

Proposed Merger Between Gloucester Shire, Great  
Lakes and Taree City Council  
Submission to the Council Boundary Review

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## 1 Introduction

This Submission has been prepared by Dr John H Howard, Managing Director of Howard Partners, a public policy research and management consulting firm, based in the Great Lakes LGA. John has been a resident of Great Lakes for 10 years.

John also holds the positions of Adjunct Professor in the Centre for Management and Organisational Studies at the University of Technology Sydney Business School, and at the Institute for Governance and Policy Analysis at the University of Canberra.

John has worked in Local Government consulting over a 30-year period, and his work has covered policy, financial advice, and review of management strategies, organisation structures and business processes and systems. Clients have included the Lord Howe Island Board, the Government of Norfolk Island, South Sydney Council, Sydney City Council, Tamworth Council, Merriwa Council, and collaboration arrangements for the former Barraba, Bingara, and Manilla Councils. He has also undertaken policy assignments for the former NSW Department of Local Government.

John has worked closely with the ACT Government over an extended period. Whilst Pro Vice-Chancellor Innovation and Engagement at the University of Canberra (2008-2011). John worked with Councils in the Capital Region of NSW and he was a member of the Capital Region Economic Development Board (later to become RDA-ACT). He recently assisted RDA Hunter in an economic development project.

Between 2009 and 2011 John was a member of the Board of the Australian Centre of Excellence for Local Government (ACELG) having led the University of Canberra in its role as a founding partner of the Centre. At the end of his term he prepared the report [Innovation, Ingenuity and Initiative: the Adoption and Application of New Ideas in Australian Local Government](#). This project sought to identify areas where Local Government has embraced the adoption and application of ideas for innovation. Great Lakes Council featured in this Report. More information about John's connection with Local Government through Howard Partners is available through this [link](#).

## 2 Key issues for consideration

### 2.1 The underlying assumption of the merger proposal

The commissioned KPMG analysis of the merger proposal reports a payback period of \$30m over 20 years, due principally to envisaged economies of scale in management, redeployment of back office and administrative functions, and efficiencies in purchasing and procurement. Whilst \$30m sounds like a big number, it is, in reality, only \$1.5m on an annualised basis. As an annual proportion of total revenues/expenditure of the three Councils, the assumptions that have to be made in such calculations, and the margins for error, the business value of the purported benefit would be at best marginal.

Moreover, from a management and organisational perspective, there is little evidence to support an argument for economies of scale in administration/management. In fact, the arguments can go the other way, as it is not possible to assume that all aspects of management and administration are scalable. It might be possible to achieve economies of scale in a centralised command driven organisation (bureaucracy) run from a single location; but that is not always appropriate when thinking about service delivery in diverse locations with a strong customer focus.

Larger organisations introduce more complexity, higher levels of task specialisation, more management layers, higher remuneration levels, lower customer 'connectivity', and greater coordination costs - particularly if service delivery is distributed over a wide area. Technology can address this, but not always. Inevitably, saving money in government organisations comes down to cutting programs (economy) or reducing service quality (effectiveness). Efficiency dividend regimes applied in Commonwealth and State Governments demonstrate this.

The problem with the economies of scale argument is that it draws on an economist's idea of 'production' in a factory environment. It has connections with the ideas of scientific management and

the theories of FW Taylor popular in the early part of last century<sup>1</sup>. Unfortunately, this has little relevance in a contemporary management, organisational and services delivery environment.

These observations do not amount to an argument against a larger or merged Council. But the case has to be made on a more robust foundation than simplistic calculations of potential economies scale. This case would rest on the potential for *public value* to be greater to the residents of the three Councils than would be the case if they continued as independent entities. The case must also be made around a *Business Case* that addresses matters relating to return, cost and risk. These matters are canvassed in this Submission.

