

Response to IPART Assessment of Weddin Shire Council as 'Unfit'

EXECUTIVE SUMMARY

SUMMARY

The purpose of this report is to advise Premier & Cabinet of Council's response in relation to the future of Weddin Shire Council. Council continues to support a stand-alone position as a Rural Council.

In its assessment of Weddin Shire Council's proposal the Independent Pricing and Regulatory Tribunal (IPART) determined that there would be no change to the Federal Assistance Grant allocation targeting a more equitable distribution and as such recalculated the operational Ratio on the basis of no increase and judged Weddin Shire Council 'unfit'. This was contrary to expectations and contrary to one of the primary recommendations of the Independent Local Government Review Panel (ILGRP). Attached are summaries of the issues that the council has considered in contemplating its options, these are presented in a set of tables describing key data for comparative purposes.

This report also addresses the elements of an effective system of local government as identified by the ILGRP in their paper "Better, Stronger Local Government". The ILGRP identified Cowra or Forbes as possible amalgamation partners however these were not mandated and both of these have indicated that they are opposed to amalgamation. In the absence of potential partners for amalgamation consistent with the ILGRP Report and with a simple recalculation of a FAGs allocation of a \$380K increase per annum Weddin Shire Council can meet the Ratios and be judged 'fit'.

Weddin Shire Council embraced the reform process and indicated in its submission that it would reduce the number of Councillors from 9 to 7 and reduce the number of meetings in line with the Rural Council objectives.

Weddin Shire Council (Council) has undertaken an independently reviewed survey on community attitudes to the NSW Government proposal to seek a voluntary amalgamation with neighbouring councils. The survey sample size of over 740 from a population of 2,605 of over 18 year olds is statistically significant with a margin of error of +/-4.3% and confidence level of 99%. This means that the sample size is very reliable and would deliver a similar response if held again 99% of the time.

Some 90% of respondents were completely opposed or unsupportive of amalgamation while only 8% were supportive. In addition at a public meeting attended by 500 people there was overwhelming opposition to amalgamation with attendees voting unanimously for Weddin Shire Council to stand alone as a Rural Council.

On the grounds of the very significant community opposition, the fact that there are no viable partners and that Weddin can meet the 'fit' ratios the Council has determined to '**Stand Alone as a Rural Council**'.

COMMENTARY

Weddin Shire's Rural Council stand-alone Proposal to IPART was informed by a number of substantiated and compelling economic, social and political considerations but was judged 'unfit'. A Rural Council meets a different set of criteria including that it has a population of less than 5,000.

The NSW Government requested Rural Councils to consider innovative ways to improve sustainability over time. Weddin drew upon the ILGRP Report in examining options for improving sustainability into the future. The NSW Government and the ILGRP Report encouraged the Rural Councils to embrace collaborative arrangements with the proposed regional Central NSW Joint Organisation. In addition Weddin also offered to support collaboration with other Rural Councils where there were similar issues. Indeed it corresponded and held discussion with those councils under 4,000 people and identified as Rural Councils.

On financial criteria IPART judged Weddin shire Council 'fit' to be granted a Special Rate Variation (SRV) early in 2015 and capable of financing replacement facilities while also recognising that Weddin's Rates were not previously set at a sustainable level. IPART judged that Weddin's long term financial position was sufficiently robust to service loans and to borrow for asset replacement. To have IPART determine Weddin Council 'unfit' now as part of the Fit for the Future (FFTF) process is difficult to reconcile with the previous decision.

Weddin provided transparent assessment and examination of the financial implications of achievable options to remain sustainable in its FFTF Proposal to IPART. Weddin provided IPART with two levels of analysis; one that was immediately achievable and one that required a more visionary approach. Much of this more ambitious visionary analysis did not quantify specific savings as it was seen as preliminary, subject to the Central NSW Joint Organisation (JO) model and support for working with Rural Councils following determinations on amalgamations. In short Weddin Shire Council delivered a conservative and achievable Proposal. Some Rural Councils were judged 'fit' and a prudential examination of the basis of their sustainability claims are not readily verifiable and in some cases questionable.

Central NSW Joint Organisation (JO) had not established its role beyond indications that it would not provide direct regional service support. This meant that initial conversations with the Regional City Councils on regional service support provided the only real options for meeting collaborative targets over time. Options for how such collaboration might work in further enhancing scale and capacity as well as possibilities of collaboration with other Rural Councils were extensively explored. Given that roles and responsibilities were to emerge over time collaboration was of necessity dependent on future good will and commitment and this was central to Weddin Council's proposal to IPART to stand alone.

Weddin's stand-alone proposal relied in part on a justifiable change to the Federal Assistance Grants (FAGs) provided to local Councils. While Weddin Shire Council argued an upper range increase of \$1.5mil from 2018 per annum based on figures in the Panel report Weddin would have met the financial ratio standard at a much lower increased FAGs allocation of \$380,000 per annum, and would have been judged as 'fit'. This upper range increase still only represents 1% of the total pool identified as available for reallocation at \$150mil. IPART failed to argue why such a moderate base increase was unrealistic, but then this is very much a political decision and goes to the heart of the NSW Government and especially the National Party's commitment to rural communities, and agricultural economy labour supply.

The Weddin Shire Council understood that Rural Councils would be facilitated by way of policy and likely through regulation based on the emerging role of the Joint Organisation and opportunities for the Rural Councils not voluntarily amalgamating to collaborate on like issues. This seemed to be the only reason for providing a separate application for Rural Councils. Weddin undertook to reduce the number of Councillors from 9 to 7 and to change the number of formal meetings to minimise administrative cost to governance. Weddin was open about its commitment to the reform process and to working towards sustainability based on what it could see as achievable, especially given the lack of engagement from potential partner councils to amalgamation.

Since the IPART determination Weddin has reviewed all of the key criteria that might underpin possible amalgamation with the identified partners Cowra and Forbes Councils. Neither the Cowra or Forbes communities have a clear intention to merge with Weddin Shire Council. On a number of criteria Cowra Council is most similar economically, socially and financially to Weddin Shire. Weddin notes that critical to the interests of goodwill and a collaborative approach transitional processes that engage amalgamated partners are preferred by the NSW Government.

Forbes / Weddin cannot deliver a sustainable financial amalgamated organisation especially given that section 218CA of the NSW Local Government Act quarantines staff reductions for staff numbers based in Grenfell at the time of the amalgamation announcement, the administrative centre of Weddin Shire Council, in perpetuity.

There seems to be few simple options available to Weddin. On balance a stand-alone position delivers the best representative outcome with Weddin judged as meeting scale and capacity, strategic capacity is achievable in collaboration with the JO and other Rural Councils allowing Weddin to continue to deliver services and fund community amenity so that it can sustain the labour force to agriculture for the long term benefit of the State and the Nation.

The Weddin community have overwhelmingly resolved to **Stand Alone** as a Rural Council and this should be supported by the NSW Premier and Cabinet.

COMPREHENSIVE RESPONSE

WEDDIN SHIRE

Weddin Shire Council is located in Central West NSW and has a population of some 3,700 people and covers 3,410 KM². The Shire Neighbours Cowra, Forbes, Bland and Young. Assessing the factor analysis undertaken by the ILGRP the closest like communities are Cowra or Young. Weddin has recently implemented a Special Rate Variation (SRV) approved by IPART to continue to provide critical community infrastructure and to better align its rates with neighbouring communities ensuring ongoing sustainability.

In preparing the IPART Proposal to stand alone as a Rural Council, Weddin Council spoke with the neighbours identified in the ILGRP Report and was advised that there was no appetite for amalgamation. Forbes and Cowra Councils informed by their community's expectations have not advised any changed positions on potential amalgamation with Weddin.

IPART PROPOSAL

Weddin's Rural Council Proposal to IPART argued the importance of community amenity and skills to the long term survival of rural centres that supply labour and social support to agriculture. It referred to a number of National and State Government reports that argued the critical role that agriculture is to play in meeting the future market demands identified in emergent trade agreements. These trade agreements support positive terms of trade and seek to fill gaps left by the changing mining resource industry. Much of this was argued in the Panel report but failed to translate into the consideration by IPART which appears to have been reduced to a decision based on Weddin meeting standard financial ratios. The relatively significant negative economic and social impacts that will be felt in smaller rural and regional areas as a result of amalgamations have not been adequately considered as part of IPART's decision making process.

The IPART terms of reference also mandated the use of NSW Department of Planning population projections which fail to consider a changed structural economic and social environment. The impact of demand from the Trans-Pacific Partnership Agreement (TPP) will require labour and support from rural centres as tariffs are eliminated and quotas increased for major markets, indeed as stated in the recent Department of Foreign Affairs and Trade:

The TPP has delivered high quality outcomes that will:

- *open substantial new trade and investment opportunities for Australia;*
- *promote job-creating growth;*
- *further integrate our economies in this fast-growing region; and*
- *promote and facilitate regional supply chains.*

These outcomes will not be possible with decreased economic and social capacity in the very rural centres that will need to support them. It seems incongruous that the Northern Australia Report envisages a need to expand social support and amenity to drive agriculture while we are in danger of closing down this support in Rural NSW.

