

Merger proposal of Great Lakes Council with Greater Taree City and Gloucester Shire Councils

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Dear Dr Ian Tiley,

Thank you for your time and attention on Tuesday 5 April at Bulahdelah when I presented some views on the Merger Proposal as President of the North Arm Cove Residents Association. Since then, the Association held a General Meeting (on Saturday 9 April) and so the following submission incorporates sentiments expressed at that meeting. I trust that it will assist you in evaluating on the Government merger proposal for Great Lakes, Greater Taree City and Gloucester Shire Councils.

Doug Kohlhoff, President, North Arm Cove Residents Association

Financial advantages or disadvantages of the merger to residents and ratepayers

For the past two years or more, the senior staff of our Great Lakes Council have been diverted from their normal task of servicing the needs of the Great Lakes Community. Driven by the State Government, we've had key Council staff and councillors pre-occupied with the TCorp review, the Fit for the Future process, then, for the past 18 months, the on and off and on-again saga of prospective mergers.

Now, a little bit of navel-gazing from time-to-time can be productive. It can sharpen the focus and clear the fluff. But when it persists month after month, year on year, this pre-occupation becomes counter-productive.

It has been, for two years past, a massive distraction for Council from its core functions. The consequent loss of productivity is just one of the hidden costs of the current round of council mergers across the state. This has had a very tangible and deleterious impact on ratepayers.

Now, if there were massive nett savings to be realised from a merger, who wouldn't support one? We would grudgingly wear the short-term pain if we knew that our rate increases would be meaningfully smaller or the service levels recognisably higher. But the evidence based on the business case, produced for Government, does not support this.

This is our view of what the business case suggests:

$30m / 20 = 1.5m$

The estimated savings claimed from the merger are \$30million over 20 years which averages \$1.5million per year.

1.5m / 150m = 1%

Those savings are on an annual turnover of the merged council of \$155million and up. So the annual savings are less than 1%; potentially that is just noise in a budget of this size. And it assumes that there are no inefficiencies or other hidden costs resulting from the merger.

Council is told to assume, when budgeting ahead, a 3% approved rate increase per year - but for this current year only 2.3% was actually approved. Council needed to, and did, modify its budgeted program downwards accordingly. A once-off 1% increase will probably provide a small fillip to the budget initially but that effect would quickly dissipate. Its benefits are unlikely, in any case, to find their way to this end of the proposed merged Council due to the significant problems in Gloucester and Greater Taree.

A majority of the community of Great Lakes has indicated its preparedness to wear a special rate variation applied over several years to address issues such as rural roads. Unlike the hypothetical 1%, this requested SRV increase in the Great Lakes budget would see real benefits delivered to the local community.

30m + 20m = 50m

Of course the business case points out that the government will toss in an extra \$20million to sweeten the deal. It adds that to the \$30million claimed savings and asserts that Council will be \$50million better off! This obviously assumes that the \$20million won't be needed to cover the costs of amalgamation. It is likely that the real costs of amalgamation will be *much* higher than expected.

30m - 20m = 10m

There is another way of looking at this. The State Government is saying that it will invest \$20 million of public money in the merged Council in the hope of making savings for the public of \$30million over 20 years. Effectively a \$10million "profit" on the \$20million outlay. If that \$20million was invested at 2% for 20 years it would give a similar return with a whole lot less stress.

However you look at it, the claimed savings are not huge. But on the other side of the ledger there are some significant visible and hidden costs many of which have not been addressed.

The State Government has placed a large number of constraints on merging councils such as:

- Merging councils can't receive any Special Rate Variation.
- Rating structures would be frozen for four years.
- There would be no forced staff redundancies for three years.
- Staffing numbers in small centres (such as Tea Gardens and Gloucester) cannot be reduced.
- And already, positions which are falling vacant are being left empty (causing inconvenience and delays for the community).

These constraints will have undesirable effects on the ability of the merged Council to deliver services efficiently or to address backlogs. They will exacerbate inequities between former council areas regarding rating levels and levels of service. They will produce structural dissonance where the staff skills available are badly aligned to what is needed and where it is needed.

The cost of merging disparate administrative systems is often underestimated. There will need to be a lengthy data cleansing exercise before integration or the resulting database will be of dubious value. Agreements on new definitions, procedures, and policies will take time to establish and implement. This consolidation process is likely to take several years during which the new Council will again be distracted from its core function of serving the community.