## 2.2 Great Lakes Council Blueprint

Great Lakes Council has resolved to withdraw its opposition to the NSW Government's merger proposal for Great Lakes, Gloucester and Greater Taree City Councils, subject to the Government providing a Blueprint for the merger being developed. Council has engaged independent consultants Morrison Lowe to assist with the preparation of Council's submission and suggested merger Blueprint.

Great Lakes Council's views on the content of the Blueprint have been outlined at public meetings. They are very strategic, positive and aspirational, but would be very challenging in terms of execution and delivery in the proposed merged entity.

It is not clear whether the suggested Blueprint would amount to a *Business Case* that clearly sets out objectives, strategies, resource implications, how success will be determined, and the indicators of success – financial and non-financial. In writing this Submission it has not been possible to assess the full merits of the Blueprint as it has not been made available for review and comment.

## 2.3 The evidence base

Good public policy is based on evidence assembled through research, analysis, broad stakeholder consultation, the development of a strategy or strategies, and a plan for implementation. Evidence must be objective, independent, accurate, relevant and timely. In particular, the integrity of data presented to support a particular course of action must be authenticated and validated. The [factual information](#) provided by the Office of Local Government is of some assistance, but the material provided about financial benefits can be challenged on the grounds of lack of clarity in methodology and the materiality of the calculated benefit.

Thus, while there is some material available about potential benefits and costs of the proposed merger, and there has been wide consultation arranged by Great Lakes Council and the Minister's Delegate, there is very little reliable information about a new strategy for a merged Council, a possible plan for implementation, and timeframe for delivery. In the absence of this information it is not possible to reach a view about the merits, or otherwise, of the proposed merger in terms of financial, economic, social and community impacts.

This Submission argues that the merger proposal should be evaluated as an investment proposition – an investment of scarce resources (funds, time, physical assets, talent) to achieve a positive return in terms of the *creation of public value*. The proposition should also take into account whether those resources could be more productively and effectively used to achieve outcomes in the absence of a merger through strategies such as cooperation, collaboration, and linkages with other Councils.

The work of the Minister's Delegate should go a long way to establishing an evidence base to assess the proposed merger as an investment proposition.

## 2.4 The proposed merger as an investment proposal

From an investment perspective, a key matter for consideration would involve the identification of what each Council is *not* doing now that a merged Council would be able to do *for the current level of investment* of Council (ratepayer) resources. This consideration means identifying the financial,

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<sup>1</sup> Frederick Winslow Taylor (1856–1915), was an American mechanical engineer who sought to improve industrial efficiency. He is regarded as the father of scientific management and was one of the intellectual leaders of the Efficiency Movement. His ideas, broadly conceived, were highly influential in the early days of thinking about industrial organisation. See Taylor, F. W. (1997). *The Principles of Scientific Management*: Dover Publications.

economic and social benefit (and cost) to all residents of moving to a uniform standard of services across the merged Council.

Great Lakes Council would appear to be concerned about the cost of bringing service levels in Gloucester and Taree up to a Great Lakes benchmark. This would appear, on the basis of presentations made at public meetings, to involve significant additional funding to tackle the asset backlog in Taree and Gloucester. There may, of course, be services provided in Taree and Gloucester that are not currently being provided in Great Lakes, and which Great Lakes residents would benefit from. These matters must be considered in an investment proposition.

An investment proposition is generally based on a supporting *Business Case* that addresses considerations of benefits (returns on investment), costs and risks. Very limited evidence is available around these parameters. In the following paragraphs a number of issues that would need to be considered in developing a Business Case for investing in the Minister's merger proposal are outlined.

### 3 The *Business Case* for a merger

#### 3.1 Creation of public value

In the corporate sector, merger proposals are generally based on the creation of value for shareholders - as well as customers, staff, and the broader community. By analogy, in the public sector, a merger proposal for Local Government should be assessed on the basis of creating *public value*.