Equally IPART was not tasked with considering the social implications of a loss of skills to the community. In smaller communities such as Weddin that are more than 40 mins to 1 hr drive from larger centres administrative staff at council and their partners are important to the social and administrative fabric and capacity of community. Clubs, aged care facilities and community organisations rely upon these people to function effectively. The Weddin Proposal argued the importance of these skills as supported by a variety of papers by the reserve bank on labour market movements and reports on long term negative economic and social impacts in Victoria to small communities. These social impacts were the very reason the Panel argued for a Rural Council model.

Council applied for a Special Rate variation and was judged by IPART to be fit enough to grant an increase to provide community infrastructure including the Grenfell Swimming Pool and the Health (medical) facility early this year. The community was prepared to pay more in their rates to secure the communities services and future, and as advised in surveys supporting this application the community was prepared to pay more to secure ongoing local representation.

Weddin Shire council submitted a Fit for the Future proposal on the basis of a series of assumptions including assessments around what might be provided and supported under the revised Rural Council Model which saw a bigger role for collaboration with the Regional City councils and the other Rural Councils. Weddin also took seriously a number of indications from Government that the FAGs, that provides support to communities with 'disabilities' such as isolation, can be equalised more efficiently. As argued by the ILGRP many Sydney Councils get grants that they simply do not need on the basis of a per capita distribution.

The Henry review on taxation, the ILGRP report and a number of other reports (including the upper house review) have indicated that there is around \$150mil available for redistribution to Rural Councils. This seems like a good investment as it recognises the true cost to Capital cities of agricultural supply not currently costed into the supply chain. Good community amenity, especially health services and community skills provided by Council office staff in Rural Villages, are essential to retaining people to service agriculture and aged communities. Good community amenity can attract regional city and capital city residents to rural areas as evidenced by research undertaken by Evocities. This was argued in Weddin's FTF Proposal to IPART and referenced.

Weddin identified a maximum increase of \$1.5mil that could be readily available from 2017 CPI linked. However just \$380,000 as an annual increase would have been enough to meet the Ratio by 2025. IPART chose to delete the full \$1.5mil and then run the ratio calculation ignoring any potential change in the existing inequitable FAGs distribution. It is worth noting that \$1.5 mil only represents 1% of the \$150mil that was identified in the ILGRP report as being available to equity redistribution. Weddin was encouraged to make assumptions supported by the information provided in the ILGRP report and the advice from the Office of Local Government, these parameters were ignored by IPART.

However IPART's brief was not able to have regard for non-ratio assumptions. Decisions on future FAGs allocations are now a political decision. If the review of the FAGs grant allocation cannot increase the subsidy to Weddin by \$380,000 per annum from a total reallocated pool of \$150 mil provided to now more efficient amalgamated Sydney Councils then rural economies are doomed, as is the State and Federal Governments hope to improve agricultural exports positively impacting terms of trade.

Of special concern is that by judging Weddin unfit the NSW Government has denied the

community access to secure lower interest loan funds through Treasury Corp, even before the community has the capacity to lodge a response to the IPART determination. This will mean that even if not amalgamated the higher costs of loan funding will make it even harder for Weddin to meet the Ratio benchmarks to remain fit. In addition to the financial sustainability analysis of options for structural change like amalgamations, a broader consideration of criteria is very important in identifying a preferred option.

The following criterion in part addresses the elements of an effective system of local government as identified by the Independent Local Government Review Panel in their paper “Better, Stronger Local Government”. These are important considerations when thinking about options to stand alone or to amalgamate:

1. STRATEGIC CAPACITY

Strategic capacity incorporates a wide range of factors from planning and reporting which includes the ability to meet state planning obligations, ability to attract the required skills and professions, good corporate governance frameworks, effective leadership and management, advanced skills in strategic planning and policy development - all underpinned by an expectation of continuous improvement.

These attributes in varying combinations facilitate the ability to offer an increased capacity to provide the community with better services and improved infrastructure, reduced governance costs, improved council efficiencies, increased council financial independence and reduced cost impacts on ratepayers.

Comment

Stand Alone

Weddin Shire has supported a Rural Council Model. The Rural Council model needs work to develop a comprehensive understanding of the reporting and service delivery needs, and this is highlighted in the ILGRP Report. However, Weddin would draw on opportunities to work with the Central NSW Joint Organisation (JO) in coordinating regional planning, mechanisms for working with State authorities at a regional level, template policy development and advocacy and so on; as this seems to be the direction that the JO has decided to head. As for strategic planning and capacity and the other service delivery support components Weddin has held preliminary discussion with the Regional City Councils (e.g. Orange and Bathurst) on some of the service delivery support that could be provided on a fee for service basis.

There needs to be significant work undertaken on how this might best happen and to this end the Rural Council Proposal submitted by Weddin indicated that there should be funding support to the Rural Councils as a group to facilitate the strategic thinking that might need to be done to facilitate what and how this might be delivered.

There is significant capacity for properly resourced and funded Rural Council collaboration in more efficiently delivering services. Areas such as health service delivery would benefit from collaboration on best practice models and even a joint tender of management or service delivery, similar to the regional Waste Groups model would be beneficial. The Waste groups have delivered significant outcomes over some 20 years.

Finally, support to Rural Councils through a funded program would allow for strategic thinking that ensures that proposals can be put to the other players; JO, Regional City Councils and the NSW Government among others that advocate the specific needs of rural communities. This would assist in ensuring that as a group Rural Councils and their communities are not swamped or overwhelmed by better resourced interests and improve the capacity for effective collaboration.

Amalgamation

Amalgamation could deliver strategic capacity by increasing the sheer size of the organisation and amalgamation with either Cowra or Forbes would in part achieve increased strategic capacity. However, the extent to which this is possible is extremely limited, especially as collaborative arrangements would still be required and section 218CA of the Local Government Act would still need to be met and as such demands for capacity in Grenfell would remain. This section of the act secures the same number of Council employees in communities under 5,000 in perpetuity following amalgamation.

There seems little point in amalgamating and still requiring similar collaborative activity with a new less representative authority in a model that would reduce the capacity of the former Rural Council body to ensure better services and improved infrastructure, reduced governance costs, improved council efficiencies, increased council financial independence and reduced cost impacts on ratepayers.

2. SERVICE PROVISION

The current and future needs of the community must play a central role when considering how services are best delivered to the community. Service delivery and associated asset provision has been the ongoing challenge in ensuring services meet ever changing community needs while operating in an increasingly tighter fiscal environment. Larger councils are perceived as having greater financial capacity and ability to provide not only a broader range of services but a higher level of services.

The potential of amalgamation option enables council to increase economies of scale and economies of scope, identify opportunities for rationalisation in asset planning, and get on top of the asset funding renewal gap.

Comment

Service delivery is the key to attraction and retention of skills to support the agricultural sector in rural centres. The concept of a Rural Council was raised by the ILGRP report as a way of ensuring appropriate services continued to be available in rural areas.

As previously discussed this has State and National implications in facilitating meeting economic targets at all levels. Importantly aged care services are and will continue to be a major activity for Grenfell in the Weddin Shire. As set out in Weddin's proposal to IPART the Reserve Bank of Australia research argues that labour moves to areas with good community amenity, there is significant risk that by 'dumbing down' of the skills in Grenfell and the villages in removing key skilled personnel from the Council and consequently their partners and families, management of amenity will be negatively impacted. The Proposal cited many National and State reports to support this argument.

The digital economy and push pressures for regional City and capital city dwellers around congestion, housing affordability and quality of life will over time result in migration and improve business opportunity in rural communities. Again the proposal cited many research and policy papers to support this trend. On the ground this trend is evident in Grenfell and especially in the farming community where direct farm to consumer sales and digital enterprise is seeing strong development.

Council had also sought and been granted a special rate variation targeted at providing critical health and medical service infrastructure. The new facility is designed to improve attraction and retention of doctors and reduce depreciation and maintenance costs. The business model is based on a GP Super-clinic model supported by the National Government that would attract general and allied health practitioners on a walk in walk out basis and provide more comprehensive and integrated services.

Amalgamation

Amalgamation with neighbours would see much of the capacity to maintain and retain amenity diminished likely never to recover, as a larger council would be inclined to move services to the larger centre, especially the higher skilled services. Such moves would disadvantage lower socio economic community members and lead to people exploring moves out of Grenfell town and the villages, as was experienced when there was no local doctor. For some such a move is not economically possible and would give rise to increased and isolated poverty ghettos.

Reductions in amenity have a domino effect leaving expensive infrastructure under-utilised (e.g. water, sewer and roads etc.) and simply increase the likelihood that depreciation and assets maintenance ratios become even harder to fund.

3. ASSET PLANNING AND RENEWAL

The ability to refine asset planning in order to develop a program of assets to be rationalised to meet service needs is central to delivering an effective system of local government. This consideration also includes asset management to better manage assets in a way that maximises asset service delivery, manages related risks and takes account of whole-of-life costs.

Comment

Weddin's IPART Proposal recognised that while some work had been done to improve the planning of assets maintenance and renewal there was still some work to be done. In fact it is probably a never ending process. This is not peculiar to Weddin and the NSW Upper House review on Local Government Reform 2015 indicated that there are many different and not readily comparable approaches to assessing and quantifying assets and the backlog of assets maintenance. The Weddin Rural Council Proposal to IPART indicated that in the last 2 years a comprehensive 'State of the Assets' identification process had commenced utilising a best practice approach with the support of external consultants. The next stage is to refine the current model and better integrate this with the financial planning of Council.

