

**Submission
No 50**

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Tamworth Regional Council

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Submission to the Inquiry into Local Government in New South Wales

(Cr Russell Webb – Deputy Mayor, Tamworth Regional Council)

Introduction

This submission draws on a case study of Tamworth Regional Council that was completed earlier this year. As a previous Councillor of Parry Shire Council and now a Councillor and Deputy Mayor of the amalgamated Regional Council, I believe I am well qualified to comment on the costs, benefits and impacts of amalgamations in regional New South Wales.

The merging of five general purpose councils and two county councils in northern inland New South Wales to form the Tamworth Regional Council has resulted in the improved strategic capacity of the local governing body and the transformation of the region as a whole. While there was initially significant resistance to any proposed amalgamation, careful consideration of the potential benefits that would be delivered through a merger eventually saw a successful outcome for all of the previous LGAs and their communities.

Tamworth Regional Council is committed to, and has delivered on regional priorities not just in the major urban centre of Tamworth city, but across the entire region. The merged Council is regarded as a leader in terms of its approach to an involuntary amalgamation and the subsequent management of priority projects in urban and rural centres. This is exemplified in a recent community survey, in which the amalgamated Council received a 91% satisfaction rate from residents across the region.

KEY DATA

Amalgamated Council:	Tamworth Regional Council
Year of Merger:	2004
Pre-merger Councils:	Barraba, Manilla, Tamworth City, Parry and Nundle
Population Size:	60,495 (2014 Estimated Residential Population, Profile ID)
Area/coverage:	9,893 km ² (Profile ID)
Gross Regional Product (GRP):	\$2.71 billion (2014, Economy ID)

Additional Key Facts:

- \$130 million budget
- 550 staff
- 4 towns/13 villages
- 1,000km sealed roads, 2,000 unsealed roads
- Assets include 67 timber bridges, 6 libraries, 13 landfills, 6 pools, 5 sewer schemes, 7 water schemes, over 400 council owned buildings

SITUATION ANALYSIS

In 2004, as part of the New South Wales structural reform program, the Tamworth Regional Council was formed following a merger between the Tamworth City, Barraba Shire (part), Manilla Shire, Parry Shire (part) and Nundle Shire Councils. The amalgamation was enforced and accepted by the five councils.

At the time of the merger, the Tamworth City Council and Parry Shire Council were understood to be relatively successful as independent local governing bodies. Tamworth City Council was responsible for the major regional centre in northern inland NSW and Parry Shire oversaw the delivery of rural services to the region surrounding the Tamworth urban centre. Although primary services for Parry and Tamworth were located within close proximity to one another, the provision of services to the Parry Shire was limited by its relatively small population..

Prior to the amalgamation, the three smaller councils were struggling financially and did not have the strategic capacity to plan for or implement a better future for its respective communities. Nundle Shire Council, which had a population of 1,200, was facing insolvency and did not have the finances to afford to replace basic infrastructure. Nundle, Manilla and Barraba Councils had significantly smaller populations when compared to the other two councils. These three councils did not have the financial capacity to deliver major projects which had been planned for the local government areas.

According to Tamworth Regional Council General Manager Paul Bennett, one of the primary reasons for the merger was the significant growth in and around Tamworth as a major service centre..

STRATEGIC CAPACITY ACHIEVED/DELIVERED

▪ Scope and capacity to undertake major infrastructure projects

Prior to the amalgamation, the Manilla Shire Council was reliant on outdated infrastructure including a water treatment plant constructed in the 1940s. A replacement \$11 million water treatment plant was planned but the Shire did not have the financial capacity to deliver it. Now fully funded and programmed the water treatment plant represents an example of the increased capacity of the amalgamated Council to deliver and finance major projects. Similarly, Nundle relied on a timber bridge as the main access way to the township. The bridge was in dire need of repair and upgrade for many years prior to the merger. The Tamworth Regional Council was able to replace the timber bridge with a concrete bridge soon after the merger took place. Other significant projects that were able to be undertaken included the \$30M Australian Equine and Livestock Events Centre (AELEC) and the \$10M Sports Dome – both magnificent regional assets that benefit all of the communities in our LGA.

▪ Upgraded facilities funded by a more robust revenue base

Before joining the Tamworth Regional Council, Nundle was facing insolvency and did not have the finances available to upgrade its community facilities. Following the merger, the amalgamated Council had the financial capacity to undertake a number of public projects including the improvement of recreational grounds and library facilities, and the upgrade of television services from analogue to digital.

- **Effective advocacy for the region**

Pre-merger, the Barraba Shire had been heavily dependent on the Manilla River as its primary water source and required a more secure and reliable water supply. For 15 years, the Council were in discussions to construct the Split Rock to Barraba Pipeline, however it did not have the capacity to plan for or finance an infrastructure project of this size.