Shareholder value may be reflected in extended markets, wider product range (and as a consequence, more satisfied customers), greater research, development and innovation capability, enhanced access to technologies and intellectual property, and better access to management and professional talent. Mergers may also seek to turn competition for customers and resources into collaboration – approaches that attract the attention of ASIC.

A traditional view of public value creation in Local Government centres on Councils delivering value through planning, managing and delivering a wide range of services, programs/projects as well as being organisations with a spatial remit and democratic imperatives. Much of this includes creating public value in a broad sense – equivalent to the public interest or 'the common good'. More sophisticated interpretations involve considerations of governance, leadership, and citizen participation<sup>2</sup>.

From a practical perspective many see public value in terms of *value for money* – relating to the most economic, efficient, effective, and appropriate use of available resources to achieve mission, goals and objectives. In this context:

- *Economy* means avoidance of waste and misallocation
- *Efficiency* means lower unit cost of delivery and faster process cycle time
- *Effectiveness* means *cost* in relation to the *quantum* of output delivered, the *quality* of service, and levels of customer/resident *satisfaction*
- *Appropriateness* means conformance and consistency with Council mission and purpose as set out in the *Local Government Act*, other legislation, and management plans and strategies.

In these terms, the key question relating to the merger proposal is the extent to which the merged Councils will deliver greater value for money than the three Councils continuing to operate as independent entities. Of course, if two of the Councils are deemed as suffering from a failure to deliver public value, in terms of not being determined as 'fit for the future', that does not of itself amount to a case for a merger. Deficiency in public value may or may not be resolved through a merger – and could result in an *overall decrease* in public value.

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<sup>2</sup> See for example, Bligh Grant, Su Fei Tan, Roberta Ryan, & Rachel Nesbitt. (2014). "Public Value: Summary Background Paper Prepared for the Local Government Business Excellence Network (LGBEN)". Retrieved from <http://www.aceig.org.au/file/2204/download>

## 3.2 Possible returns

The Business Case regarding expected returns from a merger centre around the following considerations:

- The potential for improved access to scarce resources (leverage)
- Saving in resource use (economy)
- Increased business value (efficiency)
- Increased service value (effectiveness)
- Conformity with mission (appropriateness)

Issues in these areas are canvassed below.

### 3.2.1 Access to resources (leverage)

In general, larger organisations can secure better access to resources - covering external funds, including grants from Commonwealth and State programs, capacity for greater investment in community assets, professional talent in engineering, planning, natural resource management and economic development, and management capacity and capability. A larger Council organisation may be achieved through a merger between Taree, Great Lakes, and Gloucester, but it might also be achieved through mergers with other adjacent Councils.

Larger organisations generally provide improved capacities for innovation by providing greater access to technologies, intellectual property, and capacity to undertake research and investigation to identify the best ways to capture an opportunity or resolve a problem.

On the other hand, smaller organisations are often able to tap into the ingenuity and resourcefulness of staff working at the coalface of service delivery, and leverage community interest and volunteerism in service delivery. This seems to be a positive feature of the Great Lakes operating culture. However, this attribute can also be developed and applied in larger organisations as an essential element of an innovation strategy and in the development of an innovation culture.

### 3.2.2 Improvements in resource use (economy)

Economy in use of resources can be, and is, being achieved through cooperation and collaboration in areas such as purchasing and procurement.

Possible better use of physical assets, plant, equipment, machinery, buildings, facilities, could also result from a merger of Councils. There would need to be evidence of underutilisation of assets, including skilled personnel, plant and equipment, software and systems, and other resources across the proposed merged area. Sometimes economies are not achievable because of the cost of moving or accessing assets across large distances.

*It is uncertain whether a merger would generate economies of use of fixed assets such as public facilities including halls, sports grounds, community centres, and libraries, where there is demand for more of these facilities to be provided on a local basis.*

### 3.2.3 Increased business value (efficiency)

Mergers are often expected to result in increased efficiency in the use of resources through lowering the unit cost of production due to factors such as opportunities for greater specialisation, professionalisation, division of task, and achieving economies of scale. This can, of course, run counter to the benefits of job enrichment and multi-skilling that occur in smaller organisations.