Assets management and funding depreciation on assets is a common challenge to 'Rural Councils' across the State and the response is different for Rural Councils in that they are custodians of significant kilometres of road accessed by many people not living in those communities. These roads and the carriers that utilise them are central to the national supply chain network. There are significant challenges in assets renewal that will not be remedied by amalgamation. A collaborative response where the Rural Councils can develop appropriate asset management plan models that can be integrated into an effective financial model is more likely to deliver results.

A survey of the community for the SRV indicated that community amenity - especially the Aquatic Centre and Health was important to Weddin.

In rural communities much of the groundwork and common financial responses can be improved across the Rural Councils through the use of common digital platforms - perhaps following a joint service delivery model hosted by a major Regional City Council, subject to an appropriate procurement process or joint agreements. This was argued in the Weddin FFTF IPART Proposal, but such collaboration takes time and resources that would need to be supported outside of the daily operations of the Rural Councils.

Rural Councils are best placed to advocate for these services and the infrastructure network as they better understand the critical role they play in the economic future of the agriculture and rural community amenity.

4. COMMUNITIES OF INTEREST

Community of interest has regard to the many communities of interests and the geographical cohesion in the existing areas and in the proposed new area. Community of interest can be economic, geographic, community character and social linkages.

Comment

The attached summary tables identify some challenges in finding a best fit in terms of an amalgamation. Weddin has used the cluster or factor analysis undertaken by the ILGRP to support this assessment. The best fit sits between Cowra and Young (Young is not nominated as a partner) but Cowra lies on the path to. Forbes is the least similar in terms of social and connectedness criteria. Grenfell at the centre of the Weddin Shire has an opportunistic relationship with its neighbours and as such there is no clear community of interest with its neighbours.

When comparing the SEIFA indices the occupational and education index sits equal with Bathurst, Cabonne and Orange local government areas well above that of the near neighbours. This indicates that the Weddin community has a strategic advantage in building upon the higher skills and business capacity imbedded in this SEIFA index.

5. LOCAL REPRESENTATION AND PARTICIPATION

One of the concerns in structural reform is the loss of local representation and the new political framework being able to appropriately represent the community. It is important that in each option Councillors be satisfied on the ability to continue to advocate effectively for local issues going forward. This also includes an electoral system (like a ward structure) that ensures as far as possible the elected body is representative of the make-up and varied interests of the community.

Comment

A major issue in the minds of the community of Weddin is the capacity of an amalgamated body to represent the Weddin Shire Community interests. Some 30% of those of voting age responded to the independent survey in 7 days. The results of the survey reflect a strong support to Stand Alone to some 90%. There were some concerns expressed on the potential of not accessing the proposed funding that has been put on the table to encourage amalgamation but this concern was insignificant in comparison to the overwhelming determination to retain effective representation. This view was particularly informed by the fact that there are no guarantees as to where the new amalgamated Council will spend any incentive money.

The issues were presented impartially in the survey with the questions prepared independently and peer reviewed.

A copy of the results are attached.

Amalgamation

Amalgamation with the neighbours would decimate representation unless there were some type of composite ward system where a number of councillors were elected at large and a number on a ward basis to represent differing community interest types.

WEDDIN COMMUNITY SURVEY AMALGAMATION PROPOSAL 12 NOVEMBER 2015

Introduction

Weddin Shire Council (Council) has undertaken an independently reviewed survey on community attitudes to the NSW Government proposal to seek a voluntary amalgamation with neighbouring councils. The survey is one tool available to Council to collect data on community views.

The survey had a preamble that was factual and unbiased as follows:

Weddin Shire Council has been judged by the Independent Pricing and Regulatory Tribunal (IPART) as being unfit.

NSW Government has asked that Weddin Shire Council respond to the issues raised by IPART and to voluntarily indicate a preferred amalgamation partner (a neighbouring Council) by 18 November 2015.

A voluntary amalgamation with one partner will receive \$5 million towards the amalgamation process and \$5 million for other costs. A voluntary amalgamation with 3 or more Councils will receive \$5 million towards the amalgamation process and \$10 million for other costs. The newly amalgamated Council will determine where that expenditure will be made.

The NSW Government is still to determine the final process should Weddin Shire not volunteer to amalgamate. Weddin Council may be judged to be fit as a Rural Council if this model is made available by the Government.

IPART judged Weddin Shire Council fit to increase its rates, to provide the Health Centre (Medical Centre) and a new pool at Grenfell, early in 2015 however on the standards set by the NSW Government, looking to facilitate amalgamation, IPART has now determined Weddin Shire 'unfit'. The Council has already undertaken extensive community consultation and will use the survey results to gain further community feedback.

The survey sample size of over 740 from a population of 2,605 of over 18 year olds is statistically significant with a margin of error of +/-4.3% and confidence level of 99%. This means that the sample size is very reliable and would deliver a similar response if held again 99% of the time.

Survey Report

2.1 Methodology

The survey was conducted using Survey Monkey. This is a reliable low-cost tool that provided sound data. The survey was piloted and the questions adjusted following respondent feedback to ensure a sound survey design.

The survey was marketed on the Council's website, the local newspaper (Grenfell Record) Council news section.

Direct marketing was undertaken at collection points with notices to encourage people to complete their survey i.e. the Council front counter, Grenfell Library, Technology centre, Quandialla / Greenethorpe, Caragabal Villages, post offices and the Caragabal Hotel.

Results

Sample

- A sample size of n=740 from a population base of 2,605 represents a +/- 4.3% error rate at the 99% confidence interval
- This result is well within standard statistical margins
- Analysis by age is statistically significant in the range groupings of 18-54 years and 55+ years

Respondent profile

The age distribution for the 693 responses was statistically consistent with the general age population of the Shire.

The male (46.5%) to female (53.5%) distribution was similar although there were younger female than younger male respondents and older male respondents than female.

Distribution profile

The spread of responses across the Shire is representative of the population distribution given by the Australian Bureau of Statistics.

Assessment of responses

Questions were only asked of people who lived in Weddin Shire there were 740 responses from residents over 6 days representing some 27% of the total voting age population of 2,605 as at the 2013 census. This is a very high response rate and demonstrates a high degree of community interest.

The age range split was generally in accordance with the population distribution for over 18 year old with the under 35 year age groups slightly under represented but not statistically significant due to the sample size.

Not all respondents indicated their primary residence however the split was representative with 75% from Grenfell, 6% from the villages and 19% from rural communities. Of these some 98% were aware that there were proposals to undertake a review of Local Government in NSW.

Some 90% of respondents were unsupportive or completely opposed to amalgamation while 8% were supportive.

The questionnaire provided an opportunity for people to make comments or to ask questions.

The responses to this were varied with some 302 separate comments. These fell into a variety of categories but mostly:

- Opposition to amalgamation
- Concern of representation and Weddin not being able to influence service delivery
- Concern over the potential loss of funds to the community, both incentive funds and funds that have been saved by the community
- Possibility that Grenfell Health Centre and the Aquatic centre upgrade would be lost
- There were strong views on the process and the political impact of ignoring the communities wishes
- Congratulating Council on undertaking a survey that allowed minority views that would not be easily voiced at a community forum.

Option 1 - Weddin stand alone

IPART recommended:

Weddin declared not fit. Satisfies scale and capacity as a Rural Council (contingent on the Government adopting a Rural Council Model) and does not satisfy overall financial criteria.

The Independent Local Government Review Panel recommended:

Weddin to establish a Rural Council in Central West Joint Organisation or potentially merge with Cowra or Forbes

Weddin Characteristics

Weddin		
Geographical Area (km2)		3,410
Population 2013		3,750
Projected population 2031		3,250
Population change last 5 years		-0.1%
No of Councillors		9
Population per Councillor		416
Electoral Arrangements		No wards. 9 councillors. Mayor elected by council
Average Taxable Incomes (\$)		\$30,621
Socio Economic Index Ranking (1 = low , 152 high)		52
No of Active Businesses		552
Value of DA's 2013/14		\$6 mil

Option 1 - Weddin stand alone

Financial Sustainability

			Weddin		
Sustainability Rating			Moderate		
Outlook			Negative		

What do the ratios mean?

Sustainability rating and Outlook derived from 2013 TCorp Report

Operating Ratio (NSW RC average is 7.8%)

Benchmark = Better than negative 4%. Measures a council's ability to contain operating expenditure within operating revenue.

Debt Service Cover Ratio (NSW RC average is 37.6)

Benchmark = Greater than 2.0. Measures the availability of cash to service debt including interest, principal and lease payments

Unrestricted Current Ratio

Benchmark = Greater than 1.5. Specific to Local Government, designed to represent a councils ability to meet debt repayments as they fall due.

Own Source Operating Revenue Ratio (NSW RC average is 42.5%)

Benchmark = Greater than 60%. Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Cash Expense Cover Ratio (NSW RC average is 9.5 months)

Benchmark = Greater than 3 months. Indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Infrastructure Backlog Ratio (NSW RC average is 7%)

Benchmark = Less than 2%. Shows what proportion the backlog is against total value of a council's infrastructure

Asset Maintenance Ratio (NSW RC average is 0.87)

Benchmark = Greater than 1. Measures actual spending on asset maintenance, compared to required spending.

