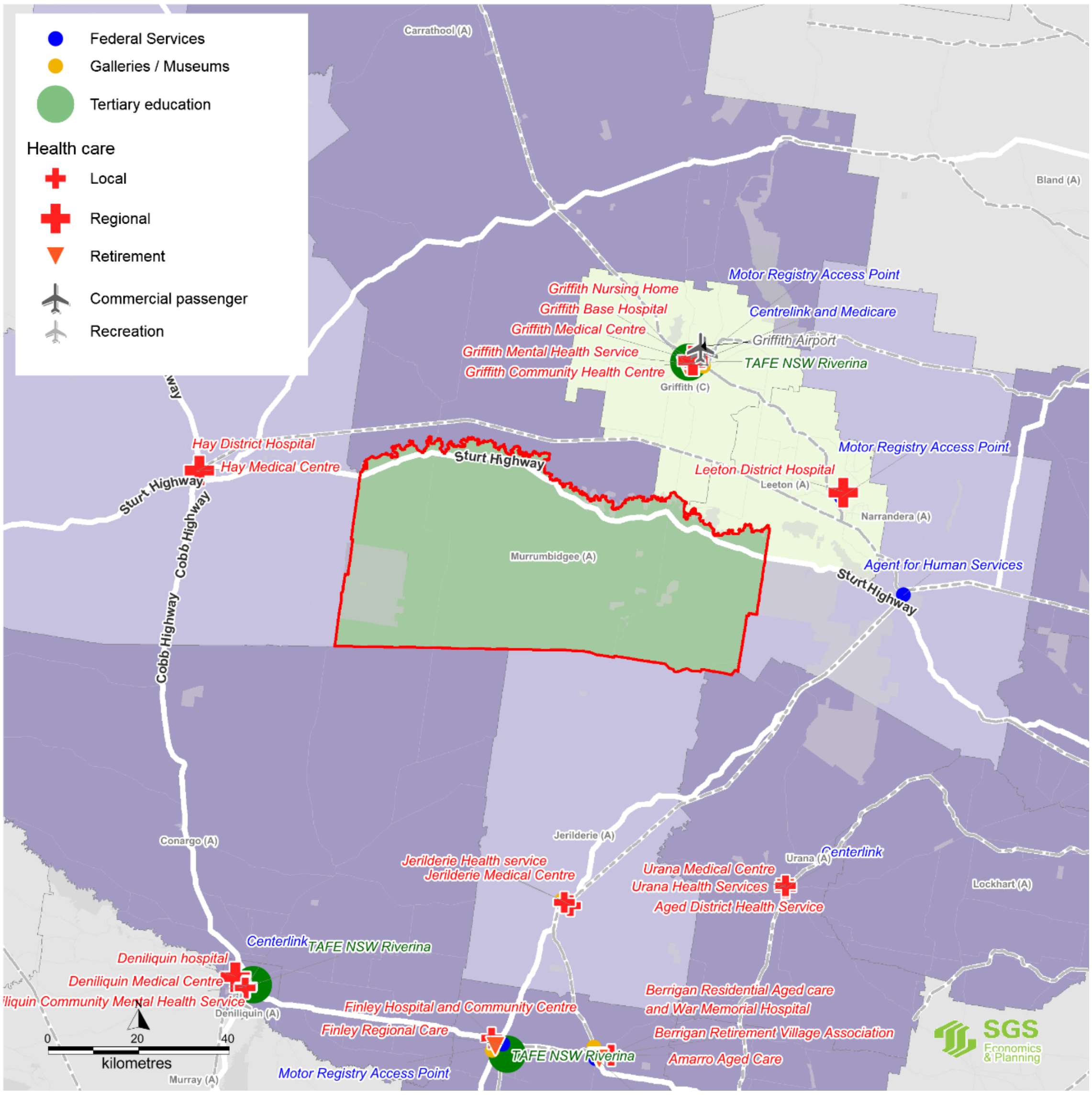
Jerilderie has a small hospital. There are no tertiary education facilities, Centrelink (phone link only) or Human Services offices in Jerilderie; towns in adjacent municipalities such as Berrigan and Deniliquin are relied on for these services. Jerilderie residents access more significant regional services, such a larger hospital and universities, in Albury, Wagga Wagga and Shepparton. Murrumbidgee does not contain any key regional services. Services in Griffith, Leeton and Narrandera are relied on for these services.

FIGURE 7. JERILDERIE REGIONAL SERVICES



Source: SGS Economics and Planning, 2015

FIGURE 8. MURRUMBIDGEE REGIONAL SERVICES

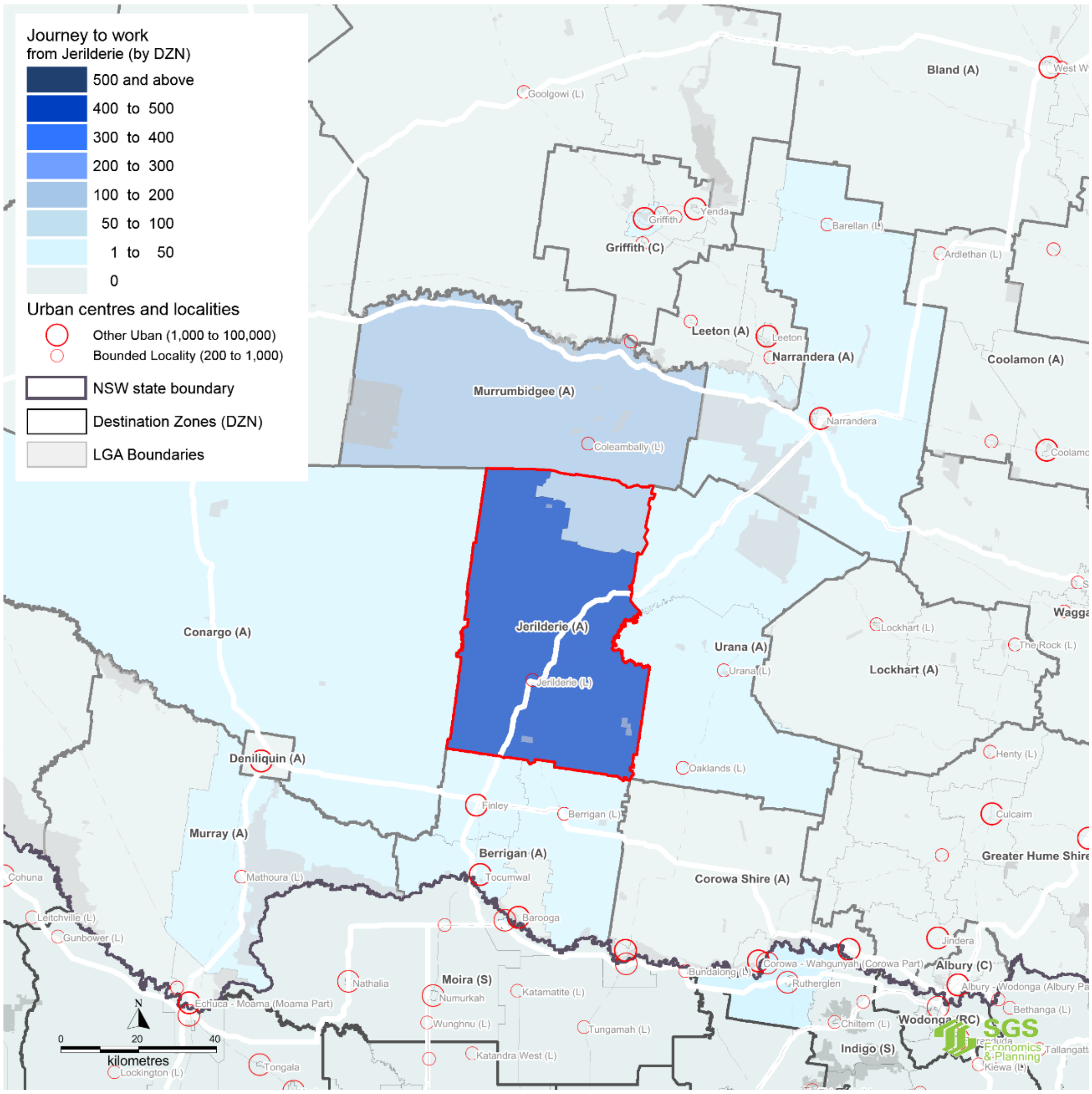


Source: SGS Economics and Planning, 2015

Journey to work patterns

The residents of Jerilderie LGA with jobs are generally employed within the Shire. Murrumbidgee Shire is also a destination for work for Jerilderie residents. Jerilderie has some economic links with Conargo, Murray, Berrigan, Urana, Narrandera, and Griffith, with a small number of Jerilderie residents working in and around the town of Griffith.