Efficiency is also associated with reduced cycle time in key business processes, such as approval of planning and development applications, and in transactions processing, such as revenue management and payment of suppliers. It would be expected, as envisaged in the reported KPMG analysis, that in a merged Council efficiency would be sought in streamlining business processes across the organisation by building scale and making the best use of expensive software and automation.

It is also the case, however, that larger organisations often call for more stringent internal processes and control systems, which add to costs. In the corporate world, businesses that develop strategies around cost reduction rather than creating value for shareholders, customers, staff and the broader community tend to have a short life cycle.

Operational efficiencies in a merged organisation do not occur automatically, and without concerted management attention. Increased complexity and scale may actually increase overall operational costs. The scope for operational efficiencies should be researched and documented in a Business Case in a broader context of creating value for residents in the merged Council.

*The case for a merger cannot be sustained on efficiency grounds alone. It must be examined in terms of increased effectiveness and appropriateness.*

### 3.2.4 Increased service value (effectiveness)

A key issue for consideration in developing a Business Case for Council mergers involves developing an understanding of the scope and scale of facilities and services that might be provided in the future that are not provided now. This is not necessarily an aggregation and averaging of current service delivery across the merged Council, but looking at the service profile of other regional Councils with a current service population in the range of 80,000 – 85,000<sup>3</sup>.

It is not clear, however, a merger of Taree, Great Lakes, and Gloucester would be able to more effectively address the current infrastructure backlog, estimated to be \$290m, than by the existing Councils continuing with their current strategies.

Considerations of equity and fairness would suggest that a merged organisation should not be a vehicle for a cross subsidy from residents with the better performing Council (Great Lakes) to residents in Councils having a poorer performance. Much has been made of this issue in public meetings, and seemed to form the basis of much opposition to the Minister's merger proposal.

*There would be many opportunities in a merged Council to increase effectiveness in areas where some Councils have not made a great deal of progress in recent years, or where there is no current service provision. Great Lakes Council does not, for example, have an economic development strategy to promote business growth, employment, and tertiary education and skills in the area, or a plan to build a sustainable economic base over the longer term<sup>4</sup>.*

### 3.2.5 Conformity with mission (appropriateness)

The extent to which the Minister's proposed merger will enable greater conformity with mission, by making available enhanced facilities and services to residents, with current levels of resource commitment, should be investigated and documented.

It may well be the case that there are more appropriate merger options with other Councils where there is greater commonality of mission, having regard to the geographic (coastal), economic (tourism), and environmental (natural capital assets) characteristics. This could include linking Great Lakes to Port Stephens to the south, and Gloucester to Dungog (as is currently under consideration).

*An important issue for consideration is to build conformance through a merger with an economic development mission, in a way that is consistent with environmental, social and community objectives.*

## 3.3 Costs

As indicated above, the overall costs of implementing the proposed merger have not been identified in material made available.

The costs of the merger fall into a number of categories, including implementation and execution costs, coordination costs, technology costs, and costs associated with delivery of services over a wider area.

### 3.3.1 Implementation and execution cost

Implementation and execution costs in merger arrangements can be very significant, and are quite often under scoped. Notwithstanding a State Government subsidy being made available to offset merger costs, there is doubt whether this would cover the full costs of implementing a new

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<sup>3</sup> Only Tweed Council (85,100 at the 2011 census) fits into that range, but it covers a much smaller area. Other comparators could be Port Macquarie-Hastings (72,700) and Coffs Harbour (64,800). Port Stephens has a population of 64,800 at the time of the census.