Building/Infrastructure Renewal Ratio (NSW RC average is 96)

Benchmark = Greater than 100. Measures the rate of asset renewal versus rate of depreciation.

Performance

			Weddin		
Operating Ratio (%)			(4.3)		
Debt Service Cover Ratio			177		
Unrestricted Current Ratio			7.1		
Own Source Operating Revenue Ratio (%)			55		
Cash Expense Ratio			10.5 months		

Infrastructure

			Weddin		
Infrastructure Backlog Ratio (%)			3.4		
Asset Maintenance Ratio			0.7		
Roads, Bridges and Footpaths (\$ per capita			\$1,007		
Building & Infrastructure Renewal Ratio (%)			48		

Observations

- IPART has concluded that Weddin does not satisfy the criteria for sustainability. It meets the building and infrastructure ratio by 2019/20. Council does not meet the operating performance ratio on a revised calculation by IPART wherein it has decreased Councils estimates of future FAG's.
- The own source revenue ratio is forecast to reach 40.4% by 2019/20 without the inclusion of FAG's which is below the benchmark to improve over the period.
- Council satisfies the criterion for efficiency based on a decline in real operating expenditure over the period 2019/20.

Option 1 - Weddin stand alone

Regional local government outlook

All surrounding Councils in varying degrees are facing infrastructure and financial challenges into the future. Bland has a neutral financial sustainability ratio outlook, Cowra has positive financial sustainability ratio outlook, Forbes has a neutral financial sustainability ratio outlook, and Weddin a negative FSR outlook.

New collaborative arrangements may help to improve own source revenue options for the group and provide a regional perspective on service delivery. The area relies heavily on agriculture for its economic stability. This means that Councils and communities within the area are subject to the seasonal and economic fluctuations that define this industry. Extreme weather events, changes in commodities pricing and farming practices can impact significantly.

Many of the surrounding LGA's are expected to see continued population decline.

Financial/Governance Data

Revenue Source	Weddin	Weddin 13/14
Average Residential Rates	\$381	\$400
Average Business Rates	\$786	\$795
Average Farmland Rates	\$1,216	\$1,252
Average Mining Rates	\$4,000	\$5,000
Pensioner rebates	31%	
Total Revenue 12/13 (000's)	\$12,858	
Grants/Contributions (%)	41	
Typical Residential, Water & Sewer Bill (including usage)	\$297	\$356
Average Domestic Waste Management Charge	\$180	\$190
No of Code of Conduct complaints		0
Staff EFT		58

Option 1 - Weddin stand alone

Rating Policies and Structure

Each council is required to determine the combination of rates, charges, fees and pricing policies needed to fund the services it provides to the community. This is called a revenue policy. The revenue policy contains a rating structure that determines which rates and charges you will have to pay and how they will be calculated. Charges are generally determined on either an annual basis or according to usage – or they may be a combination of both, for example, water and sewer charges.

Councils can choose how they calculate and distribute rates among categories of rateable properties in the council area. For each category or sub-category, rates can be calculated in one of three ways. They can be based:

- entirely on the land value of the property
- on a combination of the land value of the property and a fixed amount per property
- entirely on the land value, but subject to a minimum amount.

When Councils merge the rating policies must be equalised into a single system. Weddin’s rating policy framework is structured with a base rate and ad valorem and with the following sub categories:

Council	Residential Sub Category	Business Sub Category	Farmland Sub Category	Mining Sub Category
Weddin	6	2	1	1

Council	Average Residential value per residential property	Proportion of farmland value in total value for LGA	Proportion of residential value in total value of LGA	Proportion of business value in total value of LGA	Cluster
Weddin	\$32.682	0.86	0.13	0.01	9

Notes:

Cluster 9 includes purely rural LGA’s in which UCV per residential property is low to very low and farmland contributes an overwhelming proportion of the rate base. Residential may contribute up to 20% and business generally next to nothing.

Option 1 - Weddin stand alone

Weddin rating forecasts with Special Rate Variation

Weddin With SRV	Sub-category or Special Rate name	Current Average Rate	Average Rate Year 1	Average Rate Year 2	Average Rate Year 3	Average Rate Year 4	Average Rate Year 5	Average Rate Year 6	Average Rate Year 7
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Residential	Grenfell	532.92	567.56	607.29	649.80	695.29	716.15	737.63	759.76
Residential	Ordinary	664.08	702.85	752.04	804.69	861.02	886.85	913.45	940.86
Residential	Caragabal	139.48	148.40	158.79	169.91	181.80	187.25	192.87	198.66
Residential	Greenethorpe	241.53	256.99	274.97	294.22	314.82	324.26	333.99	344.01
Residential	Quandialla	171.65	182.62	195.41	209.08	223.72	230.43	237.34	244.46
Residential	Bimbi	158.68	168.77	180.59	193.23	206.75	212.96	219.35	225.93
	TOTAL AVERAGE	488.30	519.53	555.89	594.81	636.44	655.53	675.20	695.46
Business	Main Street	867.64	923.13	987.75	1,056.89	1,130.88	1,164.80	1,199.75	1,235.74
Business	Ordinary	1,118.58	1,190.17	1,273.48	1,362.63	1,458.01	1,501.75	1,546.80	1,593.21
	TOTAL AVERAGE	978.74	1,041.36	1,114.26	1,192.26	1,275.71	1,313.99	1,353.41	1,394.01
Farmland	Farmland	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
	TOTAL AVERAGE	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
Mining	Mining	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18
	TOTAL AVERAGE	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18

Option 1 – Weddin stand alone

Infrastructure management

Whilst Weddin has an infrastructure backlog it is not totally out of character with other similar shire areas. Council needs to ensure it has sound planning processes to ensure that the community's assets are managed efficiently and effectively. Asset management planning should have a service delivery focus and the assets provided should be appropriate to meet the needs of the community. A collaborative approach via a Joint Organisation model which is currently being piloted in five regions of NSW may help to address regional infrastructure issues more holistically. The NSW Government's LIR's scheme may provide assistance for Council's with the capacity to increase borrowings.

	Weddin
Total Roads Length (KM's)	1,094
Total Public Halls (No)	2
Total Open Space (ha)	12
Total Infrastructure Backlog (TCorp 000's) 2012	\$9,645
Infrastructure Backlog Per Capita	\$2,583
Total Assets 2012 (TCorp 000's)	\$151,636
Assets per capita	\$40,610
Access to Internet at home (%)	64
Swimming Pools	2
Libraries	1

Option 1 - Weddin stand alone

Regional services and planning

Weddin resides within the Central West Regional Action Plan (RAP). The proposed Joint Organisation model could provide a strong voice in this process and help to connect council's integrated planning and reporting frameworks with the State planning processes.

Weddin resides within the Central West Regional Development Plan (RDA) planning area. Weddin

resides within the Central West Local Land Services Boundaries.

Health Services

Weddin resides within the Western NSW Local Health District.

Water and Wastewater supplies

Weddin operates a sewer business and does not meet the requirements of NSW Government Best Practice Management of Water Supply and Sewerage Framework. Council has indicated that it does not have any infrastructure backlog.

Water supply is provided by Central Tablelands Water County Council.

Transport

Weddin has very limited access to public transport.

Economic Development

The regional economy is heavily based on agriculture, with cattle, sheep, wool, cereal and grain crops.

Demographics

Weddin is located between four local government areas and has established community links with many of these LGA's. The Joint Organisation model would allow these community links to be preserved while opening opportunities for more strategic service delivery.

Social and Community Context

Weddin's major town is Grenfell. Grenfell provides important support for the surrounding agriculture areas. Weddin is located between four LGA's with the primary community of interest being Young. Health services and shopping are usually undertaken in Orange. The area provides labour to the surrounding agricultural areas.

Option 1 - Weddin stand alone

Regional context - IPART made the following observations about the Central West

There are 12 councils in the Central West region. In the Central West region we find Bathurst Regional Council (Bathurst), Cowra Shire Council (Cowra) and Parkes Shire Council (Parkes) are fit for the future. These councils meet the scale and capacity criterion as well as the financial criteria overall. Bathurst, Cowra and Parkes were presented with options for mergers or to stand alone in a Central West JO, but neither option was preferred.

The proposals submitted were consistent with the options identified. We find, Blayney Shire Council (Blayney), Cabonne Shire Council (Cabonne), Forbes Shire Council (Forbes), Lachlan Shire Council (Lachlan), Lithgow City Council (Lithgow), Mid-Western Regional (Mid-Western), Oberon Council (Oberon), Orange City Council (Orange) and Weddin Shire Council (Weddin) are not fit for the future.

Blayney, Forbes, Lachlan and Oberon did not satisfy the scale and capacity criterion due to the councils' low and/or declining populations. These councils' populations are forecast to be 7,800, 8,750, 5,500 and 4,950 respectively by 2031. Our analysis suggests that these councils have insufficient scale to deliver services efficiently to the community and to partner effectively with government. They are unlikely to remain sustainable. Cabonne and Orange did not satisfy the scale and capacity criterion because the councils did not demonstrate their proposals are at least as good as or better than the preferred merger option for these councils to merge with each other. We calculate, drawing on information in the business case provided by these councils, the merger could produce benefits of around \$27 million over 20 years.