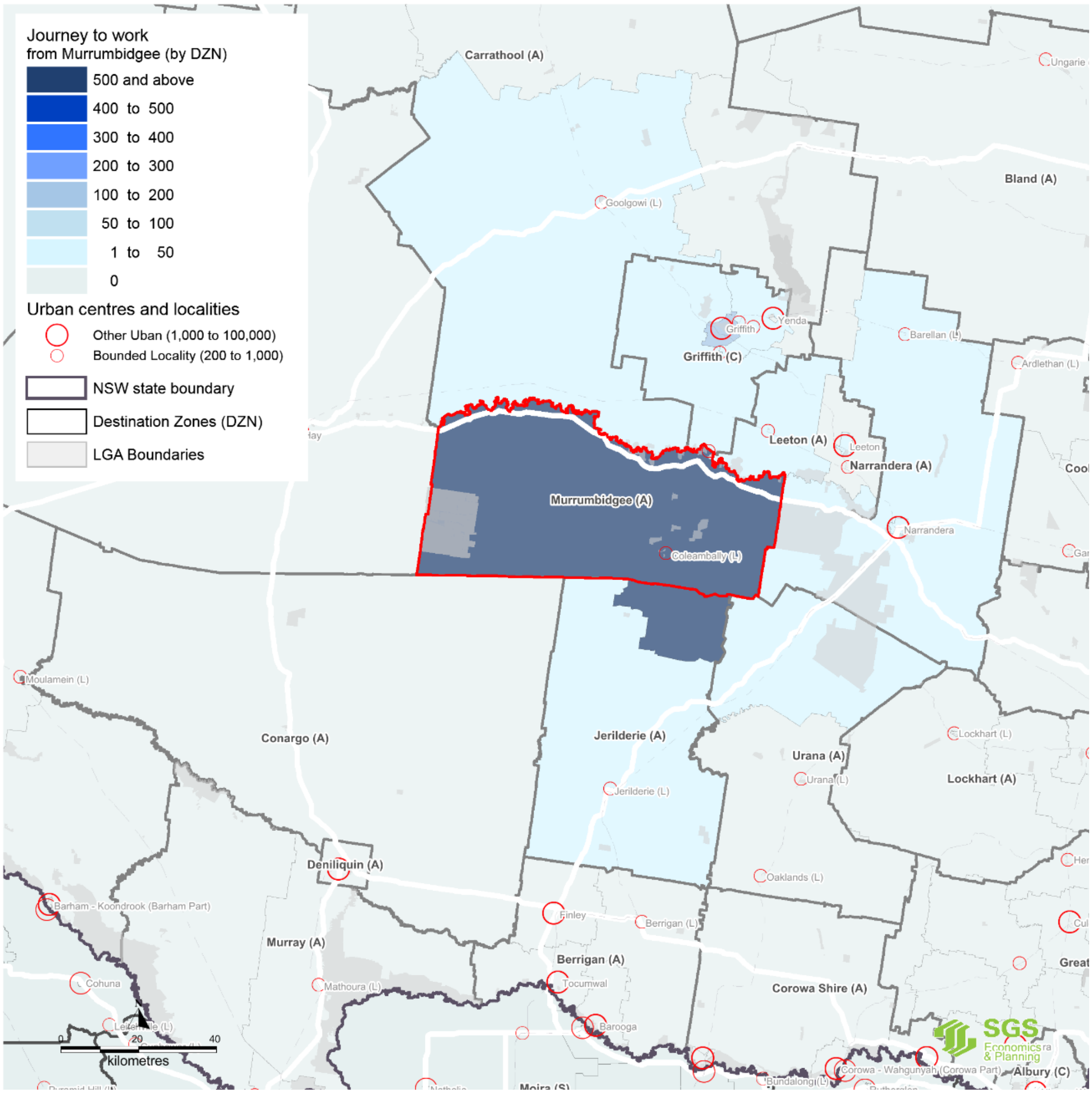
FIGURE 9. PLACE OF WORK FOR JERILDERIE WORKING RESIDENTS



Source: SGS Economics and Planning, 2015

The majority of Murrumbidgee LGA residents with jobs work within the Shire. A significant proportion of people also work in the north of Jerilderie. Murrumbidgee has some economic links with Narrandera, Carrathool, Leeton, Narrandera, Urana, and Griffith LGA, with a significant number of Murrumbidgee residents working in and around the town of Griffith.

FIGURE 10. PLACE OF WORK FOR MURRUMBIDGEE WORKING RESIDENTS

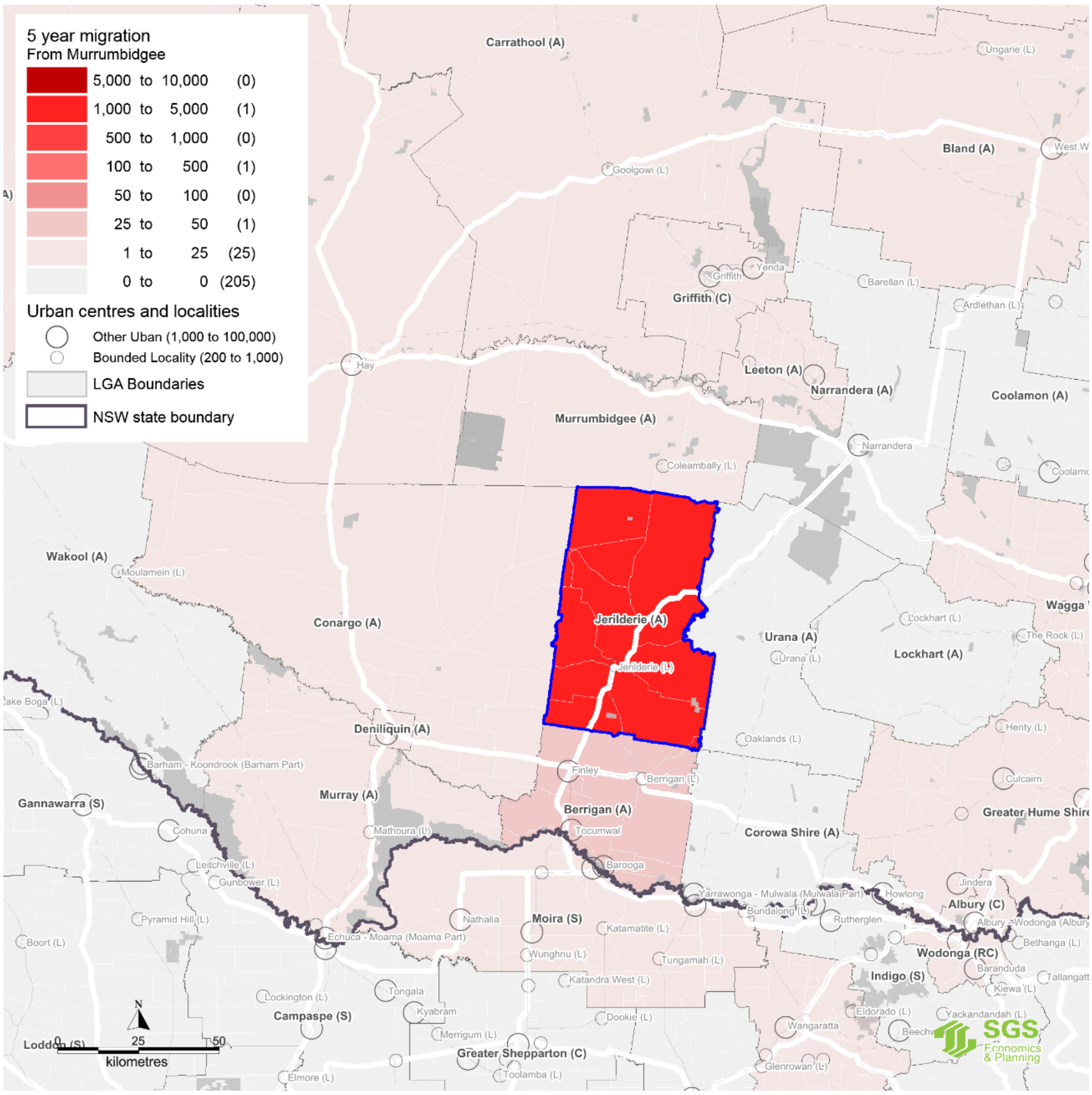


Source: SGS Economics and Planning, 2015

Migration patterns

Migration patterns show further functional linkages between the councils (see Figure 11 and Figure 12). For Jerilderie, the statistics show many households relocated within the Jerilderie LGA. Migration patterns from Jerilderie show some linkage with Berrigan. Anecdotally, there are a lot of residents relocating from often distant areas to benefit from the affordable housing situation.

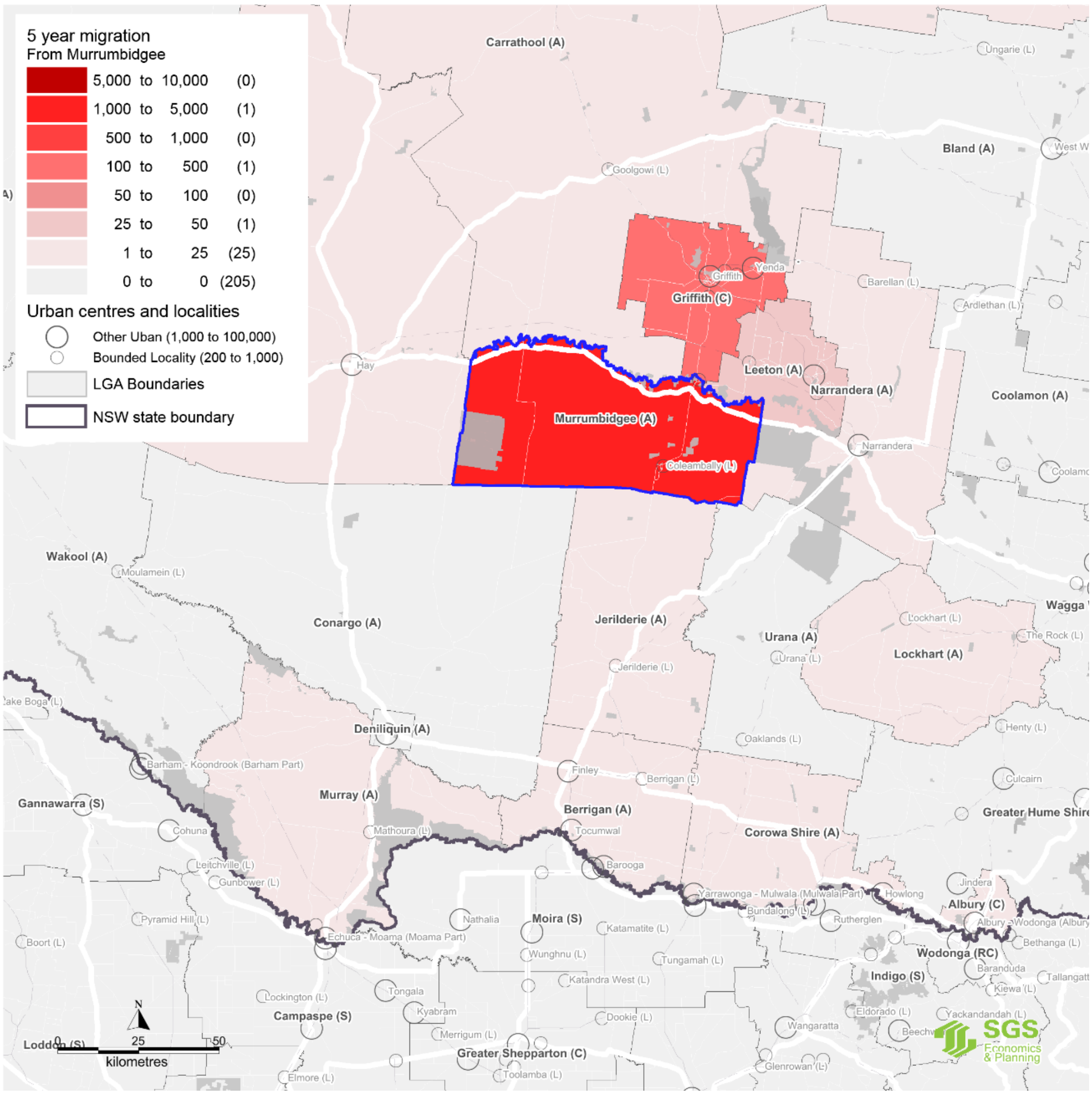
FIGURE 11. MIGRATION PATTERNS FROM JERILDERIE, FIVE YEARS TO 2011



Source: SGS Economics and Planning, 2015

In the case of Murrumbidgee, the vast majority of residents relocating did so within the Murrumbidgee area. There is also some linkage with Griffith and Leeton LGAs.

FIGURE 12. MIGRATION PATTERNS FROM MURRMBIDGEE, FIVE YEARS TO 2011



Source: SGS Economics and Planning, 2015

Other regional linkages

Key agricultural industry linkages

Both Jerilderie and Murrumbidgee Shire Councils have a strong agricultural sector that is specialised in sheep, beef cattle, rice, cotton and grain farming. Murrumbidgee's economy also exhibits specialisations in poultry farming, meat and meat product manufacturing. Jerilderie has a major centre for poultry breeding. These industries contribute to the region's specialisation in livestock production.

Tourism linkages

Jerilderie and Murrumbidgee are part of the Riverina tourism region represented by the Riverina Regional Tourism Board. The Riverina Regional Tourism Board also includes Griffith, Wagga Wagga, Deniliquin, Leeton, Conargo, Coolamon, Cootamundra, Gundagai, Narrandera, Temora, Urana, Hillston, Junee, Lockhart and Hay.