Following the merger, the Tamworth Regional Council was able to put forward a proposal for the project and received partial funding from the Federal and State governments. One third of the project was funded by the region's now larger ratepayer base. After years of discussing the project prior to the merger, the amalgamated Council were able to deliver this \$16 million development. As a result, the Barraba water supply is currently not subject to water restrictions.

As a regional council with a population of 60,000 people, the ability to attract interest from government and major industry is much enhanced from the smaller populations of the previous individual Council areas.

CHALLENGES AND HOW THEY WERE ADDRESSED

- **Maintaining differential rates**

The Tamworth Regional Council has maintained differential rates for residents in each area. For example, its major urban centre attracts higher rates than the surrounding towns and villages. Although water, sewer and waste related rates remain consistent, differential rates have been maintained to ensure equity across the region.

- **Creating an effective delivery structure**

In the last five years, the Tamworth Regional Council has undertaken an internal service review to reduce the size of the organisation in order to improve efficiency. Whole of life asset management has been central to the Council improving strategic capacity. Equally important has been an ongoing commitment to maintaining or even improving the level of service delivery to the smaller communities. The increased deployment of technology across the region, and especially in the smaller towns, has ensured the efficient and effective use of resources.

- **Resisting centralised regional industry**

Tamworth Regional Council supports the growth of industry in smaller centres by ensuring that larger industries are located away from the Tamworth urban centre. In 2014, the Council supported the Baiada Poultry proposal for 70 broiler chicken sheds to be located in Manilla. By locating this major industry in one of the region's smaller centres, the Council was able to ensure that the community would receive the benefits of the development including increased job opportunities once it is constructed. Additionally, the amalgamated Council has been working with the Regional Australia Institute to understand how the economies of each centre interact and support each other, ensuring that services in small towns are not replicated in the larger urban centres.

- **Prioritising projects across the region**

Where a merger takes place, the amalgamated Council will be faced with the task of determining priority projects across the broader region. One example which illustrates this is the management of the region's infrastructure assets. For example after the amalgamation, the Tamworth Regional Council was responsible for 67 timber bridges for which \$25 million was allocated for bridge upgrade and replacement. In order to upgrade these assets, the Council had to delay city upgrades which were considered to be a lower priority in comparison. A long term plan for the management of Council's assets was a key project.

- **Five different workforces coming together**

In the case of Tamworth Regional Council our employees were faced with significant location, staffing and structural changes including loss of General Manager roles in each amalgamated entity. The amalgamated staff group approached these changes with varying degrees of acceptance. Several major concerns raised during the amalgamation process arose from within the organisation with many staff wary of losing the identity of their pre-merger Council, maintaining their previous workplace cultures even as far as wearing their old uniforms. Through a focused and ongoing effort, ***Tamworth Regional Council has worked to develop a new culture for the "new entity" rather than an amalgamation of cultures, or the imposition of one culture over the others.***

- **Delivering operating efficiencies**

Creating efficiencies that could realise savings was a key challenge in the early years of the merged entity. One of the most significant management challenges following the amalgamation was the State government's legislated requirement to maintain the workforce for a number of years. In the case of the Tamworth Regional Council merger, the Council had to reduce investment, particularly in infrastructure projects in the early years, in order to maintain the pre-merger workforce levels. Once past the effect of the moratorium, efficiencies were gained through the restructuring of the Council.

- **Loss of identity**

Some residents from the smaller centres opposed amalgamation believing that the urban centre would 'take them over' plus also reap the major financial benefits of the merger. As the merged entity progressed, delivered on local priorities, and maintained effective local representation, this concern was soon quashed. Similarly, in the larger centres, public perception about the larger entity of Tamworth financially 'supporting' the rural centres was expected to be a public concern, but with maintenance of service levels and the increased gains in regional strength and influence, this has not emerged as a significant issue.

- **Loss of democracy via decreased Councillor representation**

Developing a model of representation for the smaller towns and villages within the region was delivered as a priority. Tamworth Regional Council introduced both open forums with councillors and council staff and the development of Community Development Committees (CDCs) to enable and support community representation. These CDCs have now evolved into Section 355 Committees and have more specific responsibilities around community assets and services.