<sup>4</sup> Taree Council has an economic development strategy developed through an Economic Development Partnership Board (<http://www.gtcc.nsw.gov.au/council/committees/economic-development-partnership-board/>), and Port Stephens has a well developed economic development policy and strategy (<http://www.portstephens.nsw.gov.au/work/economic-development>)

organisation structure, achieving consistency in policies and procedures, workplace agreements, insurances, and implementation of new or scaled up business systems across all operational areas.

### 3.3.2 Sunk costs and write-offs

Sunk costs are costs, and commitments, that have already been incurred by each of the Councils and cannot be recovered. There may be sunk costs in assets that will become redundant or underutilised in a merged organisation and in different technology systems and business processes. It is important to know the significance of these costs, and how they would be offset. Asset values will stay on the merged balance sheet and continue to be depreciated until disposal through sale or write-off.

### 3.3.3 Coordination costs

To operate effectively the merged Council would need to deliver services on a distributed basis involving substantial delegation and devolution of management, supervisory and service delivery responsibilities. This creates coordination costs. These costs have the potential to increase with the addition of management and supervisory layers, but can be avoided in an environment of devolution of decision making responsibilities backed up by a robust accountability framework.

A failure to develop an efficient and effective devolved responsibility and accountability framework would work against achieving any of the financial benefits that might accrue in a merged Council. A situation where staff would be required to 'upwardly manage' to supervisors in Taree (or Forster) would inevitably create frustrations among staff and residents alike.

In addition to appropriate delegation and responsibility-accountability frameworks, coordination costs can be managed through effective use of technology in areas such as on-line and real time authorisation and approvals. A greater use of technology for management and control, and a lower reliance on paper based systems, would be expected to reduce coordination costs.

### 3.3.4 Technology costs

The extent to which the Councils in the Minister's proposed merger have compatibility in business systems is not known. These systems would include payroll, human resource management, planning and development control, asset management, service delivery, and finance – including commitments, payables and receivables. There may be compatibility in service contracts for ICT management, website design, online services, e-commerce and the supply and management of mobile devices.

ICT compatibility has the potential to deliver savings over the medium to longer term. However, there may be significant differences in these areas, particularly in relation to software, hardware capacity, commitment to software licenses and commitment to leases. Costs of achieving integrated systems in mergers can be very high, and it is important to have an appreciation of the level of these costs in creating a single Council entity.

Investments would also be required for the acquisition, installation and maintenance of secure wide area networks to link offices and depots in the three Council areas. The scalability and costs of increased utilisation of an existing (preferred) network would need to be ascertained.

To the extent that systems are not scalable, and offer little scope for integration, costs will arise in the acquisition of new systems to deliver a high level of user requirement as well as providing accurate, timely, and relevant management and financial information. These costs may be significant and offset the very small savings that may come from the aggregation of back office functions in a merged organisation. The extent to which processing is outsourced to third parties by each of the Councils may ameliorate technology costs.

It is nonetheless important that the Business Case gives a realistic and reliable indication of current and future commitments to the costs of technology. These may well be in excess of the aggregation of existing costs.

### 3.3.5 Costs of delivery over a wider area

It is well known that costs associated with services delivery over a distributed area are higher than services provided from a central location – unless, as indicated above, there is a high level of delegation and autonomy provided to service delivery staff.

## 3.4 Risks

The risks associated with the merger proposal have not been articulated. These fall into a number of categories, which are addressed below.

### 3.4.1 Timeframe for execution

One of the biggest risks in mergers is the loss of time in putting a merger into effect. During execution and implementation, the new Council might effectively 'stand still' as new management, organisational, and staffing arrangements are put in place. This can be disruptive for staff, service delivery, and for the community. Staff associations and unions are important participants in this process.

*The risk can be mitigated through a staged approach to implementation, with a well developed communication, consultation and engagement strategy to support the implementation of the merger.*

### 3.4.2 Managerial and organisational risk

The merged Council would not amount to an incremental increase in the size of either Great Lakes or Taree Council, as would be the case with either Council absorbing Gloucester. It will be an organisation of double the size of the Great Lakes or Taree, requiring a substantial step change in approaches to organisation and management.