In 2013 (most recent year for which data were found), the Riverina region received 867,000 domestic visitors generating 2.4 visitor nights, with visiting family and friends being the most important purpose for the visit. Visitors spent $258 million in the region or $107 per visitor night on average (RRT, 2013).

Both Jerilderie and Murrumbidgee have identified an improved local tourism sector as a strategic objective in their Community Strategic Plans (see Section 2.4 for further discussion).

Energy and telecommunications

Energy and telecommunications linkages are weak, with the cost of energy and fuel, and internet connectivity impacting adversely on the competitiveness of Jerilderie and Murrumbidgee.

Regional collaboration

Jerilderie and Murrumbidgee are members of the Riverina and Murray Regional Organisation of Councils (RAMROC). Other member councils include Albury, Balranald, Berrigan, Carrathool, Conargo, Corowa, Deniliquin, Great Hume, Griffith, Hay, Leeton, Murray, Narrandera, Urana, Wakool and Wentworth.

The key roles of RAMROC include providing an effective means for discussion and action on regionally significant concerns among member councils, and advocating the needs of member councils to the Federal and State Government to advance the interests of the region.

Key projects of RAMROC include:

- The RAMROC Regional Waster Avoidance and Resource Recovery Strategy
- Murray Darling Basin Plan, which highlighted the adverse impacts experienced on food production
- Water4Food marketing and lobbying campaign, highlighting food security and sustainability, and
- Proposed RAMROC Water and Sewerage Alliance to maintain council ownership of assets.

RAMROC member councils are also in the process of exploring Joint Organisation options for the region outside of the State Government’s pilot program. This process is on hold until July 2015 once all Fit for the Future submissions have been submitted.

3.2 Socio-economic characteristics

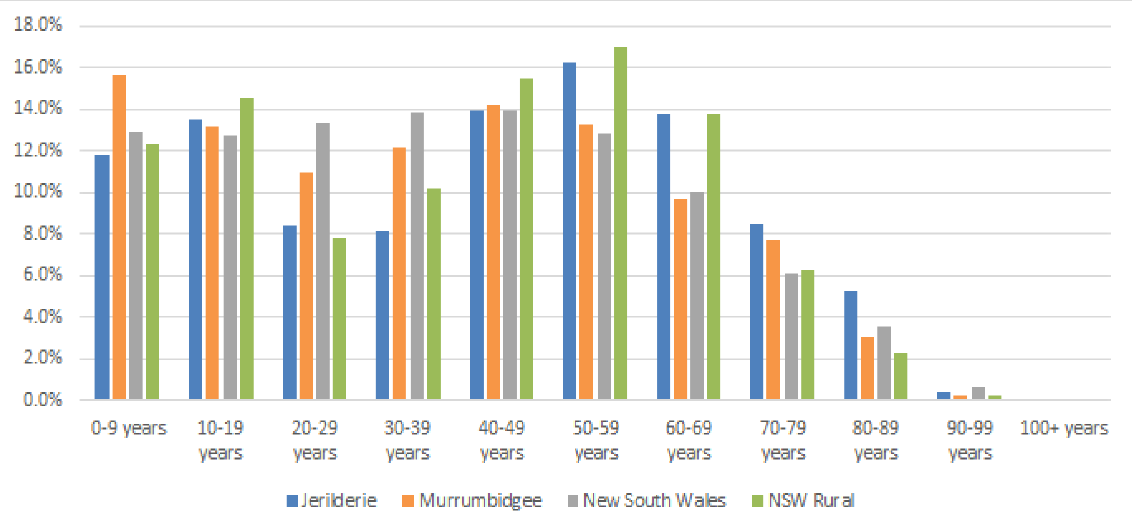
This subsection compares some of the key socio-economic characteristics of Jerilderie and Murrumbidgee. Comparisons are made with NSW and, where data was available, the Rural Balance of NSW.

Population and population change

Jerilderie had a total resident estimated population of 1,496 in 2011. The Murrumbidgee population was 2,261. When comparing the population by age distribution with NSW and the rural balance of NSW (see Figure 13), it is evident that:

- Jerilderie has a high proportion of people aged 50 years and over
- Murrumbidgee has a significant share of people aged 0-10 years
- Jerilderie, the rural balance of NSW, and to a lesser extent Murrumbidgee, have low numbers of younger studying and working age people, from 20 to 35 years of age. This is a typical phenomenon for regional areas where young people move away for education and jobs. These people may return later in life, with young families or towards retirement.

FIGURE 13. POPULATION BY AGE



Source: Census (2011)

Both the Jerilderie and Murrumbidgee population lag behind NSW in terms of growth rates. Both councils are experiencing a population decline. Jerilderie's population has been in decline, accelerating from -1.7% per annum from 2001 to 2006 to -2.8% per annum from 2006 to 2011. Murrumbidgee's population has also experienced an accelerated decline, from -0.9% per annum from 2001 to 2006 to -2.3% per annum from 2006 to 2011. The NSW population increased by 0.7% per annum from 2001 to 2006 and 1.1% from 2006 to 2011. Unfortunately, no data for the rural balance of NSW was available in the ABS time series to determine how Jerilderie and Murrumbidgee compare to rural NSW.

Population projections by the Department of Planning and Environment indicate that:

- Both the Jerilderie and Murrumbidgee populations will continue to decline.
- Jerilderie is expected to decline at a rate of -1.0% per annum between 2011 and 2031 to approximately 1,250 residents in 2031
- Murrumbidgee is expected to decline at a faster rate, at a pace of -1.3% per annum between 2011 and 2031 to approximate 1,800 residents in 2031.

These projections do not consider changing patterns in migration to and from local areas. Both Councils indicate the DPE projections are not always reliable especially for the regional areas in western NSW.

Table 3 below shows the population projections for both shires.

TABLE 3. POPULATION PROJECTIONS 2011-2031

	2011	2016	2021	2026	2031	Total Change	Annual Growth Rate
Jerilderie	1,550	1,450	1,400	1,300	1,250	-300	-1.0%
Murrumbidgee	2,350	2,200	2,050	1,900	1,800	-550	-1.3%

Source: Department of Planning and Environment, 2014

Household characteristics

The average household size in NSW and the rural balance is 2.6 and 2.7 persons respectively. Households in both Jerilderie and Murrumbidgee are smaller at 2.5 persons on average.

Table 4 outlines the household characteristics of Jerilderie and Murrumbidgee. The median household income in both Jerilderie and Murrumbidgee are below the levels for NSW and the rural balance. Living affordability is partially compensated by the lower housing costs. In the case of Jerilderie, median mortgage repayments and median rents are below the state and rural balance levels. Median mortgage repayments in Murrumbidgee are equal to the rural balance levels, but weekly median rents are below the state and rural balance levels. While Murrumbidgee has a higher cost of housing, the Shire also has a higher weekly median income than Jerilderie.

TABLE 4. HOUSEHOLD CHARACTERISTICS

	Jerilderie	Murrumbidgee	NSW	Rural Balance
Median weekly household income	$856	$894	$1,237	$1,089
Monthly mortgage repayments	$1,000	$1,062	$1,993	$1,062
Median weekly rent	$80	$140	$300	$150
Voluntary work	36%	24%	17%	25%

Note: Voluntary work is for group or organisation, by people aged 15 and over
Source: Census, 2011

As shown in Table 4, both Shires have a significant number of volunteers that work for organisations and groups. In Jerilderie (36%) volunteerism is more than twice the level of NSW on average (17%). While volunteerism in Murrumbidgee (24%) is slightly lower than the NSW rural balance (25%), it is still higher than NSW on average and constitutes almost one quarter of the Shire’s population aged 15 years or over.

Labour force and employment

Unemployment levels in Jerilderie and Murrumbidgee are below the NSW and NSW rural balance average (see Table 5), especially in Jerilderie unemployment is very low at 2.1%. Youth unemployment is also well below the average for the state and rural balance for Jerilderie. Murrumbidgee’s youth unemployment rate is higher than the rural balance and is closer to the NSW average than Jerilderie.

TABLE 5. UNEMPLOYMENT

	Jerilderie	Murrumbidgee	NSW	Rural Balance
Unemployment rate	2.1%	4.4%	5.9%	4.5%
Youth unemployment rate	6.6%	11.4%	12.8%	10.3%

Note: Unemployment is presented as a percentage of unemployed of total labour force. Youth unemployment is for the working age population under 25 years of age.
Source: Census, 2011

Table 6 highlights the labour force participation rates of Jerilderie and Murrumbidgee. Labour force participation in both shires is comparable to the NSW and rural balance average. Youth labour force participation is also comparable between Jerilderie and Murrumbidgee, at a rate of 56.5% and 60.4% respectively.

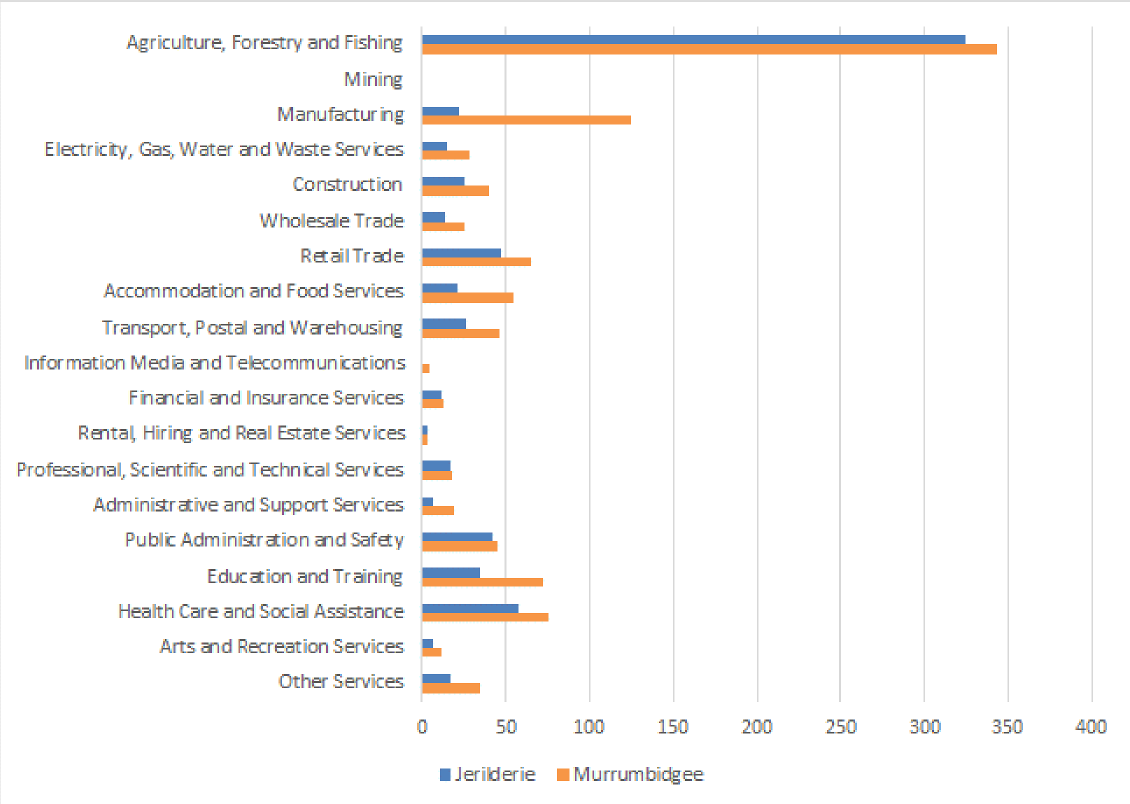
TABLE 6. LABOUR FORCE PARTICIPATION

	Jerilderie	Murrumbidgee	NSW	Rural Balance
Labour force participation	60.0%	63.4%	58%	58%
Youth labour force participation	56.6%	60.4%	60%	62%

Source: Census, 2011

Figure 14 below shows employment by industry for residents of Jerilderie and Murrumbidgee. Agriculture is a key industry of employment for residents in both shires, representing 327 jobs in Jerilderie and 343 in Murrumbidgee. The next most significant industry of employment for Jerilderie residents is health care and social assistance, incorporating 58 jobs. Manufacturing is the next most significant industry of employment in Murrumbidgee, representing 125 jobs.