Lithgow and Mid-Western satisfy the scale and capacity criterion but did not satisfy the financial criteria overall. We note, in particular, their operating performance ratios will not reach break-even by the benchmark year. Mid-Western also did not satisfy the asset maintenance and infrastructure backlog ratios and Lithgow is not able to meet the building and asset renewal ratio and efficiency criterion.

Weddin submitted a Rural Council Proposal and met the majority of the Rural Council Characteristics as required for a Rural Council. The council projected that it would also meet all the financial criteria. However, we consider its assumption of an increase in FAGs in 2016-17 of \$1.5 million is unrealistic. Our recalculation, based on removing the FAGs assumption, finds its operating performance ratio will likely be below benchmark in 2024-25 at around -0.4%. Further, the council forecasts no improvement in its infrastructure backlog ratio which remains around 4.4% by 2019-20, which does not meet the benchmark. We find the council does not meet the financial criteria overall.

Similarities and Differences: A Cluster Analysis

Cluster analysis is a methodology that can be used in the identification of similar characteristics and similar challenges between local government areas.

When one thinks of communities as having similar characteristics, the emphasis is sometimes on characteristics which are difficult to quantify, such as 'beauty' or entrepreneurial spirit' or 'community enthusiasm'. However, a great many characteristics relevant to local government are readily measured.

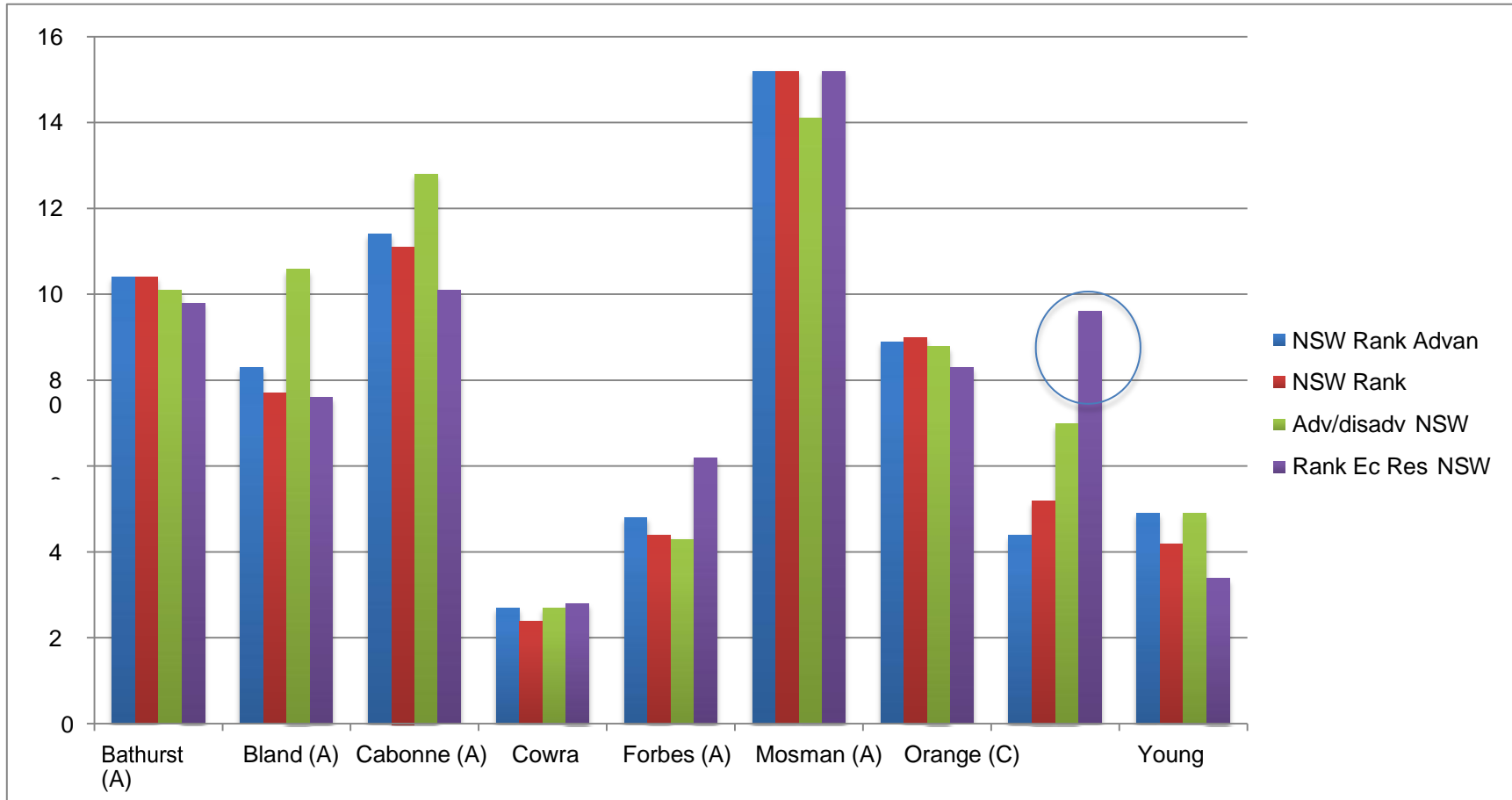
The results shown below have 3 main sources – 2011 Census, LGA data base constructed by National Institute of Economic and Industry Research and Office of Local Government rate data base.

Measures have been selected for analysis as direct indicators of similar characteristics and as indicators of the factors which can influence change. The aim is to group LGA's with similar values of the various measures.

The results of the clustering analysis which covers a wide range of community attitudes are shown below.

Cluster membership	Weddin
Age structure	6
Population growth	5
Rate base	9
Dwellings	8
Family	5
Labour market	3
Education	6
Income	8
Knowledge economy	8
Transport	8
Wealth	7
Religion	8
Language	8
Born overseas	8
Average	6.93

SEIFA Index NSW Comparative Data



Option 2 - Cowra/Weddin Merger

IPART recommended:

Cowra declared fit.

Weddin declared not fit. Satisfies scale and capacity as a Rural Council (contingent on the Government adopting a Rural Council Model) and does not satisfy overall financial criteria.

The Independent Local Government Review Panel recommended:

Cowra to be a Council in Central West Joint Organisation or potentially merge with Weddin.

Weddin to establish a Rural Council in Central West Joint Organisation or potentially merge with Cowra or Forbes.

Cowra/Weddin Characteristics

	Weddin and Cowra Merged	Cowra	Weddin
Geographical Area (km2)	6,220		2,810 3,410
Population 2013	16,250	12,500	3,750
Projected population 2031	14,450	11,200	3,250
Population change last 5 years	-0.4%		-0.3% -0.1%
No of Councillors	9		9 9
Population per Councillor	1,805		1,388 416
Electoral Arrangements	TBD	No wards. 9 councillors. Mayor elected by council	No wards. 9 councillors. Mayor elected by council
Average Taxable Incomes (\$)	\$32,265	\$33,910	\$30,621
Socio Economic Index Ranking (1 = low , 152 high)	TBD		24 52
No of active businesses	1,721		1,169 552

Value of DA's 2013/14	\$27 mil	\$21 mil	\$6 mil
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Option 2 – Cowra/Weddin Merger

Financial Sustainability

	Cowra	Cowra 2015	Weddin		
Sustainability Rating	Sound	Moderate	Moderate		
Outlook	Negative	Positive	Negative		

Performance

	Cowra		Weddin		
Operating Ratio (%)	(5.7)		(4.3)		
Debt Service Cover Ratio	1.3		177		
Unrestricted Current Ratio	2.8		7.1		
Own Source Operating Revenue Ratio (%)	72		55		
Cash Expense Ratio	8 months		10.5 months		

Infrastructure

	Cowra		Weddin		
Infrastructure Backlog Ratio (%)	4.7		3.4		
Asset Maintenance Ratio	0.8		0.7		
Roads, Bridges and Footpaths (\$ per capita	\$376		\$1,007		
Building & Infrastructure Renewal Ratio (%)	52		48		

Observations

- IPART declared Cowra fit satisfying all sustainability criteria. Cowra had TCorp reassess the councils sustainability in 2015 and were given an assessment of Moderate FSR and Positive outlook.
- IPART has concluded that Weddin does not satisfy the criteria for sustainability. It meets the building and infrastructure ratio by 2019/20. Council does not meet the operating performance ratio on a revised calculation by IPART wherein it has decreased Councils estimates of future FAG's.

What do the ratios mean?

Sustainability rating and Outlook derived from 2013 TCorp Report

Operating Ratio (NSW RC average is 7.8%)

Benchmark = Better than negative 4%. Measures a council's ability to contain operating expenditure within operating revenue.

Debt Service Cover Ratio (NSW RC average is 37.6)

Benchmark = Greater than 2.0. Measures the availability of cash to service debt including interest, principal and lease payments

Unrestricted Current Ratio

Benchmark = Greater than 1.5. Specific to Local Government, designed to represent a councils ability to meet debt repayments as they fall due.

Own Source Operating Revenue Ratio (NSW RC average is 42.5%)

Benchmark = Greater than 60%. Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Cash Expense Cover Ratio (NSW RC average is 9.5 months)

Benchmark = Greater than 3 months. Indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Infrastructure Backlog Ratio (NSW RC average is 7%)

Benchmark = Less than 2%. Shows what proportion the backlog is against total value of a council's infrastructure

Asset Maintenance Ratio (NSW RC average is 0.87)

Benchmark = Greater than 1. Measures actual spending on asset maintenance, compared to required spending.