There is a risk that the merged Council, hastily put together, will not be able to secure the timely appointment of an executive team that has the skills, knowledge and experience in managing an organisation of that scale. Many of the current managers might be untested in a larger organisation that requires stronger leadership and management skills. These may evolve, through personal development and 'leaning by doing', but it will take time. Evolution will occur in an environment of transformation and change.

As indicated in Section 2.1 above, the case for a merger should be based on the potential to deliver greater *public value* to the residents of the three Councils than would be the case if they continued as independent entities. It follows that there is a requirement for visionary, yet prudent, leadership to take the merged Council into the future. This is not simply a matter of extending or 'scaling up' current capability levels that exist in the three separate Councils.

### 3.4.3 Financial risk

Great Lakes Council has demonstrated financial prudence. This has established a framework of stability and a high level of trust between the Council and the community. A merger could potentially undo this trust, and without any certainty that material advantages would result.

Financial risk can arise in underestimation or under reporting of liabilities and commitments, over estimation of assets values and inventories, and risks relating to potential losses on financial investments.

### 3.4.4 Staffing and personnel risk

In going through merger processes there is a risk that talented staff will leave and pursue employment opportunities with other Councils. This is more likely to happen if there is a 'spill' of positions in creating a merged organisation.

This risk can be mitigated by information that the merged organisation will create enhanced career opportunities, through a planned approach to implementation, and an assurance that the same amount of work has to be done as in the pre-merged organisation.

### 3.4.5 Systems risk

Risks emerge in building system compatibility and systems integration. These have been addressed in 3.3.4 above in relation to cost.

### 3.4.6 Brand and reputational risk

Great Lakes Council has a strong brand in the area of natural resource management and tourism. There are risks of losing brand identity through strategies that seek to reposition the new merged entity as a different organisation. Finding a name for the merged Council would be an important strategic consideration.

To the greatest extent possible, locational branding should be retained in a merged Council through clear identification of precincts and districts.

### 3.4.7 Risk of not looking at other options

The current merger proposal may close off other, more appropriate, merger options with other Councils, including Port Stephens where there is a substantial commonality of interest in the area of tourism, natural resource management, and connectivity with the Hunter Region.

## 4 Responses to the factors in Section 263(3) of the Local Government Act

Responses to the specific issues, drawing on the material provided in Sections 3 and 4 above, are provided below.

### 4.1 The financial advantages or disadvantages of the proposal to the residents and ratepayers of the areas concerned

The available information and modelling does not provide sufficient evidence to form a definitive view on this question. Information provided by consultants about economies of scale in administration can be readily refuted.

Over the longer term there may well be financial advantages, but these need to be identified and quantified, discussed, and validated with all participating Councils and community stakeholders.

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

There is strong community of interest and geographic cohesion in the existing Great Lakes area around natural resource management, in family and eco-tourism, fishing and oyster farming, and in purpose built residential aged persons' accommodation.

In the north of the LGA there are social and employment links to Taree, with many people living in Forster-Tuncurry who work in Taree. There are also links to cultural and entertainment facilities and services provided by Taree as well as retailing and wholesaling links. There are also links to Port Macquarie. However, there are also strong links, particularly in the south of the LGA, to Port Stephens LGA and Newcastle.

Geographically and economically, Great Lakes has very strong links to the Hunter Region, and is part of the area covered by Regional Development Australia (RDA) Hunter - as is Gloucester. Hunter RDA has recently completed a [Smart Specialisation Strategy](#) that provides opportunities for economic development and employment growth in knowledge and technology intensive industries. These economic links are much stronger than links to the Mid North Coast RDA that covers Taree.

In terms of travel outside the region, the distance between Forster-Tuncurry and Port Macquarie and Newcastle airports are broadly comparable. Newcastle offers convenient direct connections to Sydney, Melbourne, Canberra, and Brisbane.