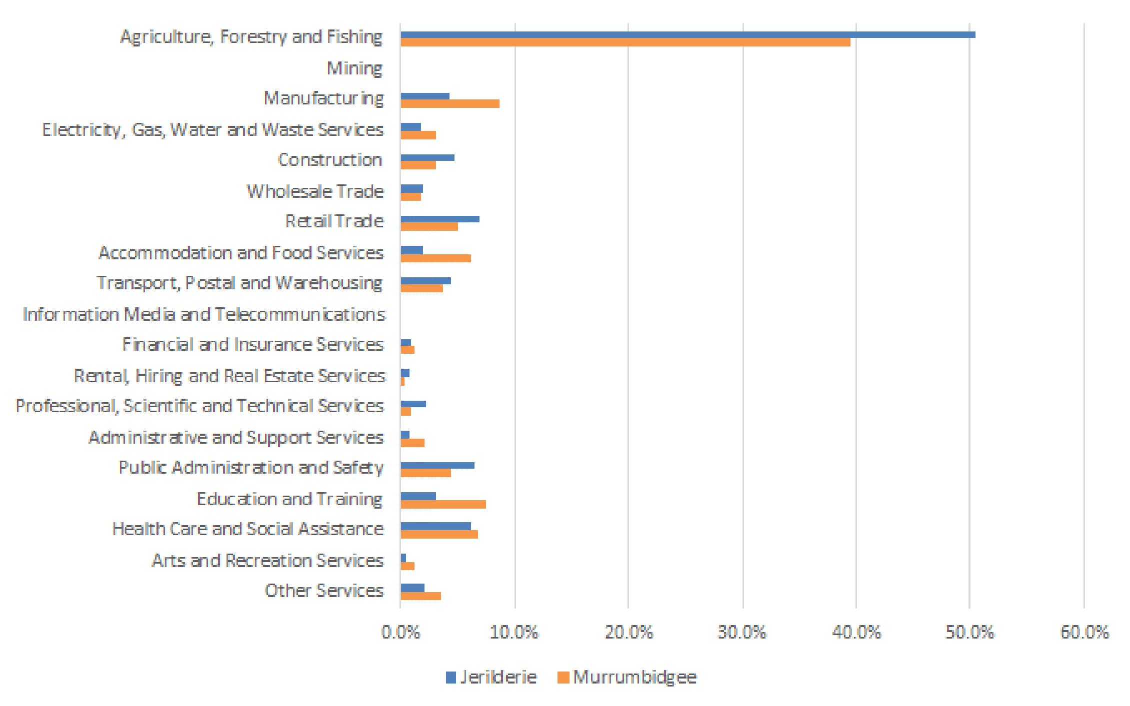
FIGURE 14. INDUSTRY OF EMPLOYMENT BY PLACE OF RESIDENCE



Source: Census (2011)

When comparing the economies of the two Shires with NSW as a whole it is clear that both local economies are strongly specialised towards agriculture (Figure 15). The economy of Jerilderie is especially focussed on agriculture with over half of all jobs in the Shire occurring in this industry. The Murrumbidgee economy is more diversified, with manufacturing representing 8.7% of total employment in the Shire. This manufacturing is related to the agricultural sector and involves meat and meat product processing. Health care and social assistance (6.8%) and accommodation and food services (6.2%) are also relatively important industries in Murrumbidgee. In Jerilderie, retail (6.9%), public administration and safety (6.4%), and health care and social assistance (6.1%) are relatively important industries of employment.

FIGURE 15. PLACE OF WORK BY INDUSTRY



Source: Census (2011)

Comparing the jobs held by residents to the jobs located in the two Shires, it is evident that the economy of Murrumbidgee relies more strongly on employment offered outside of the local area. The self-containment rate for Murrumbidgee is 78% (the ratio of employed residents to local jobs) while the rate for Jerilderie is high at 90%. Murrumbidgee's economic prosperity is relying on nearby municipalities, especially the northern portion of Jerilderie as the functional linkages analysis in Section 2.1 indicates.

Socioeconomic indicators

Indicators from the Census of Population and Housing, the Socio-Economic Indexes for Areas (SEIFA) provide a snapshot of the socio-economic situation in areas. SEIFA scores areas in terms of:

- **Index of Relative Socio-Economic Disadvantage**: general summary of economic and social conditions of people in an area. A low score indicates relatively greater disadvantage in general. For example, an area could have a low score if there are (among other things) many households with low income, many people with no qualifications, or many people in low skill occupations.

- **Index of Relative Economic Resources**: focusses on the financial aspects of relative socio-economic advantage and disadvantage, by summarising variables related to income and wealth. A low score indicates a relative lack of access to economic resources in general. For example, an area may have a low score if there are many households with low income, or many households paying low rent AND few households with high income, or few owned homes.

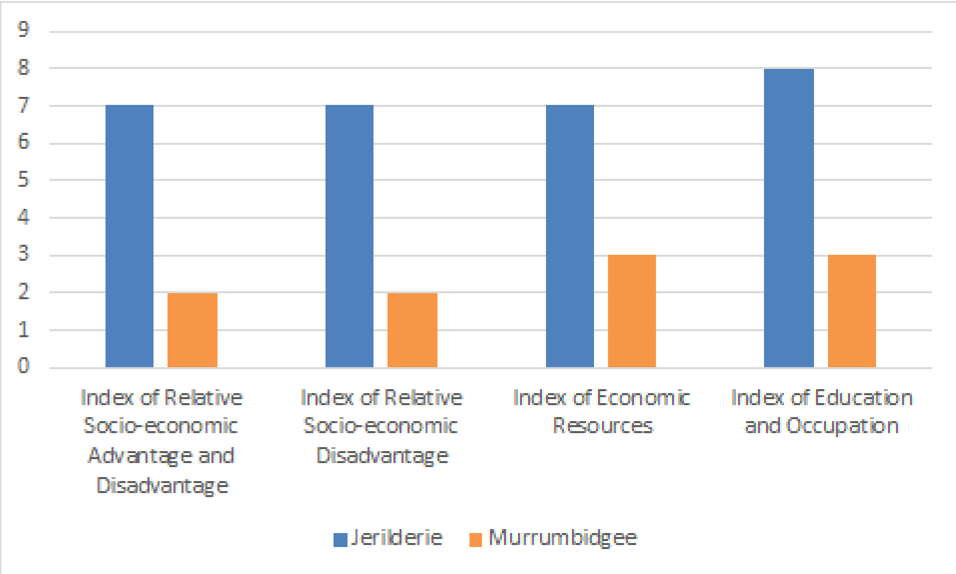
- **Index of Relative Education and Occupation**: reflects the educational and occupational level of communities. The education variables in this index show either the level of qualification achieved or whether further education is being undertaken. A low score indicates many people with lower education or low skilled occupations or many unemployed AND few people with high level qualifications or high skilled occupations.

- **Index of Relative Socio-economic Advantage and Disadvantage**: summarises information about the economic and social conditions of people and households within an area, including both relative advantage and disadvantage measures. A low score indicates relatively greater disadvantage and a lack of advantage in general. For example, an area could have a low score if there are (among other things) many households with low incomes, or many people in unskilled occupations AND few households with high incomes, or few people in skilled occupations.

Lower scores indicate that an area is relatively disadvantaged compared to an area with a higher score. All areas are ordered from lowest to highest score, the lowest 10% of areas are given a decile number of 1 and so on, up to the highest 10% of areas which are given a decile number of 10. Note that deciles have equal number of areas, not people.

Jerilderie and Murrumbidgee have quite different socio-economic characteristics. Jerilderie consistently scores in the seventh decile, meaning it fits in the highest 30% of areas in regards to socio-economic performance, while Murrumbidgee fits in the lowest 30%. Murrumbidgee has higher levels of unemployment, lower skills levels and less economic resources than Jerilderie (Figure 16).

FIGURE 16. SEIFA SCORES FOR JERILDERIE AND MURRUMBIDGEE



Source: Census (2011)

3.3 Community strategic priorities

This subsection distils the key issues and priorities that each of the Shire's Community Strategic Plans enunciate and then assesses their commonalities and differences.

Jerilderie Shire Council Community Strategic Plan 2014-2024

The Shire's community vision is:

> *"We are blessed with a strong and vibrant community, a resilient economy and an environment that provides us both enjoyment and productivity. As a community we offer diverse opportunities, exciting possibilities and a strong sense of belonging. We possess an identity that reflects our rich history, our focus on the land, and our hope for the future. Together, we will make our shire the place to be in the year 2030."*

The strategic directions of the strategic plan are:

a) An economy that provides opportunities and stability for our shire and our families
b) Infrastructure that is responsibly planned, developed and maintained
c) A supportive, active and passionate community
d) An environment that is valued, protected and respected
e) Effective and productive relationships with all levels of government.

The strategic outcomes for 'An economy that provides opportunities and stability for our shire and our families' are:

- A strong tourist sector
- A profitable and growing business and industry community
- A community that has access to education and training that enhances their future opportunities
- A resilient and vibrant agricultural sector
- Infrastructure that supports growth and productivity of our businesses and industry.

Some of the priorities are the development of a long term tourism strategy, improved access to training and education, long term water security for agriculture and infrastructure to support commercial and industrial businesses.

The strategic outcomes for 'Infrastructure that is responsibly planned, developed and maintained' are:

- Infrastructure that supports our community identity (this refers to visual amenity and historic buildings and landmarks)
- The ability to be an active community (infrastructure for sport and recreation)
- A safe and accessible shire to travel, and
- Infrastructure for our future.

Some of the priorities are conservation of historic assets, safe local roads, the implementation of a footpath strategy, upgrade of the swimming pool, Jerilderie Recreation Master Plan and land use practices.

The strategic outcomes for 'A supportive, active and passionate community' are:

- An empowered community
- Vibrant community events and celebrations
- A safe and accessible community
- A community that has opportunities for people of all ages
- Protection of our history and heritage.

Some of the priorities are volunteerism, sustainable clubs and organisations, celebrations of achievements, opportunities for lifelong learning and protection of history and heritage.

The strategic outcomes for 'An environment that is valued, protected and respected' are:

- Efficient and responsible waste water management and recycling services
- Respect and protection of our natural environment
- Waterways which are appreciated and valued
- Protection of native flora and fauna.