Building/Infrastructure Renewal Ratio (NSW RC average is 96)

Benchmark = Greater than 100. Measures the rate of asset renewal versus rate of depreciation.

Option 2 – Cowra/Weddin Merger

Regional local government outlook

All surrounding Councils in varying degrees are facing infrastructure and financial challenges into the future. Bland has a neutral financial sustainability ratio outlook, Cowra has positive financial sustainability ratio outlook, Forbes has a neutral financial sustainability ratio outlook, and Weddin a negative FSR outlook.

New collaborative arrangements may help to improve own source revenue options for the group and provide a regional perspective on service delivery. The area relies heavily on agriculture for its economic stability. This means that Councils and communities within the area are subject to the seasonal and economic fluctuations that define this industry. Extreme weather events, changes in commodities pricing and farming practices can impact significantly.

Many of the surrounding LGA’s are expected to see continued population decline.

Financial/Governance Data

Revenue Source	Cowra/Weddin Merger	Cowra	Cowra 13/14	Weddin	Weddin 13/14
Average Residential Rates	\$392	\$382	\$385	\$381	\$400
Average Business Rates	\$1,674	\$2,628	\$2,554	\$786	\$795
Average Farmland Rates	\$1,419	\$1,428	\$1,587	\$1,216	\$1,252
Average Mining Rates	\$42,000	\$76,000	\$79,000	\$4,000	\$5,000
Total Revenue 12/13 (000's)	\$43,897	\$31,039		\$12,858	
Grants/Contributions (%)	n/a	23		41	
Typical Residential, Water & Sewer Bill (including usage)	n/a	\$1,467	\$1,605	\$297	\$356
Average Domestic Waste Management Charge	\$275	\$396	\$360	\$180	\$190
No of Code of Conduct Complaints	0		0		0
Staff EFT	225		167		58

Option 2 – Cowra/Weddin Merger

Rating Policies and Structure

Each council is required to determine the combination of rates, charges, fees and pricing policies needed to fund the services it provides to the community. This is called a revenue policy. The revenue policy contains a rating structure that determines which rates and charges you will have to pay and how they will be calculated. Charges are generally determined on either an annual basis or according to usage – or they may be a combination of both, for example, water and sewer charges.

Councils can choose how they calculate and distribute rates among categories of rateable properties in the council area. For each category or sub-category, rates can be calculated in one of three ways. They can be based:

- entirely on the land value of the property
- on a combination of the land value of the property and a fixed amount per property
- entirely on the land value, but subject to a minimum amount.

When Councils merge the rating policies must be equalised into a single system. Cowra and Weddin’s rating policy frameworks are structured with a base rate and ad valorem and with the following sub categories:

Council	Residential Sub Category	Business Sub Category	Farmland Sub Category	Mining Sub Category
Cowra	3	1	1	1
Weddin	6	2	1	1

Council	Average Residential value per residential property	Proportion of farmland value in total value for LGA	Proportion of residential value in total value of LGA	Proportion of business value in total value of LGA	Cluster
Cowra	\$50,304	0.69	0.27	0.04	7
Weddin	\$32,682	0.86	0.13	0.01	9

Notes:

Cluster 7 includes LGA’s which include both farmland and towns with the towns generating low UCV per residential property. As a result residential areas generally contribute less than half the rate base and farmland more than half. Business makes little contribution. Cluster 9 includes purely rural LGA’s in which UCV per residential property is low to very low and farmland contributes an overwhelming proportion of the rate base. Residential may contribute up to 20% and business generally next to nothing.

Option 2 – Cowra/Weddin Merger

Weddin rating forecasts with Special Rate Variation

Weddin With SRV	Sub-category or Special Rate name	Current Average Rate	Average Rate Year 1	Average Rate Year 2	Average Rate Year 3	Average Rate Year 4	Average Rate Year 5	Average Rate Year 6	Average Rate Year 7
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Residential	Grenfell	532.92	567.56	607.29	649.80	695.29	716.15	737.63	759.76
Residential	Ordinary	664.08	702.85	752.04	804.69	861.02	886.85	913.45	940.86
Residential	Caragabal	139.48	148.40	158.79	169.91	181.80	187.25	192.87	198.66
Residential	Greenethorpe	241.53	256.99	274.97	294.22	314.82	324.26	333.99	344.01
Residential	Quandialla	171.65	182.62	195.41	209.08	223.72	230.43	237.34	244.46
Residential	Bimbi	158.68	168.77	180.59	193.23	206.75	212.96	219.35	225.93
	TOTAL AVERAGE	488.30	519.53	555.89	594.81	636.44	655.53	675.20	695.46
Business	Main Street	867.64	923.13	987.75	1,056.89	1,130.88	1,164.80	1,199.75	1,235.74
Business	Ordinary	1,118.58	1,190.17	1,273.48	1,362.63	1,458.01	1,501.75	1,546.80	1,593.21
	TOTAL AVERAGE	978.74	1,041.36	1,114.26	1,192.26	1,275.71	1,313.99	1,353.41	1,394.01
Farmland	Farmland	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
	TOTAL AVERAGE	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
Mining	Mining	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18
	TOTAL AVERAGE	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18

Option 2 – Cowra/Weddin Merger

Infrastructure management

Cowra satisfies IPART’s infrastructure and service management criteria based on its forecast to meet the asset maintenance, infrastructure backlog and debt service benchmarks by 2019/20.

Whilst Weddin has an infrastructure backlog it is not totally out of character with other similar shire areas. Council needs to ensure it has sound planning processes to ensure that the community’s assets are managed efficiently and effectively. Asset management planning should have a service delivery focus and the assets provided should be appropriate to meet the needs of the community. A collaborative approach via a Joint Organisation model which is currently being piloted in five regions of NSW may help to address regional infrastructure issues more holistically. The NSW Government’s LIR’s scheme may provide assistance for Council’s with the capacity to increase borrowings.

	Cowra/Weddin Merger	Cowra	Weddin
Total Roads Length (KM’s)	2,365	1,271	1,094
Total Public Halls (No)	3	1	2
Total Open Space (ha)	60	48	12
Total Infrastructure Backlog (TCorp 000’s) 2012	\$19,874	\$10,229	\$9,645
Infrastructure Backlog Per Capita		\$816	\$2,583
Total Assets 2012 (TCorp 000’s)	\$768,142	\$616,506	\$151,636
Assets per capita		\$49,218	\$40,610
Access to Internet at home (%)		57	64
Libraries	2	1	1
Swimming Pools	3	1	2

Accessibility

Consideration should always be given to distances when developing options for shared service delivery, any mergers or boundary changes.

Main journey distances and travel times are shown.

Journey	Distance	Travel time
Grenfell – Cowra	55 k’s	42 minutes

Option 2 – Cowra/Weddin Merger

Regional services and planning

Cowra and Weddin resides within the Central West Regional Action Plan (RAP). The proposed Joint Organisation model could provide a strong voice in this process and help to connect council's integrated planning and reporting frameworks with the State planning processes.

Cowra and Weddin resides within the Central West Regional Development Plan (RDA) planning area.

Cowra resides within the Central Tablelands and Weddin resides within the Central West Local Land Services Boundaries.

Health Services

Cowra and Weddin resides within the Western NSW Local Health District.

Water and Wastewater supplies

Cowra manages its own supplies. Cowra reported to IPART that it meets the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework. It is noted that Cowra has an infrastructure backlog for water and sewer of \$6.8 mil.

Weddin operates a sewer business and does not meet the requirements of NSW Government Best Practice Management of Water Supply and Sewerage Framework. Council has indicated that it does not have any infrastructure backlog.

Weddin's water supply is provided by Central Tablelands Water County Council.

Transport

Cowra has a coach service. Weddin has very limited access to public transport.

Economic Development

The regional economy is heavily based on agriculture, with cattle, sheep, wool, cereal and grain crops.

Demographics

Cowra and Weddin are contiguous. Weddin is located between four local government areas and has established community links with many of these LGA's. The Joint Organisation model would allow these community links to be preserved while opening opportunities for more strategic service delivery. Cowra had a higher rate of migration to and from Young than anywhere else.

Social and Community Context

Weddin's major town is Grenfell. Grenfell provides important support for the surrounding agriculture areas. Weddin is located between four LGA's with the primary community of interest being Young. Health services and shopping are usually undertaken in Orange. The area provides labour to the surrounding agricultural areas.

Option 2 – Cowra/Weddin Merger

Regional context - IPART made the following observations about the Central West

There are 12 councils in the Central West region. In the Central West region we find Bathurst Regional Council (Bathurst), Cowra Shire Council (Cowra) and Parkes Shire Council (Parkes) are fit for the future. These councils meet the scale and capacity criterion as well as the financial criteria overall. Bathurst, Cowra and Parkes were presented with options for mergers or to stand alone in a Central West JO, but neither option was preferred.

The proposals submitted were consistent with the options identified. We find, Blayney Shire Council (Blayney), Cabonne Shire Council (Cabonne), Forbes Shire Council (Forbes), Lachlan Shire Council (Lachlan), Lithgow City Council (Lithgow), Mid-Western Regional (Mid-Western), Oberon Council (Oberon), Orange City Council (Orange) and Weddin Shire Council (Weddin) are not fit for the future.