*The proposed merger of Great Lakes, Gloucester and Taree doesn't offer a unique community of interest over and above that which already exists, or that which could be achieved with other possible merger options.*

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

The extent to which historical and traditional values would be impacted by a merger is not clear. Many of these values have evolved outside a local government context. They are preserved by community organisations that may receive grants from Council from time to time.

The extent to which policies towards support for community organisations would change in a the proposed merged Council is difficult to ascertain.

#### 4.4 The attitude of the residents and ratepayers of the areas concerned

It is understood from public meetings and a Council survey that resident and ratepayers of Great Lakes are strongly opposed to the merger.

Great Lakes residents appear to be concerned about the potential for a *decline* in public value in their area.

#### 4.5 The requirements of the area concerned in relation to elected representation for residents and ratepayers

It would be expected that people elected to Council would represent the entire area in promoting and ensuring good governance, rather than the parochial interests of specific areas. Interest groups from different locations always have an opportunity to represent their views and advocate action to Council.

To the extent that the Council functions as a 'board of directors' in a similar way to a corporate board, a smaller number of elected representatives might be appropriate, with a strong strategy for community engagement and consultation. This is the way that Great Lakes Council has been operating. A Council of 11 has been mentioned in public meetings.

However, to the extent that the new Council is seen as a representative body, in the traditions of local democracy and participation, a larger Council would be appropriate to ensure that there was wide representation in policy development, decision-making, and resource allocation processes across the Council area. This could suggest a Council membership of 15. A larger membership also provides a larger pool of people to participate in Council Committees.

#### 4.6 The impact of the proposal on the ability of the Council to provide adequate, equitable and appropriate services and facilities

This matter has been addressed in the discussion about public value, and considerations of return, cost, and risk above.

#### 4.7 The impact of the proposal on the employment of the staff by the Council

The proposed merger might have a positive impact on employment, through the expansion of employment as a consequence of greater resource availability, and availability of greater career paths.

Experience indicates that few mergers across the public sector actually result in sustained employment reductions, particularly as the scope of services expands and demand for knowledge content increases.

The evidence of staff reductions is difficult to identify in terms of the balance between direct staff employment, contractors, and fee for service consultants (engineers, planners, NRM professionals, community engagement and communication specialists, for example).

#### 4.8 The impact of the proposal on any rural communities in the resulting area

It would be expected that service delivery in the rural communities would remain unchanged, or improve.

#### 4.9 The desirability (or otherwise) of dividing the resulting area or areas into wards

No advantage is seen in dividing the area into wards.

#### 4.10 The need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented

Great Lakes Council has established a practice of regular stakeholder engagement sessions across the LGA and has a well developed communications and social media strategy. This would be expected to be delivered across a merged Council.

A merged Council might wish to make greater use of Committees to tap into opinions and views of diverse communities across the Council area. For example, Great Lakes Council did not reconstitute an Economic Development Advisory Committee after the last election.

Service delivery points across the new Council area would also be in a position to capture community opinions.

#### 4.11 Any other factors relevant to the provision of efficient *and effective* local government

Matters relating to economic, efficient and effective government, and the delivery of public value, have been addressed in earlier parts of the Submission. It would be expected that a merged Council would be able to deliver greater *public value* through:

- Economy: Better access to, and allocation and use of resources
- Efficiency: Where possible, reduced costs per unit of output, better service cycle time, improved business systems
- Effectiveness: More services, better service quality, and greater customer satisfaction, and enhanced scope for innovation.

Unless there is confidence that these outcomes can be delivered, the merger should not proceed. To that end, there are a number of options that could be considered by the Delegate in preparing a report for the Minister.

## 5 Options for consideration

There are three broad potential options for the Delegate to consider in reporting to the Minister.