Some of the priorities are waste management, recycling, high quality waterways and protection of flora and fauna.

The strategic outcomes for ‘Effective and productive relationships with all levels of government’ are:

- A community that is passionate and engaged in its future
- Accessible, effective and utilised services and programs for our community
- Productive and beneficial relationships
- Strong and effective local government.

Some of the priorities are to host annual ‘Partners Meeting’ with Urana Shire regarding service delivery and strategic direction, a community engagement strategy, representation of community at State level, a community services database and an Municipal Emergency Management Plan.

Many strategic outcomes and objectives of the Jerilderie Strategic Plan are generic and non-specific, and often outside the direct influence of the Shire to influence.

Murrumbidgee 2030

The most recent Community Strategic Plan for Murrumbidgee Shire Council is from 2013. The Shire’s community vision is:

> *“to preserve and enhance the lifestyle of our communities by encouraging, promoting and facilitating the sustainable development of the Shire.”*

The strategic directions of the plan are classified in the following themes:

a) Our people
b) Our economy
c) Our environment
d) Leadership

The strategic outcomes for ‘Our people’ are:

- Create a connected and caring community where people look out for each other
- Develop and grow a community understanding of shared responsibility
- We have access to a range of services which support our needs
- We support and promote healthy lifestyles
- We have access to range of health, medical and specialist services to maintain our health
- We have access to education and further education opportunities for all members of the community
- Our community is connected across geographic, interest, cultural and social groups
- All members of our community have access to opportunities for social interaction
- Our community embraces and respects diversity in terms of heritage, culture, ability, gender and age.

Some of the priorities are developing new events to attract special interest groups, providing opportunities for the two towns to interact more and create closer bonds, provide more sporting and entertainment options for young people, opportunities for our community to showcase their heritage and diversity, improved access to community transport, adult education and health services, and safe local road and towns.

The strategic outcomes for ‘Our economy’ are:

- Whilst we recognise that agriculture is the basis of our economy, we welcome and support other economic development which is aligned and will contribute to the overall wellbeing of our community, and
- Council is the driver of economic development for the Shire.

Some of the priorities are developing a Centre of Irrigation Excellence, encourage and promote tourism ventures and activities, pursue the early introduction of the NBN, employment of an economic development officer and the production of promotional material to encourage tourism.

The strategic outcomes for 'Our environment' are:

- We have temporary custody of our natural environment and work to preserve it for future generations
- We are fortunate to live in such a beautiful place and we want to showcase and share it with others but in a way that is sensitive to the impacts people can cause
- We have a waste management strategy that encourages reducing, reusing and recycling and have a long term goal of achieving zero waste
- We explore, embrace and promote alternate sustainable energy sources
- We manage our infrastructure responsibly, and
- The infrastructure we provide is responsive to community needs.

Some of the priorities are weed management, native fish restocking and the elimination of carp, promoting responsible water and energy usage, encouraging recycling and zero waste strategies for the agricultural industries and improving council infrastructure.

The strategic outcomes for 'Leadership' are:

- Council leads the community by example demonstrating a high level of leadership and accountability, and
- Community leaders are encouraged and supported, especially young people.

Some of the priorities are promoting opportunities for leadership development for our community groups and young people, recognition programs to recognise community leaders, encourage Aboriginal representation at Council, and Council leads by example.

Many strategic outcomes and objectives of the Murrumbidgee Strategic Plan are generic and non-specific, and are often outside the direct influence of the Shire. Some of the strategic objectives, such as employment of an economic development officer, have been achieved.

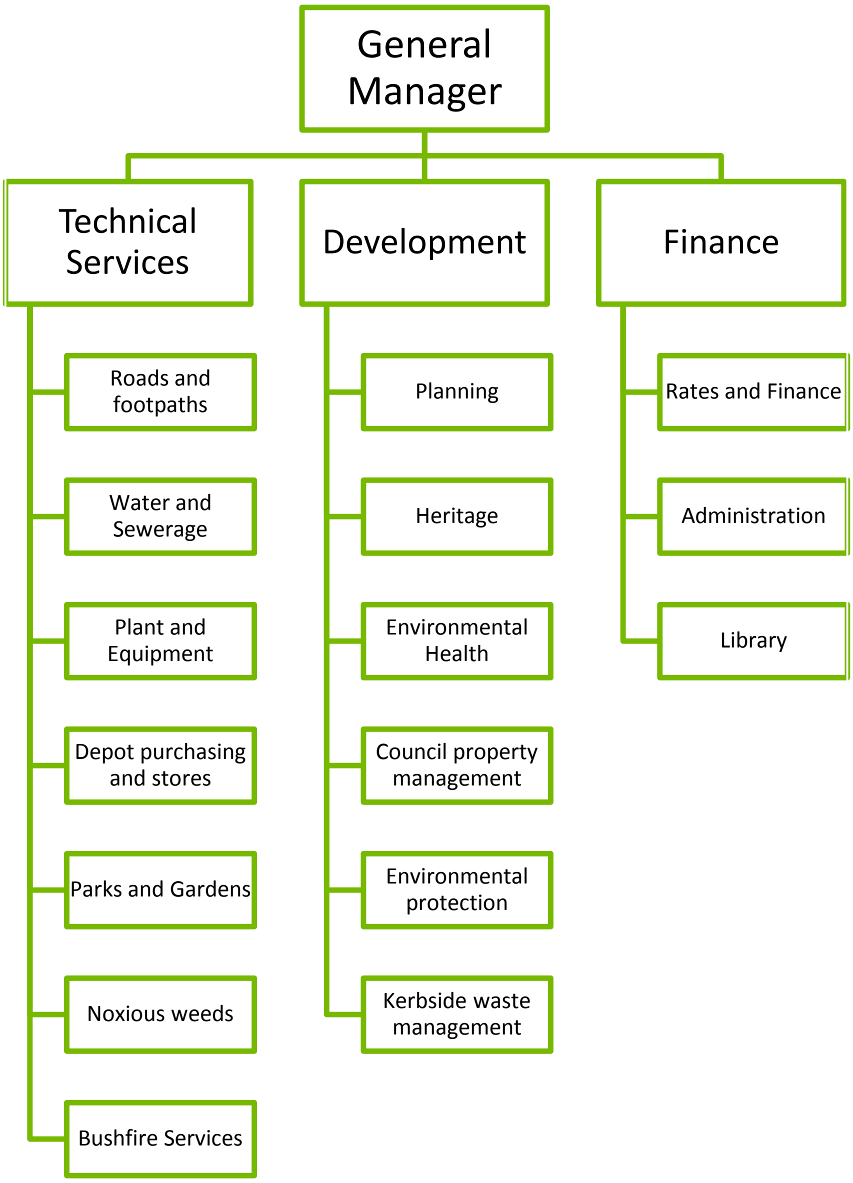
Council organisational structures

The organisational structure of Jerilderie is shown in Figure 17. Jerilderie Shire Council has three main divisions, Technical Services (incorporating infrastructure, natural environment and field operations), Development and Finance and Community Services. The Development division also completes work for Murrumbidgee Shire Council, including town planning and building services.

The most recent Workforce Strategic Plan (2012-2016) indicates that Council has 45 EFT employees. The majority of employees were aged 40 and over. Key challenges identified include an aging labour force, future ability to attract and retain a quality workforce, and responding to increasing community expectations.

Jerilderie Shire Council has seven councillors representing one ward.

FIGURE 17. JERILDRIE ORGANISATIONAL STRUCTURE



Source: Jerilderie Shire Council, 2014

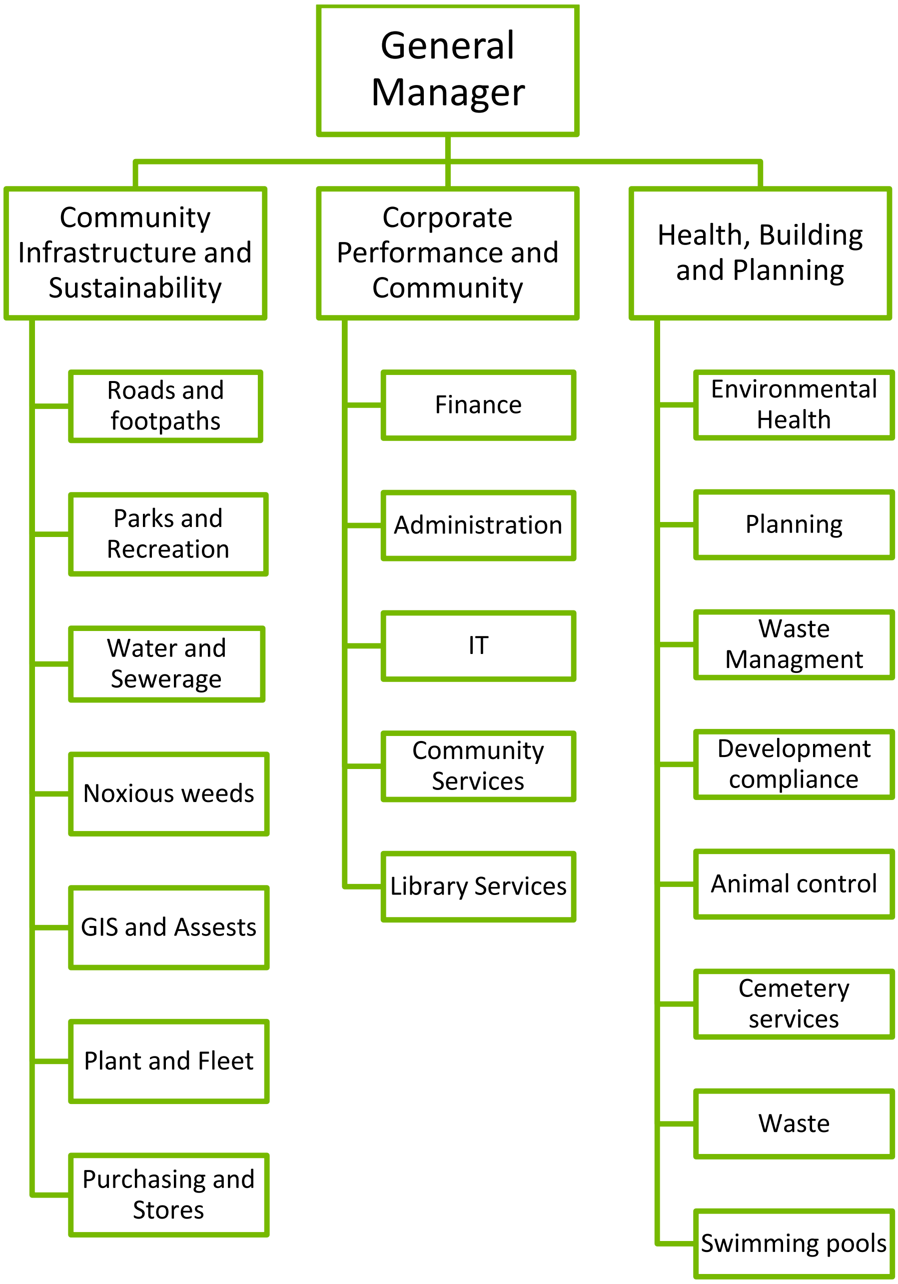
Murrumbidgee
The organisational structure of Murrumbidgee Shire Council is shown in Figure 18. Murrumbidgee Shire Council has three divisions; Community Infrastructure and Sustainability (including infrastructure, engineering and field operations), Corporate Performance and Community (including finance and community services), and Health, Building and Planning (including planning, building services and environmental compliance). Jerilderie Shire Council contributes to the work performed by the Health, Building and Planning division.

