

**Examination of  
Port Stephens Council  
Dungog Shire Council  
Merger Proposal**

**Report to the Boundaries Commission**

Delegate — Peter Peppin

August 2016



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# 1 Executive Summary

The Minister for Local Government, Hon. Paul Toole MP, has referred the Proposal by Port Stephens Council for the amalgamation of Port Stephens and Dungog Local Government Areas (LGAs) to the Acting Chief Executive of the Office of Local Government (OLG) for examination and report under Section 218F of the Local Government Act (the Act).

On 2 May 2016, the Acting Chief Executive of the Office of Local Government delegated to me (the Delegate), by Instrument of Delegation,<sup>1</sup> the functions of examining and reporting on the proposal to amalgamate the local government areas of Port Stephens and Dungog Shire Councils. A copy of the Proposal submitted by Port Stephens Council is shown in Appendix B.<sup>2</sup>

The Delegate conducted the examination and prepared this report for the Minister and the Boundaries Commission, having had regard to the requirements of Section 262(3) of the Act.

## 1.1 Key Findings

- ▼ There are differences in the two councils' rating structures that will require appropriate harmonising. However, the financial advantages of the merger outweigh the financial disadvantages. Also, the larger council with its bigger rate base will provide the merged council with increased scale and capacity in considering important financial decisions. The Proposal warrants support, with respect to the financial factor. (Refer Chapter 3)
- ▼ The community and geographic characteristics of the two LGAs are similar and strongly aligned. (Refer Chapter 4)
- ▼ Port Stephens and Dungog LGAs have similar traditional and cultural backgrounds. It is considered that the proposed new council provides an opportunity to further develop these values. (Refer Chapter 5)
- ▼ Given the verbal and written feedback from the councils and the public, on balance, there is strong support for the proposal. (Refer Chapter 6)
- ▼ The Delegate believes that, should the merger Proposal proceed, it is important for the mayor, councillors and staff to develop a close working relationship as quickly as possible. To this end, it is considered that a mayor elected by and from among the elected members will facilitate this outcome. Also, having regard to the number of residents/councillor ratios for six other similarly sized NSW Regional City Councils, a council with 12 elected officials seems appropriate. (Refer Chapter 7)

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<sup>1</sup> The Instrument of Delegation is shown in Appendix A

<sup>2</sup> See Appendix B

- ▼ Should the new council be established, to maintain quasi-representation in the more sparsely populated areas of the former Dungog Shire Council, consideration should be given to the formation of a citizen's liaison committee that will have an advisory role to the new council. Also, it is suggested that 2-3 times per year council meetings be held in different villages of the new council to engage with these isolated communities. (Refer Chapter 7)
- ▼ With every change process, there will always be a level of disruption to service delivery, however, a rolling program of service reviews can be expected to deliver a range of services for the new council which are appropriate, effective and efficient. (Refer Chapter 8)
- ▼ A merger will not necessarily lead to a reduction in overall staff numbers, with examples showing that new bigger councils from past amalgamations have embraced the provision of new and/or enhanced services requiring the creation of additional positions. Also, the new publicly advertised positions created through the merger process can be expected to attract very strong fields of candidates. (Refer Chapter 9)
- ▼ The Local Government Act provides employment protection to council staff employed by a newly merged council and also for those working in a rural centre such as Dungog. (Refer Chapter 9)
- ▼ Both Port Stephens and Dungog LGAs have a large proportion of their areas zoned Rural. Also, under Section 218CA of the Act, Dungog township is deemed a rural centre and as such a new council after amalgamation must maintain as far as is reasonably practicable the same level of regular staff in Dungog as were employed prior to the merger. Given the relatively large rural areas of the two councils, it is suggested that the new council, if proclaimed, should endeavour to improve service delivery to isolated areas via a range of modern state of the art tools. (Refer Chapter 10)
- ▼ The merits of a ward system as opposed to no wards are often debated across the Local Government sector. In this case, it is considered that in a newly merged council representation should be maximised in the first instance and as such "guarantee" representation across the new council. Obviously, this cannot be guaranteed under an undivided system. As for the number of wards, given a council comprising 12 councillors and also the legislative requirement for the same number of councillors to be elected for each ward, a new LGA divided into four 3 member wards seems appropriate (Refer Chapter 11)
- ▼ It is clear from the statistical information and the submissions received that the two councils have very similar demographics. This can be expected to assist in implementing the merger, albeit the opinions of the area's diverse communities will need to be collected in determining the services to be provided. A similar community opinion process will need to be followed in the preparation of the Community Strategic Plan. (Refer Chapter 12)

## 1.2 Major Findings and Recommendation

This review presents the following major findings in support of its recommendation to the Minister for Local Government:

- ▼ that a merger between the local government areas of Port Stephens and Dungog will derive financial savings for the two councils while the larger rate base can be expected to provide the merged council with increased scale and capacity to consider important financial decisions eg negotiating larger contracts, providing new/better services, addressing infrastructure backlogs, etc.
- ▼ there is a very strong alignment between the two council's community and geographic characteristics and traditional and cultural backgrounds and residents and ratepayers can expect these values to be further developed through the increased scale and capacity of a merged council, and
- ▼ there is strong support from those who lodged a submission.