KEY OUTCOMES AND DEMONSTRABLE BENEFITS

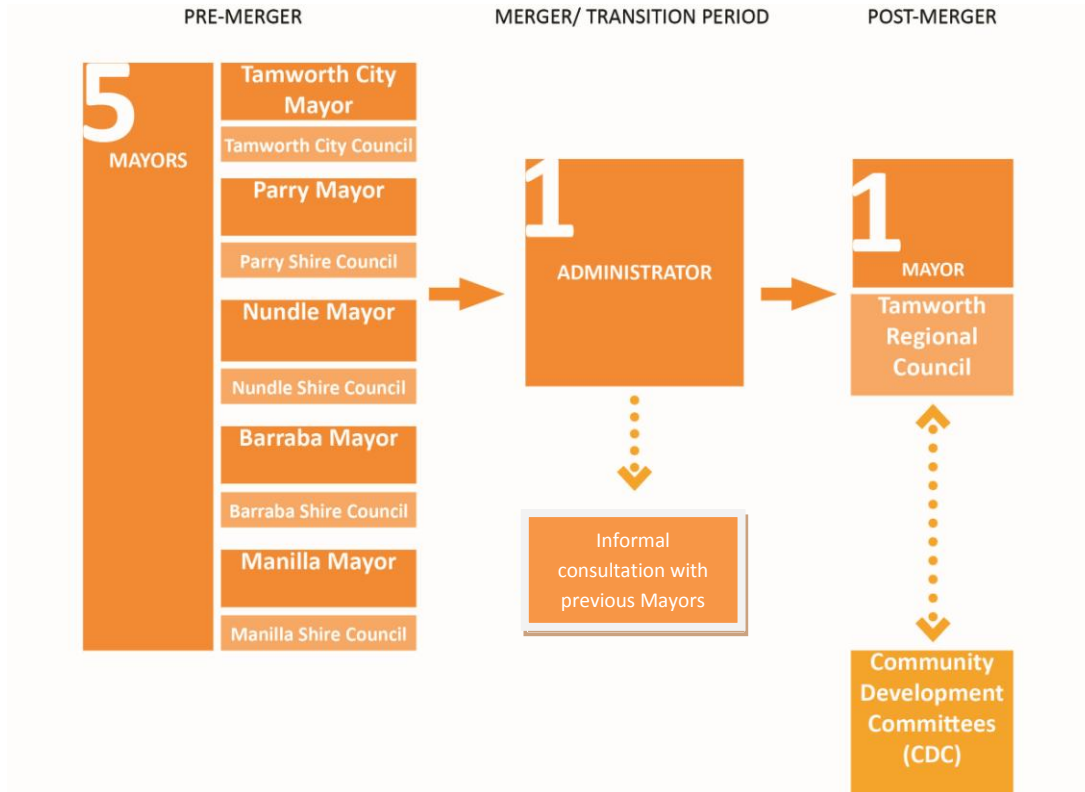
- Increase in service delivery through improved resource management
- Greater opportunity for capital investment in regional infrastructure and better regional strategic infrastructure planning
- Improved regional decision making
- Increased capacity to undertake large scale projects
- Increased capacity to engage in political advocacy for the region
- Better management of assets and finances, and ability to match funding for long term assets. As a consequence of the merger, the amalgamated Council was able to better understand intergenerational equity issues and recognise the need to finance long lived assets to reduce ongoing maintenance costs.
- Ability to attract professional capacity. The amalgamated Council has the financial capacity and recruitment strategies in place to attract highly skilled and experienced employees, including highly experienced international professionals.
- Streamlining planning policies and region wide strategies. Since the merger, the Tamworth Regional Council have delivered a 30 year infrastructure plan, developed a single Local Environment Plan for the entire region, consolidated 30 development control plans into five and merged five development contribution plans into one. The result of this is consistency for development within the region, the consolidation of conflicting policies and greater efficiency from an operating perspective.

LESSONS LEARNT

- Management intervention is key to the success of the merger process. Central to this is managing the mechanics of the organisation which may include reshaping the individual councils prior to amalgamation.
- Managing change and community expectations is a major challenge which needs to be addressed during the merger process.
- Developing a governance model to retain the identity of the individual centres and maintain a robust local democracy will aid in addressing community concerns regarding identity loss and lack of representation.
- 'In the right circumstances amalgamations are an "opportunity" not an "outcome".'ⁱ
- Other lessons learned as noted by Tamworth Regional Councilⁱⁱ include:
 - A transition period prior to formal commencement is needed
 - Staff focus should be on creating a new organisation– not an organisation that is a composite of a number of old organisations
 - A planned implementation with meticulous attention to detail is essential
 - Maintenance of service delivery throughout the process is an important community commitment
- The method for calculating workers compensation premiums in New South Wales when they are merged entities may inflate the premium for amalgamated councils.
- The merged council received the same level of subsidy from the State Government's Infrastructure Program as the five individual councils.

THE MERGER PROCESS

Structure and Representation



- Following the merger, an administrator was appointed. Throughout the transition process, input and assistance was provided by the former mayors on an informal basis.
- Community Development Committees (CDCs) were initially formed to represent issues specific to the region. For example, the Tamworth Regional Council has a Parks and Recreation Committee. The amalgamated Council now has 46 Section 355 Committees which function as a long term engagement mechanism and provide a voice for local communities.