The Murrumbidgee Workforce Plan states there were 45 employees of the Council in in 2013/14 financial year with two vacant positions. The Workforce Plan indicates there is an aging workforce with the majority of employees over 45.

Key challenges identified include and aging labour force, attracting young employees, and opportunities for skill sharing and skill development with neighbouring councils.

Murrumbidgee Shire Council has six councillors representing two wards.

FIGURE 18. MURRUMBIDGEE ORGANISATIONAL STRUCTURE



Source: Murrumbidgee Shire Council, 2015

3.4 Priorities and challenges of a merged entity

There are many similarities in terms of priorities for both Councils (Table 7). Jerilderie and Murrumbidgee Shire Councils promote similar objectives in their Community Strategic Plans, focussing on the important role of land and waterways in the local economies and identities, ageing of population and lifelong learning, recreation, local history, support for local businesses and industries, and tourism.

Both community plans are focussed on improving employment and local tourism opportunities, supporting an aging population and retaining young people.

Jerilderie appears to be more focussed on stability and preventing decline. Murrumbidgee focusses on stability and enhancing the lifestyle of residents. Jerilderie's plan is more focussed on meeting increasing community expectations. Murrumbidgee's Workforce Plan is focussed on exploring opportunities for skill sharing with neighbouring councils.

Both community plans are not specific in their aims and objectives, and appear also to be interested in strengthening their relation with Urana Shire (in relation to service delivery and strategic direction).

The socio-economic structure of the two municipalities differs significantly in terms of socio-economic disadvantage, which is a pressing issues in Murrumbidgee. As a result, community needs in terms of health, community services, access and education are likely to be quite different. As a merged entity there may be substantial competition for resources between different communities.

The two councils have similar organisational structures. Both councils have three divisions for engineering and infrastructure, finance and community services, and planning and council property functions. Jerilderie and Murrumbidgee also have similar workforce sizes and an aging labour force. The two councils have identified similar staffing challenges for the future, including attracting a young and quality workforce and responding to an aging workforce. Similarly, the workforce composition of the two councils are similar. Some skill sharing currently exists between the two councils and they have identified similar challenges for their organisations moving forward.

TABLE 7 COMPARISON OF KEY PRIORITIES FOR JERILDERIE AND MURRUMBIDGEE SHIRE COUNCILS

	Murrumbidgee	**Jerilderie**
Council	Ageing workforce Attract young employees Employ economic development officer (achieved) Improve Council infrastructure Demonstrate leadership Sharing skills Centre of irrigation excellence Tourism	Ageing workforce Retain quality workforce Increasing community expectations Tourism & recreation Upgrade swimming pool Emergency management Safe local roads Annual 'Partners Meeting' Urana Community engagement strategy Community representation to State Sharing skills
Community	Develop new events Connected community Sports and entertainment for young people Access to services and transport Weed management Native fish Waste reduction	Access to training & education Long term water security (agri.) Business infrastructure Clubs for sports and recreation Protection flora & fauna History & heritage conservation Waste management

Source: Murrumbidgee and Jerilderie Shire Councils Community Strategic Plans

Based on the commonalities and the strategic capacity assessment, a number of key priorities and challenges for the merged entity can be identified as shown in the table below (Table 8).

TABLE 8 KEY PRIORITIES AND CHALLENGES OF THE MERGED ENTITY

	Merged entity Jerilderie and Murrumbidgee
Council	1. Retain and attract a quality workforce 2. Managing an ageing workforce 3. Strengthen economic development, tourism and recreation services 4. Collaborate with nearby municipalities, state government 5. Improve and maintain council infrastructure and services 6. Community advocacy 7. Community engagement 8. Demonstrate leadership 9. Centre of irrigation excellence 10. Increase for fee service provision (roads, irrigation, asset maintenance)
Community	a. Sports and recreation opportunities b. Waste management c. Conservation of native flora and fauna d. Support business activity and events e. Access to training, education and services f. History & heritage conservation

The merged entity will have an improved ability to create a diversity in jobs, with increased levels of specialisation, which may enable attracting and retaining more skilled and qualified staff (priorities 1 and 2). Due to efficiency savings in areas like Administration, the merged entity will be able to free up staff resources to improve its capabilities in regards to economic development, tourism and recreation (priority 3). A similar argument may hold true for establishing a centre of excellence for irrigation. It is however unknown what the associated costs and benefits of the centre are (priority 9).

In terms of community priorities, the efficiency savings may free up resources that can be directed to addressing these priorities (priorities a to f). However, the range of priorities requiring resources will likely exceed the resources that will become available due to efficiency savings. Choices will need to be made in terms of urgency and impact.

Collaboration with nearby municipalities and with state government will be given an impetus by the increase in fee for service delivery, as mentioned in the strategic capacity assessment. Continued collaboration via RAMROC is seen as an important priority too (priority 4).

The merger will enable the better utilisation of resources and in some areas, a more frequent delivery of services due to the broader scope of equipment available within the merged entity, as was identified as part of the strategic capacity assessment (priority 5).

Advocating on behalf of the community and engaging with the community may be improved if part of the efficiency savings of the merger are used to professionalise this area within the merged entity's organisation (priorities 6 and 7).

The merged entity may be able to demonstrate leadership if some of the resources from efficiency savings are used towards leadership training and/or attracting staff with strong leadership capabilities (priority 8).

The merged entity is intended to build an increased capacity to provide services to the private sector and to build capabilities required to successfully run commercial operations. The merged entity will as a result be able to enhance its own source revenue and, with that, increase its discretionary spending on other areas (priority 10).

The **conclusion** from this is that the merged entity is expected to generate efficiency gains which will enable it to focus more resources towards increasing own source revenue (i.e. fee for service income), establishing or growing strategic functions (such as economic development, tourism and planning), and other areas where the current councils have unmet community needs. However, the merged entity may not be able to address all the priorities at once, since the absolute scale of the new entity is still limited, representing a small population of ~3,800 people.

The councils expressed the view that the merger of two smaller councils will enable a continued focus on and representation of local needs, something that is feared to become lost if either of the two councils were to merge with larger councils (i.e. Griffith and Berrigan). It is worthwhile to note however, that a merger with a larger council may make available more resources to address key priorities, depending on where the overall priorities of such a larger merged entity lie.

4 FINANCIAL APPRAISAL

The financial appraisal comprises three financial scenarios to project likely efficiency savings. The two unconstrained models, i.e. Scenario 1 and 3 assess the potential for efficiency savings of a merger. Scenario 3 assesses the possible expenditure savings of a merger taking into account the existing legislative framework.

The outcomes of the modelling show that the likely *efficiency savings* of the merged entity compared to two individual councils comprises 2.4% (scenario 1 and 2). The potential *expenditure savings* of the merger are estimated at 2.1%.

The approach, assumptions and results of the modelling are described in detail in this section.

4.1 Projected financial savings (unconstrained)

A key focus of this projection is to estimate the potential expenditure savings for the merger option against the status quo (no merger) of MSC and JSC. The merger savings calculated and presented are the savings compared to MSC and JSC as two stand-alone councils.

To this end, two scenarios have been modelled to estimate expenditure savings:

– **Scenario 1: Efficiency model**: This approach uses a MSC's per capita costs and applies these to the population of Jerilderie. This implies that both MSC and JSC adopt Murrumbidgee's systems and processes, where applicable. If it is the case that some of JSC activities are different to MSC (e.g. operating activities associated with planned capital expenditure in JSC) then this scenario assumes that those activities will not go ahead (since it is not reflected in the lead council's per capita expenditure). While this business case assignment did not include a detailed review of service levels and service quality, a workshop undertaken with both management teams has tested the assumptions of this model. The workshop resulted in one important additional assumption: in regards to Transport & Communication (especially road maintenance) the operating activities of Jerilderie will be rolled out across the two Shires. Both Shires agreed this would be the most sustainable outcome generating benefits to the community.

– **Scenario 2: Average efficiency (economies of scale) model**: This approach is statistical and uses a multi-variable regression model that examines the relationship between total per capita expenditure and population (controlling for road assets which represents geographic dispersion and regional variations) for councils in New South Wales and Queensland. Service cost savings are then derived by comparing predicted aggregate expenditure prior to merging with the predicted aggregate expenditure post amalgamation.

  Scenario 2 reflects the *average* efficiencies that *may* be achieved through amalgamation and reflects the potential efficiencies relating to a larger council. On average, all else being equal, the model predicts that the larger the new council, the greater the expected savings in the medium to long run, after transition costs have been met. However, the greater the geographic dispersion, the lower the predicted scale economies. That is, the impact of both scale (population) - which increases scale economies, and geographic dispersion -which reduces scale economies, are jointly examined in this model.

Key assumptions and caveats

One of the key assumptions behind the base case efficiency model is that merged councils are able to generate savings by adopting a lead council's systems and processes. However, not all services are likely to generate savings, as certain unique services might need to be retained under amalgamation. For instance, if an existing council provides a service of regional significance (servicing a larger catchment than its own), this may need to be retained under amalgamation.

For a high-level study such as this, SGS has used simple regression models of population and per capita expenditure of councils to ascertain which functions are *likely* to adopt the reference council's systems and processes. That is, if the regression analysis shows that larger populations are associated with lower per capita costs for a specific service, then it is *plausible* that this service could adopt systems and processes of the lead council. There could, of course, be exceptions to this.

There is an important exception in the case of the MSC and JSC merger. As part of a broad service level review based on consultation with both management teams, the transport and road maintenance practices of JSC are more advanced in the sense they generate more acceptable outcomes in terms of asset quality and road safety. The most acceptable solution in case of a merger would be to adopt the standard of JSC, with per km road expenditure being close to JSCs current expenditure levels (89%).

It should be noted this business case assignment did not involve a detailed service level review. Based on the simple regression analysis of councils (by service area), SGS has assumed that five (out of 13) service areas have the *potential* to experience efficiencies, and therefore adopt the per capita expenditure of the lead council[3]. The following five areas have *potential* for efficiency savings:

- Governance
- Administration
- Recreation and culture, and
- Economic affairs.

MSC and JSC provided SGS with Long Term Financial Plan (LTFP) projections by service function. Given that Murrumbidgee is the larger council, it was chosen as the reference council for modelling purposes unless alternative assumptions were made based on the broad level service review. This reflects scale efficiencies that could be achieved from a larger council. It should also be noted that the efficiency savings only include those arising from wages and on-costs, and materials. Depreciation, and interest payments are excluded.

MSC per capita expenditure of wages and materials per annum (from the LTFP) has been applied to the combined population of Murrumbidgee and Jerilderie to derive expenditure estimates under amalgamation for three out of the five services identified above. The exemptions are noted below.

The first of these is governance, where it has been assumed that the merged entity has seven councillors, instead of the 13 councillors currently. This implies savings from six less councillors (total saving of $48,000 per annum).