Blayney, Forbes, Lachlan and Oberon did not satisfy the scale and capacity criterion due to the councils' low and/or declining populations. These councils' populations are forecast to be 7,800, 8,750, 5,500 and 4,950 respectively by 2031. Our analysis suggests that these councils have insufficient scale to deliver services efficiently to the community and to partner effectively with government. They are unlikely to remain sustainable. Cabonne and Orange did not satisfy the scale and capacity criterion because the councils did not demonstrate their proposals are at least as good as or better than the preferred merger option for these councils to merge with each other. We calculate, drawing on information in the business case provided by these councils, the merger could produce benefits of around \$27 million over 20 years.

Lithgow and Mid-Western satisfy the scale and capacity criterion but did not satisfy the financial criteria overall. We note, in particular, their operating performance ratios will not reach break-even by the benchmark year. Mid-Western also did not satisfy the asset maintenance and infrastructure backlog ratios and Lithgow is not able to meet the building and asset renewal ratio and efficiency criterion.

Weddin submitted a Rural Council Proposal and met the majority of the Rural Council Characteristics as required for a Rural Council. The council projected that it would also meet all the financial criteria. However, we consider its assumption of an increase in FAGs in 2016-17 of \$1.5 million is unrealistic. Our recalculation, based on removing the FAGs assumption, finds its operating performance ratio will likely be below benchmark in 2024-25 at around -0.4%. Further, the council forecasts no improvement in its infrastructure backlog ratio which remains around 4.4% by 2019-20, which does not meet the benchmark. We find the council does not meet the financial criteria overall.

Option 2 – Cowra/Weddin Merger

Similarities and Differences: A Cluster Analysis

Cluster analysis is a methodology that can be used in the identification of similar characteristics and similar challenges between local government areas.

When one thinks of communities as having similar characteristics, the emphasis is sometimes on characteristics which are difficult to quantify, such as 'beauty' or 'entrepreneurial spirit' or 'community enthusiasm'. However, a great many characteristics relevant to local government are readily measured.

The results shown below have 3 main sources – 2011 Census, LGA data base constructed by National Institute of Economic and Industry Research and Office of Local Government rate data base.

Measures have been selected for analysis as direct indicators of similar characteristics and as indicators of the factors which can influence change. The aim is to group LGA's with similar values of the various measures.

The results of the clustering analysis which covers a wide range of community attitudes are shown below.

Cluster membership	Cowra	Weddin
Age structure	6	6
Population growth	5	5
Rate base	7	9
Dwellings	8	8
Family	7	5
Labour market	5	3
Education	6	6
Income	4	8
Knowledge economy	8	8
Transport	6	8
Wealth	7	7
Religion	8	8
Language	8	8
Born overseas	8	8
Average	6.64	6.93

Option 3 – Forbes/Weddin Merger

IPART recommended:

Forbes declared not fit. Does not satisfy scale and capacity and satisfies overall financial criteria.

Weddin declared not fit. Satisfies scale and capacity as a Rural Council (contingent on the Government adopting a Rural Council Model) and does not satisfy overall financial criteria.

The Independent Local Government Review Panel recommended:

Forbes to be a Council in Central West Joint Organisation or potentially merge with Weddin.

Weddin to establish a Rural Council in Central West Joint Organisation or potentially merge with Cowra or Forbes.

Forbes/Weddin Merger Characteristics

	Forbes/Weddin Merger	Forbes	Weddin
Geographical Area (km2)	8,050	4,640	3,410
Population 2013	13,200	9,450	3,750
Projected population 2031	12,000	8,750	3,250
Population change over last 5 years	1.3%	1.4%	-0.1%
No of Councillors	9	9	9
Population per Councillor	1,466	1,050	416
Electoral Arrangements	TBD	No wards. 9 councillors. Mayor elected by council	No wards. 9 councillors. Mayor elected by council
Average Taxable Incomes (\$)		\$34,242	\$30,621
Socio Economic Index Ranking (1 = low)	n/a	77	24
No of active businesses	1,720	1,168	552
Value of DA's 2013/14	\$23 mil	\$17 mil	\$6 mil

Option 3 - Forbes/Weddin Merger

Financial Sustainability

	Forbes	Weddin			
Sustainability Rating	Moderate	Moderate			
Outlook	Neutral	Negative			

Performance

	Forbes	Weddin			
Operating Ratio (%)	(5.2)	(4.3)			
Debt Service Cover Ratio	3.5	177			
Unrestricted Current Ratio	10.5	7.1			
Own Source Operating Revenue Ratio (%)	62	55			
Cash Expense Ratio	10.9 months	10.5 months			

Infrastructure

	Forbes	Weddin			
Infrastructure Backlog Ratio (%)	4.1	3.4			
Asset Maintenance Ratio	1.1	0.7			
Roads, Bridges and Footpaths (\$ per capita	\$852	\$1,007			
Building & Infrastructure Renewal Ratio (%)	47	48			

Observations

- IPART has determined that Forbes is not fit as it does not meet the scale and capacity criteria. Forbes does satisfy all the financial criteria.
- IPART has concluded that Weddin does not satisfy the criteria for sustainability. It meets the building and infrastructure ratio by 2019/20. Council does not meet the operating performance ratio on a revised calculation by IPART wherein it has decreased Councils estimates of future FAG's.

What do the ratios mean?

Sustainability rating and Outlook derived from 2013 TCorp Report

Operating Ratio (NSW RC average is 7.8%)

Benchmark = Better than negative 4%. Measures a council's ability to contain operating expenditure within operating revenue.

Debt Service Cover Ratio (NSW RC average is 37.6)

Benchmark = Greater than 2.0. Measures the availability of cash to service debt including interest, principal and lease payments

Unrestricted Current Ratio

Benchmark = Greater than 1.5. Specific to Local Government, designed to represent a councils ability to meet debt repayments as they fall due.

Own Source Operating Revenue Ratio (NSW RC average is 42.5%)

Benchmark = Greater than 60%. Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Cash Expense Cover Ratio (NSW RC average is 9.5 months)

Benchmark = Greater than 3 months. Indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Infrastructure Backlog Ratio (NSW RC average is 7%)

Benchmark = Less than 2%. Shows what proportion the backlog is against total value of a council's infrastructure

Asset Maintenance Ratio (NSW RC average is 0.87)

Benchmark = Greater than 1. Measures actual spending on asset maintenance, compared to required spending.

Building/Infrastructure Renewal Ratio (NSW RC average is 96)

Option 3 – Forbes/Weddin Merger

Regional local government outlook

All surrounding Councils are in varying degrees facing infrastructure and financial challenges into the future. Bland has a neutral financial sustainability ratio outlook, Cowra has positive financial sustainability ratio outlook, Forbes has a neutral financial sustainability ratio outlook, and Weddin a negative FSR outlook.

New collaborative arrangements may help to improve own source revenue options for the group and provide a regional perspective on service delivery. The area relies heavily on agriculture for its economic stability. This means that Councils and communities within the area are subject to the seasonal and economic fluctuations that define this industry. Extreme weather events, changes in commodities pricing and farming practices can impact significantly.

Many of the surrounding LGA's are expected to see continued population decline.

Financial/Governance Data

Revenue Source	Forbes/Weddin Merger	Forbes	Forbes 13/14	Weddin	Weddin 13/14
Average Residential Rates	\$556	\$622	\$713	\$381	\$400
Average Business Rates	\$1,638	\$2,374	\$2,482	\$786	\$795
Average Farmland Rates	\$1,709	\$2,107	\$2,166	\$1,216	\$1,252
Average Mining Rates	\$2,250	\$0	0	\$4,000	\$5,000
Total Revenue 12/13 (000's)	\$46,744	\$33,886		\$12,858	
Grants/Contributions (%)	n/a	31		41	
Typical Residential, Water & Sewer Bill (including usage)	n/a	\$914	\$943	\$297	\$356
Average Domestic Waste Management Charge	\$249	\$296	\$308	\$180	\$190
No of code of conduct complaints	1		1		0
Staff EFT	171		113		58

Option 3 – Forbes/Weddin Merger

Rating Policies and Structure

Each council is required to determine the combination of rates, charges, fees and pricing policies needed to fund the services it provides to the community. This is called a revenue policy. The revenue policy contains a rating structure that determines which rates and charges you will have to pay and how they will be calculated. Charges are generally determined on either an annual basis or according to usage – or they may be a combination of both, for example, water and sewer charges.

Councils can choose how they calculate and distribute rates among categories of rateable properties in the council area. For each category or sub-category, rates can be calculated in one of three ways. They can be based:

- entirely on the land value of the property
- on a combination of the land value of the property and a fixed amount per property
- entirely on the land value, but subject to a minimum amount.

When Councils merge the rating policies must be equalised into a single system. Forbes rating policy framework is structured with minimum rate and ad valorem.