### Option 1: Push ahead with the merger proposal

Accept that the Business Case has not been well made, but make an assumption that it is in the best interests of residents, and trust that public value will be delivered in some way upon the creation of the new Council.

The advantages of this approach are:

- A challenge is created for a new Council with a 'blank sheet of paper' and opportunity to articulate a new vision for the merged LGA area
- A new executive management team would be in place with a strong focus on the future
- The opportunity to develop a 'learning by doing' and inclusive approach that may offer greater sustainability over the longer term
- Although formally deemed 'fit for the future' in a *financial sense*, Great Lakes is still a small Council in resource and service profile compared to larger regional Councils in NSW<sup>5</sup>. It is important, however, that Great Lakes address the future in an *economic development* sense.

The disadvantages are:

- It will be difficult to argue for the merger in the light of strong opinions against the merger voiced at public meetings
- The merger would proceed without an adequate investment proposition and Business Case

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<sup>5</sup> The Council does not, for example, have an economic development strategy or Director/Manger, Economic Development.

- There will be a considerable amount of time consumed in developing an implementation strategy
- A high cost of disruption as the merger arrangements are put in place
- There is no opportunity to consider other merger options that could, potentially, create more public value.

In this approach, the costs of the merger would be borne by the merged Council, with some contribution by the State Government. The overall cost of implementation would be uncertain until sometime after the merger, with little opportunity to plan and prioritise.

## Option 2: Put the merger on hold until a Business Case can be developed

The merger proposal could be considered premature, with little opportunity to fully assess the extent to which greater public value will be created through consideration of evidence and assessment of returns, costs and risks. Taking these considerations into account, the merger proposal should be put on hold until a credible Business Case can be developed that would support the merger.

The advantages of this approach are

- The opportunity to develop a planned and strategic approach to the merger, and build engagement and commitment within the community on the basis of evidence and understanding of the full implications and effects not only in relation to financial performance, and the construction and maintenance roads and bridges, but also in relation to economic development, education and training, and other social and community considerations
- It would allow for the development of strategies for the mitigation of risks
- Existing Councils could continue with their current plans and operations with little disruption
- It could allow for *staged implementation*, with the potential for less disruption and better management of costs and risks.

The disadvantages are

- Uncertainty within Councils and communities, an appearance of unnecessary delay, and a desire by some, particularly in business, to 'just get on with it'
- There is no assurance that the findings covered in the Investment proposal and Business Case would be followed by a new Council
- It would still amount to a commitment to a merger proposal that may not be the most appropriate to deliver maximum public value.

This approach would require the appointment of people with appropriate knowledge and experience, and resourcing, to develop the Investment proposal and Business Case. The Business Case would contain detailed estimated of costs, and advice about how they are to be met, and the time frame, and approaches to mitigation of risk.

## Option 3: Reject the merger proposal

Rejection would be based on an *a priori* assessment that there was little to be achieved in terms of delivery of greater public value in the merged organisation.

The advantages of this approach are:

- It would avoid committing resources to a merger that, on the basis of an assessment of available evidence and broad consideration of costs, risks and returns, might not deliver an increase in public value for residents
- It cannot be assumed that the current merger proposal is the most appropriate one available.
- It would allow other options to be explored, including a merger of Great Lakes with Port Stephens to achieve greater value in regional tourism, NRM, coastal profile, and economic development more broadly, including stronger linkages with economic development strategies of the Hunter Region<sup>6</sup>.
- Alternative options could then be evaluated against the Minister's proposal.

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<sup>6</sup> A Great Lakes - Port Stephens Council would have a service population in the vicinity of 100,000.

The disadvantage of this approach is:

- With the development and publication of a strong and credible Business Case that demonstrates public value, residents may be comfortable with the Minister's proposal.

### Preferred Option

Given the apparent haste in the way the merger proposal has been conceived and the lack of evidence to support it in terms of creating public value, Option 3 is the preferred Option in this Submission.