The second exception is Transport and Communication, where expenditure is modelled to increase under amalgamation. LTFP data provided to SGS shows that MSC cost per road KM ($0.86), is about half that of JSC cost per road KM ($1.90) at FY 2016, even though MSC has much lower road KMs to manage, which - according to JSC and MSC reflects differences in asset maintenance levels. Based on advice from JSC and MSC, we model transport and communication expenditure as MSC cost per road KM plus, 80 percent of the difference between JSC and MSC wages and materials expenditure per road KM. This translates to $1.69 per road KM at FY 2016 (or 89% of JSC per KM cost). Applying this cost per road KM to total road assets in JSC and MSC leads to higher expenditure under amalgamation.

[3] For Transport and Communication only 50 percent of the predicted savings implied by the per-capita differential between MSC and JSC is included. This is to account of geographical dispersion of the two council areas.

Following are a set of additional assumptions applied to all scenarios in this study:

- Transition period: It is assumed that cost savings only commence four years from now (FY 2016) in FY 2019. This encompasses a transition period where council cost structures gradually move to merged structures where economies of scale apply.

- Merger costs: There is likely to be transition costs to change systems and processes following a merger. SGS undertook a number of case studies to understand the findings of mergers for councils in the UK, New Zealand and Queensland. For this study, findings from the UK case study are used to estimate the cost of transition (2.8 percent of base case expenditure). This includes both systems and processes, and some redundancies.

- Operating expenditure projections: Expenditure savings are assumed to grow in line with projected Long Term Financial Plan (LTFP) expenditure growth rates for each council. Population is as per DP&E projections for the two LGAs.

- Discount rate: The discount rate is used to measure the present value of future flows of money and takes into account not just the time value of money, but also the risk or uncertainty of future cash flows. This is used in Discounted Cash Flow (DCF) analysis as a way to translate future cash flows to the present. A high discount rate reduces the present value of future flows, while a low discount rate increases the present value. A nominal discount rate of 5.5% per annum is used in the cash flow model, as all cash flows are in nominal terms.

Given the high-level nature of this financial analysis, it is worth reiterating that the efficiency savings estimates are preliminary only and that the following caveats apply:

- Savings from governance are based on a high-level assumption regarding the nature of the future entity. This is ultimately at the discretion of the merging parties, and the administration of a future entity.

- Since a detailed service review has not been completed, differences in services levels and/or quality are not explicitly considered. For instance, a council may provide a service of regional significance, which is not comparable with services provided by another council. This may impact services relating to environment, and recreation and culture.

- Salary equalisation of merging councils has not been explicitly considered here. On the revenue side, rates related impacts have not been explicitly modelled either.

- We have also not considered State Government incentives included in the *Fit for the Future* program.

Modelling processes

For the lead council model, pre-merger wages and materials operating expenditure from the LTFP is compared with post-merger wages and materials expenditure to derive financial savings.

For the average efficiency model, predicted pre-merger expenditure is compared with predicted post-merger expenditure, to derive a percentage reduction in total expenditure, which is then applied to the base case expenditure of MSC and JSC wages and materials, to derive financial savings.

These post-merger cost savings are then modelled in a Discounted Cash Flow (DCF) framework over the next 10 years. Using a nominal discount rate of 5.5 percent – which broadly reflects the Weighted

Average Cost of Capital (WACC) for NSW councils - all future cash flows are translated to present values at FY ending 2016.

As noted earlier, the merger costs for each option occur over three years (2016 to 2018) of the analysis, and savings commence in 2019. The merger costs shown in Table 9 is the total of expenditure over three years.

Modelling results

Table 8 shows the results of the high-level financial modelling for the **efficiency model** and **average efficiency** scenarios.

Given the difference in per capita and per km expenditure of Murrumbidgee and Jerilderie[4] (which reflects Murrumbidgee's comparative scale and efficiency of operations), there is potential for savings in administration ($2.8 million over 10 years), and transport and communication ($3.3 million over 10 years).

Given the difference in per capita expenditure of Murrumbidgee and Jerilderie, there is potential for savings in administration ($2.8 million over 10 years), and recreation and culture ($1.5 million over 10 years). These savings assume rationalisation of buildings, staff, methods, systems, and supplier contracts to achieve efficiencies observed at Murrumbidgee. As noted earlier, based on advice from MSC and JSC, Transport and communication expenditure is modelled to increase under amalgamation. Over ten years, this increase is around $1.6 million in present value terms.

In aggregate, the efficiency scenario models $3.5 million in efficiency savings over 10 years (or around $350,000 per annum on average). The lead council scenario also assumes reduction in duplication only, and is not constrained by LGA Act (1993) specifications (see Scenario 3).

Scenario 2, the average efficiency modelling which estimates the potential for savings from economies of scale, shows moderate financial savings under the merger option. This is because the increase in population from Jerilderie joining with Murrumbidgee (increase of approximately 1,450 in FYE 2016) is not large enough to compensate for the increase in geographic dispersion (80 percent increase in road length). In present value terms, this is around $3.5 million over ten years or 2.4 percent of the base case LTFP total expenditure (including depreciation, interest, and others) of the two unmerged councils. This suggests that a merged entity is unlikely to generate significant pure efficiencies from scale alone, due to the geographic dispersion of the two areas.

TABLE 9 NPV ($ THOUSANDS) OF POTENTIAL EFFICIENCY SAVINGS – SCENARIOS 1 AND 2

	10 year PV at FYE 2016 ('000)
Scenario 1: efficiency model	
New expenditure	
Merger cost	-$473
Expenditure savings	
Governance	$291
Administration	$2,796
Public Order & Safety	$0
Health	$0
Environment	$0
Community Services	$0
Housing & Community Amenities	$0
Recreation & Culture	$1,512

[4] Based on FY LTFP 2016 estimates of wages and materials, this is $2463 for MSC and $4593 for JSC. Note that these estimates exclude Water and Sewer expenditure, as well as interest payments, depreciation and amortization, and other expenditure.

Fuel & Energy	$0
Agriculture	$0
Mining & Construction	$0
Transport & Communication	-$1,637
Economic Affairs	$1,014
Scenario 1 –efficiency model: savings	**$3,503**
Scenario 1 – efficiency model: share of base case	**2.4%**
Scenario 2 - average efficiency: savings	**$3,429**
Scenario 2 - average efficiency : share of base case	**2.4%**

Source: SGS, 2015.
Note that all savings estimates relate to wages and materials only, exclude depreciation.

4.2 Legislative framework analysis financial savings

In this section SGS has modelled financial savings from the proposed merger taking into account factors that should be considered when contemplating boundary changes, as per Section 263 (3) and Section 218 CA of the Local Government Act 1993.

SGS has assumed one forced redundancy at the executive level (General Manager only), but all other staff rationalisation is with natural attrition only. In addition, SGS has assumed that no change to buildings and assets.

Specific assumptions are detailed below.

- Executive level redundancies are savings generated by removing duplication. These estimates are based on assumed salary structures, but only apply to the General Manager.
- Attrition rates are based on advice from MSC and JSC (0.5% per annum). These attrition rates are applied to employee costs to derive savings. This assumption implies that whilst there are no redundancies at the non-executive level, a hiring freeze persists over the period of the modelling.
- There are currently 13 councillors in both MSC and JSC. It is assumed that the merged entity would have seven councillors (as in Scenario 1). This implies that there are savings from having six fewer councillors (at $8000 per councillor per annum), which are shown in Other Expenses.
- Since it has been assumed that council offices and facilities at Murrumbidgee and Jerilderie remain, there are no explicit savings from building and asset rationalisations.
- Assumptions regarding merger costs, transition period, growth in savings, and discount rate are as Scenarios 1 and 2.

TABLE 10 LEGISLATIVE FRAMEWORK SCENARIO - ASSUMPTIONS

	Assumption	Source
Executive rationalisations		
General Manager	$180,000	Based on JSC pay structure.
Attrition rates - applied to Employee costs (excl. executive)		
MSC	0.5%	Using probable attritions provided by JSC
JSC	0.5%	Using probable attritions provided by JSC
Efficiency on materials and contracts	5.0%	Based on likely joint utilisation
Governance	7 councillors	Based on likely governance structure
Buildings and assets	No change	

The modelling shows that there is potential for around $1.3 million savings (over 10 years) from staff rationalisation – assuming one executive redundancy (general manager only) and a freeze on hiring of non-executive staff; and around $2 million in savings over 10 years from materials and contracts. Unlike Scenario 1, since the modelling approach does not assume JSC adopting MSC systems and processes (implicit in their per capita expenditure) it is not possible to identify the likely major recipient of savings. In other words, each area is equally likely to experience efficiencies in this scenario.

As before, these savings commence in FY 2019 (four years from FY 2016), and merger costs (including additional executive redundancies) occur over the first three years of the analysis.

Overall, the legislative framework modelling shows savings of around $3 million over 10 years (or ~$300,000 per annum, on average). This is around 2.1 percent of base case/ standalone operating expenditures (including depreciation and others).

TABLE 11 LEGISLATIVE FRAMEWORK FINANCIAL SAVINGS - SCENARIO 3

	10 year PV at FYE 2016 ('000)
Employee Costs	$1,290
Materials & Contracts	$2,059
Borrowing Costs	$0
Depreciation & Amortisation	$0
Other Expenses	$291
Loss from Disposal of Assets	$0
Merger costs	-$473
Additional executive rationalisation cost	-$170
Scenario 3 - legislative framework scenario : savings	**$2,998**
Scenario 3 - legislative framework scenario : share of base case	**2.1%**

Source: SGS, 2015.
Note that all estimates (and growth rates) exclude depreciation.

4.3 Comparison of financial savings scenarios

The table below compares the savings estimated under each scenario.

The estimates of scenario 1 and 2 demonstrate *efficiency savings*. Under current legislation, some of these efficiency improvements will not result in expenditure savings, but rather create opportunities for the merged entity to direct resources from efficiency improvements towards building strategic capacity and/or service improvement.

The estimates from Scenario 1 assume rationalisation of assets and buildings, unconstrained rationalisation of staff, and do not explicitly account for geographic dispersion. Scenario 2 are average estimates derived from a statistical model, so there are no explicit assumptions regarding governance. Instead, it reflects the potential for economies of scale. Due to the increase in geographic area under amalgamation, the potential for economies of scale is weak.

Scenario 3 projects the potential for *expenditure savings*, and takes into account constraints implied in the Local Government Act 1993.