Weddin’s rating policy framework is structured with a base rate and ad valorem and with the following sub-categories:

Council	Residential Sub Category	Business Sub Category	Farmland Sub Category	Mining Sub Category
Forbes	2	3	1	0
Weddin	6	2	1	1

Council	Average Residential value per residential property	Proportion of farmland value in total value for LGA	Proportion of residential value in total value of LGA	Proportion of business value in total value of LGA	Cluster
Forbes	\$53,299	0.71	0.25	0.04	7
Weddin	\$32,682	0.86	0.13	0.01	9

Notes:

Cluster 7 includes LGA’s which include both farmland and towns with the towns generating low UCV per residential property. As a result residential areas generally contribute less than half the rate base and farmland more than half. Business makes little contribution. Cluster 9 includes purely rural LGA’s in which UCV per residential property is low to very low and farmland contributes an overwhelming proportion of the rate base. Residential may contribute up to 20% and business generally next to nothing.

Option 3 – Forbes/Weddin Merger

Weddin rating forecasts with Special Rate Variation

Weddin With SRV	Sub-category or Special Rate name	Current Average Rate	Average Rate Year 1	Average Rate Year 2	Average Rate Year 3	Average Rate Year 4	Average Rate Year 5	Average Rate Year 6	Average Rate Year 7
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Residential	Grenfell	532.92	567.56	607.29	649.80	695.29	716.15	737.63	759.76
Residential	Ordinary	664.08	702.85	752.04	804.69	861.02	886.85	913.45	940.86
Residential	Caragabal	139.48	148.40	158.79	169.91	181.80	187.25	192.87	198.66
Residential	Greenethorpe	241.53	256.99	274.97	294.22	314.82	324.26	333.99	344.01
Residential	Quandialla	171.65	182.62	195.41	209.08	223.72	230.43	237.34	244.46
Residential	Bimbi	158.68	168.77	180.59	193.23	206.75	212.96	219.35	225.93
	TOTAL AVERAGE	488.30	519.53	555.89	594.81	636.44	655.53	675.20	695.46
Business	Main Street	867.64	923.13	987.75	1,056.89	1,130.88	1,164.80	1,199.75	1,235.74
Business	Ordinary	1,118.58	1,190.17	1,273.48	1,362.63	1,458.01	1,501.75	1,546.80	1,593.21
	TOTAL AVERAGE	978.74	1,041.36	1,114.26	1,192.26	1,275.71	1,313.99	1,353.41	1,394.01
Farmland	Farmland	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
	TOTAL AVERAGE	1,292.91	1,375.52	1,471.80	1,574.83	1,685.07	1,735.62	1,787.69	1,841.32
Mining	Mining	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18
	TOTAL AVERAGE	5,057.96	5,380.98	5,757.65	6,160.68	6,591.93	6,789.69	6,993.38	7,203.18

Option 3 – Forbes/Weddin Merger

Infrastructure management

Forbes satisfies IPART’s infrastructure and service management criteria based on its forecast to meet the asset maintenance ratio and the infrastructure backlog benchmarks by 2019/20.

Whilst Weddin has an infrastructure backlog it is not totally out of character with other similar shire areas. Council needs to ensure it has sound planning processes to ensure that the community’s assets are managed efficiently and effectively. Asset management planning should have a service delivery focus and the assets provided should be appropriate to meet the needs of the community. A collaborative approach via a Joint Organisation model which is currently being piloted in five regions of NSW may help to address regional infrastructure issues more holistically. The NSW Government’s LIR’s scheme may provide assistance for Council’s with the capacity to increase borrowings.

	Forbes/Weddin Merger	Forbes	Weddin
Total Roads Length (KM’s)	2,963	1,869	1,094
Total Public Halls (No)	1	1	0
Total Open Space (ha)	60	48	12
Total Infrastructure Backlog (TCorp 000’s) 2012	\$21,591	\$11,946	\$9,645
Infrastructure Backlog Per Capita	\$3,844	\$1,261	\$2,583
Total Assets 2012 (TCorp 000’s)	\$384,984	\$344,497	\$151,636
Assets per capita		\$36,374	\$40,610
Access to Internet at home (%)		60	64
Libraries	2	1	1
Swimming Pools	3	1	2

Accessibility

Consideration should always be given to distances when developing options for shared service delivery, any mergers or boundary changes.
Main journey distances and travel times are shown.

Journey	Distance	Travel time
Grenfell – Forbes	64 k’s	49 minutes

Option 3 – Forbes/Weddin Merger

Regional services and planning

Forbes and Weddin resides within the Central West Regional Action Plan (RAP). The proposed Joint Organisation model could provide a strong voice in this process and help to connect council's integrated planning and reporting frameworks with the State planning processes.

Forbes and Weddin resides within the Central West Regional Development Plan (RDA) planning area. Forbes

and Weddin resides within the Central West Local Land Services Boundaries.

Health Services

Forbes and Weddin resides within the Western NSW Local Health District.

Water and Wastewater supplies

Forbes manages its own water and sewer supplies. Forbes reports that the cost to bring its water and sewer assets to a satisfactory standard is \$7.9mil with the majority of this infrastructure backlog related to its sewer assets.

Weddin operates a sewer business and does not meet the requirements of NSW Government Best Practice Management of Water Supply and Sewerage Framework. Council has indicated that it does not have any infrastructure backlog. Weddin's water supply is provided by Central Tablelands Water County Council.

Transport

Forbes has a coach service. Weddin has very limited access to public transport.

Economic Development

The regional economy is heavily based on agriculture, with cattle, sheep, wool, cereal and grain crops.

Demographics

Forbes and Weddin are contiguous. Weddin is located between four local government areas and has established community links with many of these LGA's. The Joint Organisation model would allow these community links to be preserved while opening opportunities for more strategic service delivery. Cowra had a higher rate of migration to and from Young than anywhere else.

Social and Community Context

Weddin's major town is Grenfell. Grenfell provides important support for the surrounding agriculture areas. Weddin is located between four LGA's with the primary community of interest being Young. Health services and shopping are usually undertaken in Orange. The area provides labour to the surrounding agricultural areas.

Option 3 – Forbes/Weddin Merger

Regional context - IPART made the following observations about the Central West

There are 12 councils in the Central West region. In the Central West region we find Bathurst Regional Council (Bathurst), Cowra Shire Council (Cowra) and Parkes Shire Council (Parkes) are fit for the future. These councils meet the scale and capacity criterion as well as the financial criteria overall. Bathurst, Cowra and Parkes were presented with options for mergers or to stand alone in a Central West JO, but neither option was preferred.

The proposals submitted were consistent with the options identified. We find, Blayney Shire Council (Blayney), Cabonne Shire Council (Cabonne), Forbes Shire Council (Forbes), Lachlan Shire Council (Lachlan), Lithgow City Council (Lithgow), Mid-Western Regional (Mid-Western), Oberon Council (Oberon), Orange City Council (Orange) and Weddin Shire Council (Weddin) are not fit for the future.

Blayney, Forbes, Lachlan and Oberon did not satisfy the scale and capacity criterion due to the councils' low and/or declining populations. These councils' populations are forecast to be 7,800, 8,750, 5,500 and 4,950 respectively by 2031. Our analysis suggests that these councils have insufficient scale to deliver services efficiently to the community and to partner effectively with government. They are unlikely to remain sustainable. Cabonne and Orange did not satisfy the scale and capacity criterion because the councils did not demonstrate their proposals are at least as good as or better than the preferred merger option for these councils to merge with each other. We calculate, drawing on information in the business case provided by these councils, the merger could produce benefits of around \$27 million over 20 years.

Lithgow and Mid-Western satisfy the scale and capacity criterion but did not satisfy the financial criteria overall. We note, in particular, their operating performance ratios will not reach break-even by the benchmark year. Mid-Western also did not satisfy the asset maintenance and infrastructure backlog ratios and Lithgow is not able to meet the building and asset renewal ratio and efficiency criterion.

Weddin submitted a Rural Council Proposal and met the majority of the Rural Council Characteristics as required for a Rural Council. The council projected that it would also meet all the financial criteria. However, we consider its assumption of an increase in FAGs in 2016-17 of \$1.5 million is unrealistic. Our recalculation, based on removing the FAGs assumption, finds its operating performance ratio will likely be below benchmark in 2024-25 at around -0.4%. Further, the council forecasts no improvement in its infrastructure backlog ratio which remains around 4.4% by 2019-20, which does not meet the benchmark. We find the council does not meet the financial criteria overall.

Similarities and Differences: A Cluster Analysis

Cluster analysis is a methodology that can be used in the identification of similar characteristics and similar challenges between local government areas.

When one thinks of communities as having similar characteristics, the emphasis is sometimes on characteristics which are difficult to quantify, such as ‘beauty’ or entrepreneurial spirit’ or ‘community enthusiasm’. However, a great many characteristics relevant to local government are readily measured.

The results shown below have 3 main sources – 2011 Census, LGA data base constructed by National Institute of Economic and Industry Research and Office of Local Government rate data base.

Measures have been selected for analysis as direct indicators of similar characteristics and as indicators of the factors which can influence change. The aim is to group LGA’s with similar values of the various measures.

The results of the clustering analysis which covers a wide range of community attitudes are shown below.

Cluster membership	Forbes	Weddin
Age structure	6	6
Population growth	5	5
Rate base	7	9
Dwellings	8	8
Family	7	5
Labour market	3	3
Education	6	6
Income	8	8
Knowledge economy	8	8
Transport	6	8
Wealth	5	7
Religion	8	8
Language	8	8
Born overseas	8	8
Average	6.64	6.93