The success of similar mergers in the past has been jeopardised by a great deal of inertia, internal competition and even outright obstruction from some staff. Many staff will experience a feeling of disempowerment as their responsibilities change, the procedures that they have applied for years are replaced and their local knowledge is over-ridden by decisions elsewhere. There will be winners and losers out of the merger - and teams that have functioned effectively in the past may be restructured in less than optimal ways. Unless carefully handled, the disruption caused by the merger could lead to years of internal dysfunction. The greatest impact of this will be felt by the communities which have been better served by their Council in the past.

The senior staff will be higher paid, reflective of the large size of the new council - but they will need to spend much more of their valuable time in travel than senior staff do now. Councillors and ratepayers will spend more time on the road too with the time loss and risk that accompanies that.

For the ratepayers of the current Great Lakes, significant portions of their rates will be diverted to make up for major deficiencies in Greater Taree and Gloucester. Projects of key interest to North Arm Cove such as drainage and roadworks are likely to slip down low on the new Council's priority list.

The \$20million sweetener offered does not go far towards addressing the true costs of amalgamation and the well over \$100million maintenance backlog that will face the merged council. Plus some of the hidden costs of the merger will fall directly on ratepayers.

The impact the merger will have on existing historic and traditional values

The claimed 1% saving might be “nice” but it is not a great selling point for this proposal. It does not balance what is lost to the community in the merger. Not all of this loss is directly quantifiable in dollar terms. It includes the years of investment local communities have put into building up relationships with their Council and its employees; the council-community teamwork that has gone into delivering community resources. It encompasses the almost tribal feeling some have of belonging to the Great Lakes area; the historical links with Stroud Council and the Australian Agricultural Company; the social capital that has been built up locally over many years. There is something impersonal and disheartening in this whole process that seems to consider these matters as less worthy.

The impact on elected representation for the area in terms of requirements, relationships with ratepayers and residents and other special matters

We are not like Tweed Shire where all areas lie within a half hour drive of its administrative centre!

Even with the maximum of 15 Councillors, it will be difficult, even for areas as large as Tea Gardens/Hawks Nest, to feel that they are adequately represented. It is likely that Council representation will be dominated by the large population areas of Taree and Foster/Tuncurry. Individuals from small communities such as our village would have little chance of sufficient name recognition across such a wide area, nor the resources, to get themselves known. It is likely that there will, as a consequence, be increasing politicisation of the proposed council.

The desirability (or otherwise) of dividing the new Council into wards

Wards *may* assist to balance representation across the council area but, even with 15 councillors, smaller communities such as ours are likely to still feel that they have no effective representation.

The impact that the merger will have on Council's ability to deliver quality service, infrastructure (roads and bridges) and community facilities

The North Arm Cove Residents Association has worked hard over many years to gain the attention of Great Lakes Council in order to gain community facilities for our village and attention to our roads and drainage needs. We have been an active community and have sought and obtained government and other grants to meet our needs. Whenever we can, we do not simply wait around for Council to take the initiative. But to solve some problems we are completely dependent on council.

In recent years we have had a number of massive rainfall events that highlighted the poor state of drainage in the Cove. Many houses have been damaged by stormwaters flooding their houses or basements. Following our prompting, Great Lakes Council commissioned a study which identified the drainage "hotspots" and proposed remedies. The first of many phases in the implementation of this stormwater management plan occurred late in 2015.

While future funding has notionally been allocated to implement this plan, all councils have a tendency to redirect funds towards any identified problems which impact a greater number of ratepayers. In the proposed large merged council, with its massive maintenance backlog, we have diminished confidence that our needs, like drainage, will receive sufficient priority.

North Arm Cove Residents Association's attitude to this merger proposal

At the General Meeting of the Association held on 9 April 2016, those locals present (members and non-members) were invited to express by show of hands their support or opposition to the merger proposal. No hands were raised in support. Almost every local present raised their hand in opposition. Some locals were angry that there was insufficient information available on which to make a meaningful assessment including such things as impact on future rates. There was concern too at the rushed timetable of the decision-making process.

In North Arm Cove we have had our disagreements with Great Lakes Council. But we have worked with them over the years to build up a constructive working relationship. We sit down with the General Manager, senior staff, and councillors to work through our local concerns. We have regular contact with the directors.

In a merged council our village can expect to get probably less than a third of that attention. The current carefully cultivated relationships will be severed and we will face a struggle to build new relationships in the face of competition for attention from towns and villages with different needs and far distant from us.

For a 1% claimed council-wide saving per year, North Arm Cove will most likely end up with:

- ◆ a 66% loss in Council's attention,
- ◆ delayed implementation of key local infrastructure,
- ◆ and its rates and any savings from the merger being redirected to address deficiencies elsewhere.

That does not seem, to us, like a good deal.