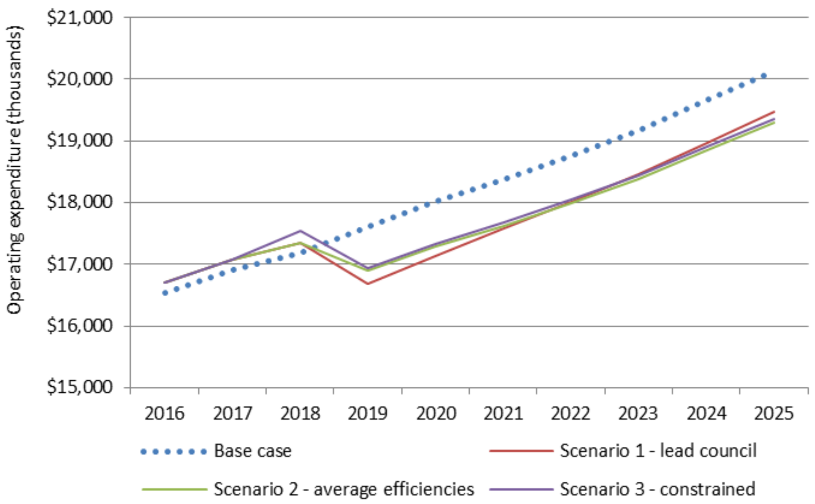
TABLE 12 COMPARISON OF SCENARIOS

	10 year PV at FYE 2016 ('000)
Scenario 1 - efficiency model: savings	$3,503
Scenario 1 - efficiency: share of base case	2.4%
Scenario 2 - average efficiency: savings	$3,429
Scenario 2 - average efficiency: share of base case	2.4%
Scenario 3 - legislative framework scenario: savings	$2,998
Scenario 3 - legislative framework scenario: share of base case	2.1%

Source: SGS, 2015.
Note that all estimates (and growth rates) exclude depreciation.

The range of estimates provided in this study should be used subject to the caveats specified. However, the estimates provide a reasonable high-level indication of the nature of the potential savings from a merger of MSC and JSC. As shown in the graph below, the base case trajectory of expenditure could be altered under the merger option. Though, this would depend on the nature of the circumstances that transpire. With those caveats in mind, under current legislation the likely efficiency savings would be between 2.1% and 2.4% of the two stand-alone Councils' expenditure (with depreciation).

FIGURE 19 OPERATING EXPENDITURE – SCENARIOS AND BASE CASE



Source: SGS, 2015.

4.4 Amalgamation risks

Merger and transition costs

With amalgamation, transition costs will occur and these are associated with systems and processes, and redundancies. The table below, Table 13, illustrates the possible range of merger costs that could actually result.

TABLE 13 MERGER COST ESTIMATES – CASE STUDIES

Location	Period	Amount description	Included aspects	Number of LGAs	Source[3]
Used in this study					
Cornwall, UK	2008-2009	2.8% of operating expenditure (£42 M)	50% redundancies, 50% systems and processes	7	SGS study (2014)
Other sources					
Queensland	2008-2009 over 10 year period	Final assessed claim approx. $194.8M total for 24 councils, avg. $8.1 per council (Original claim by councils range$1.2M - $21.5M)	Approx. 50% Infrastructure, 30% Wages, Salaries, Redundancies, 20% Systems, Process & Operations.	24	Queensland Treasury Corporation (2009)
Western Australia	2008 over 4 year period	$8.8M	Change Management, Relocation, Policy & Regulation, Civic/Community and Operating Processes	3	Bob Davis, City of Greater Geraldton (2013).
	2008 over 4 year period	$3.5M		2	
Halifax, Canada	1996 n.f.d	$24M (one off transition) + Ongoing transition costs	One off costs not stated. Ongoing costs include IT, wages and salaries	Unspecified	McKinlay Douglas Ltd (2006)

Source: Collated by SGS from previous work.

If the new, amalgamated entity does not to follow through with projected efficiencies, this will affect the financial viability of the merged council. Similarly, decisions made subsequent to the merger about the rationalisation of facilities and services, may not reduce the cost base of the merged organisation as originally modelled. This is one of the major financial risks avoided under the base case option.

The exact merger and transition costs remain uncertain and a number of risks that may drive the costs up include:

- Projected efficiency gains fail to come to fruition
- Salary equalisation and differences between councils
- Rates equalisation and the risk to rate revenue
- Equalisation of service levels and skew towards highest service level.

[3] McKinlay Douglas Limited. (2006). *Local government structure and efficiency*, a report prepared for local government New Zealand, Tauranga: Author.; Queensland Treasury Corporation (2009), *Review of local government amalgamation costs funding submission – final summary report*, Brisbane: Author; and Davis, B. (2013). *Some insights from experiences of the City of Greater Geraldton: Amalgam of City of Geraldton, Shire of Greenough and Shire of Mullewa* [PowerPoint slides]. Presentation to City of Melville on 16th August 2013.

Salary equalisation

It is likely that the Shires considered in this study have different salary structures. A merged entity would need to equalise salaries and wages to establish a consistent pay structure and it is likely that salaries would rise toward the most generous system, adding to long term costs.

The financial modelling in this study does not explicitly consider this issue; so it is possible that the estimated savings underestimate the costs arising from salary equalisation. This issue is of medium risk.

Organisational cultures

The integration of two organisational cultures needs to be carefully managed, especially if cultures are very different, by strong and inspiring leadership. If not managed well, employees may resist change, morale may decrease; reducing business performance and increasing staff turnover, which may add to the time and costs involved in the transition period.

This issue is of medium risk.

Impact on rates

There are differences in the rating systems used by MSC and JSC, which impact on the rates charged to individual property types. There are variations also in the proportion of rates borne by farms and residential rate payers.

A merged entity would eventually have to set up a single rating system across the new administrative boundaries and, regardless of the mechanism adopted, there are likely to be some properties where rates would rise and others where rates would fall.

A key driver for this would be differences in land values. It is possible that the total rate income pool would remain unchanged under a new entity (by equalising rates in a manner that leaves rate income unchanged). However, a new rate system designed to minimise impact on residents and businesses, may reduce the rate revenue pool.

This issue is of medium risk.

The new merged entity (council) may elect to use some savings to reduce revenue from external sources and thereby enhance the own source revenue ratio, or to reduce rates.

Below is a basic calculation of the likely impacts on the rates for different rate categories in Murrumbidgee and Jerilderie. It assumes the total rate revenue base remains the same before and after amalgamation, and under the new rating structure the base component makes up 30% of the total rates raised from each category.

While noting the actual model adopted may be different, the impact of equalisation on the rates under the stated assumptions suggest upward changes for non-farm land in Murrumbidgee (between 11% and 30% for rural residential and business properties). In Jerilderie there would be an upward trend for farmland of about 11%, while rates would drop between 9% and 30% for rural residential and residential properties respectively.

TABLE 14 IMPACT ON RATES BEFORE AND AFTER THE AMALGAMATION

		Murrumbidgee, average rates			Jerilderie, average rates	
Rate categories	**No.**	**Standalone**	**Merger**	**No.**	**Standalone**	**Merger**
Residential	698	$220	$266	382	$279	$196
Residential Rural	21	$647	$716	26	$632	$576
Business	93	$373	$486	150	$499	$429
Farmland	509	$3,291	$2,924	539	$3,068	$3,414

Source: SGS (2015)

Differences in service levels and quality

As noted earlier, a detailed service review has not been completed for this study, and differences in service levels and/or quality have not been explicitly considered.

Equalisation of services levels may lead to the highest service level (often the most costly one) of the two pre-existing councils being preferred and rolled out across the amalgamated council, resulting in costs going up.

This issue is of medium risk.

Impacts on towns

The project financial savings under Scenario 3 – legislative framework financial savings model – are mostly attributable to a reduction in staffing levels, i.e. executive redundancies combined with the natural attrition of non-executive staff and a hiring freeze.

Generally speaking, the employment impacts on the townships would be limited and indirect with retiring staff not being directly replaced. That is, if the efficiency savings were used to reduce staff levels/expenditure. Both councils indicated they intend to utilise the efficiency savings in one area to build up capacity elsewhere (asset maintenance) and to increase fee for service delivery, and with that own source revenue.

This issue is of low risk.

Local representation

Another issue, not explicitly covered in this analysis, is the risk of reduced local representation and reduced local sovereignty for residents. Indeed SGS has assumed a total of seven elected members in its Scenario 3 – financially legislative framework modelling, which represents an overall reduction of elected members compared to the two standalone councils.

Both councils indicate that a benefit of this merger option compared to a merger with a larger council is that local representation will not be materially affected. While the councils identified the risk of ‘competition’ of communities within the merged municipal area, it is likely a ward system will continue to exist. Murrumbidgee consists currently of two wards, and as a merged entity it is likely there would be three wards, which would contribute to future local representation.

This issue is of low risk.

Legacy issues

In theory, under the new merged entity, rates and service levels would be equalised over time with everyone contributing and benefitting in an equitable way. That, in combination with the savings of the merger, would mean that everyone gets better value for money.

'Legacy issues' occur when the new merged entity 'inherits' financial or asset maintenance issues from the merging councils. Legacy issues are likely when there is a significant difference in the financial performance between the merging councils. They can result in one former council area 'subsidising' or 'diverting resources from their area' to support or solve issues in another former council area.

For example, if one council has a significant asset maintenance backlog that would need to be addressed by the merged entity, then all constituents would be required to contribute to that (through their rates). And arguably, resources would be diverted from an area that a former stand-alone council would have used to the benefit of their own community.

If not properly identified and addressed upfront, significant resistance among council managers, staff, elected members and constituents of the subsidising council(s) would complicate the merger and increase the transitional costs and timeframe of the merger.

The financial models used do not identify the existence (or absence) of any such issues. If applicable, the savings of the merger could be used towards addressing any such issues.

The councils did not raise any concerns in this regard during consultation.

This issue is of low to medium risk.

5 BENEFITS & COSTS OF THE MERGER

There is a range of financial and non-financial benefits and costs associated with a merger of Murrumbidgee with Jerilderie, as has been highlighted throughout the report.

In short, the **benefits** of the merger are expected to be:

- The financial modelling indicates the merger will generate *efficiency* savings of between 2.1% and 2.4%. If the efficiencies were directed towards reducing expenditure levels, the savings could be up to 2.1% under current legislation (LGA Act 1993).

- The councils indicate the efficiency gains (2.1% to 2.4%) are intended to be used to address a number of key priorities and challenges, including:

    - Increasing own source revenue by expanding fee for service delivery in areas such as road maintenance, building maintenance and works on private land (such as irrigation infrastructure). This in turn may also free up additional discretionary spending options.

    - Common community needs and expectations in areas like sport and recreation, street sweeping, aged and community care services and heritage conservation.

    - Enhance the merged entity's strategic capacity in areas like economic development, tourism and planning.

    - Enabling of functional specialisation and enable the attraction and retention of well qualified staff.

    - Improvement of administrative and communications systems.

- As a result, the merged entity will be able to achieve a better strategic capacity than the two standalone councils.

- The merged entity will bring together two local government areas of similar size in terms of population. Local representation will be protected more than under a model where councils would merge with a significantly larger council. The existing Murrumbidgee ward system would likely be extended to include Jerilderie to safeguard local representation.

The **costs** of the merger are expected to be:

- The costs of the merger and transition into the new organisation.

- The scale of the merged entity with a population base of approximately 3,800 residents is still small. The potential increase in strategic capacity is therefore limited. Also, the merged entity is unlikely to be able to address all key priorities and challenges at once.

- While local representation would be fairly well safeguarded under the merged entity, the councils did express a concern in regards to competition for resources between the communities within the merged municipality. This may be driven by the differences in the level of socio-economic disadvantage and related community needs for assistance and services.

- There may be differences in workforce cultures between the two councils. If not managed well, cultural clashes may result in increased transition costs, higher staff turnover rates and lower workplace satisfaction of council staff.

- Depending on the equalisation scheme adopted, rates could be impacted considerably for some property categories.

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