### 1.2.1 Recommendation to Minister

That the proposed merger of Port Stephens and Dungog Shire Councils proceed, subject to consideration by the Boundaries Commission and approval by the Minister for Local Government.

## 1.3 Other Matters for Attention and Consideration

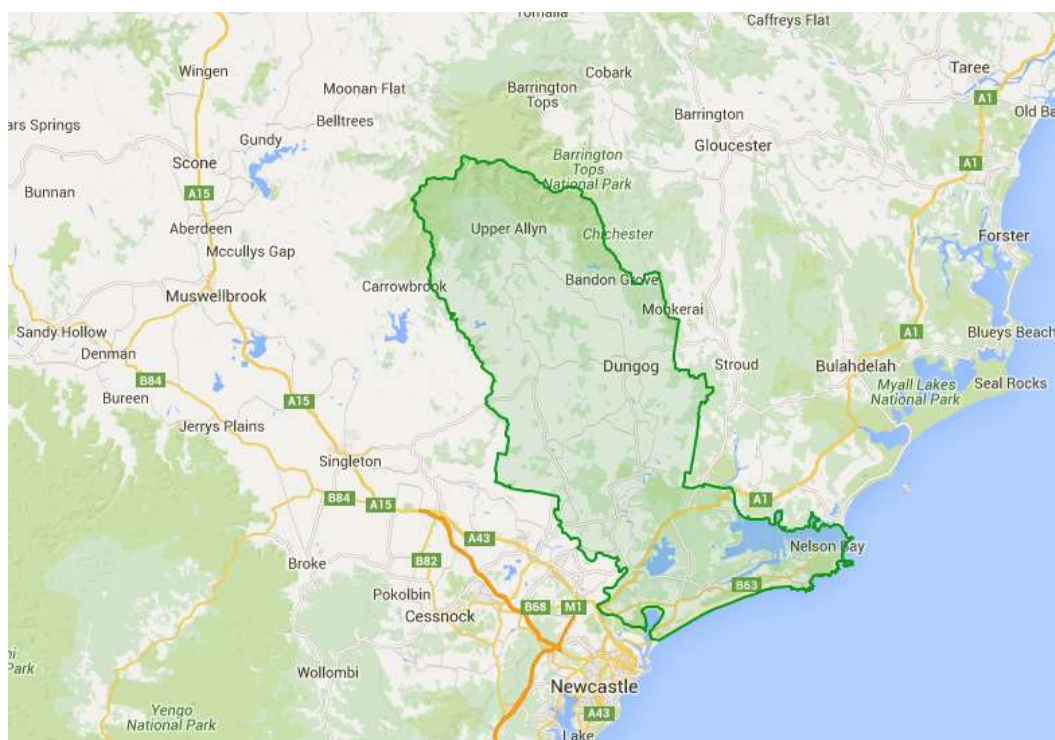
Should the merger proposal proceed, this review provides the following matters for attention and consideration by the Minister, Boundaries Commission and the new council:

- ▼ that if the Proposal proceeds, the new LGA comprise of 12 councillors, including the mayor, who will be directly elected by the councillors
- ▼ that if the Proposal proceeds, the new LGA be divided into four 3 member wards, and
- ▼ that if the Proposal proceeds, the new LGA be named Dungog-Port Stephens Regional Council.

# 2 Introduction

## 2.1 Description of Proposal

This report is for the examination of the proposal made by Port Stephens Council to the Minister for Local Government under section 218E(1) of the Act for the merger of Port Stephens and Dungog Shire (shown in Figure 2.1).

**Figure 2.1 Port Stephens and Dungog Shire Councils**

Source: NSW Government, Council Boundary Review, Port Stephens and Dungog Shire Councils Proposal

## 2.2 About Port Stephens and Dungog Shire LGAs

Port Stephens LGA is the land of the Worimi people, and Port Stephens Council values the unique status of Aboriginal people as the original owners and custodians of lands and waters including the lands and waters of the Port Stephens LGA. Port Stephens is named after Sir Philip Stephens who was First Secretary of the Admiralty in the late 1700s and later a Lord Commissioner of the British Admiralty between 1795 and 1806.<sup>3</sup>

The Port Stephens Council LGA has an area of 979 square kilometres and is situated within the following co-ordinates: 32° 45'S, 151° 55'E. It is located within the Hunter/Mid North Coast Region of NSW. The council offices in Raymond Terrace are situated 172 kilometres from the Sydney CBD.

The following are some important statistics for the Port Stephens LGA:

- ▼ main employing industry – retail trade (ABS 2011)
- ▼ other employing industries – health care and social assistance, public administration and safety, and manufacturing

<sup>3</sup> [www.captaincooksociety.com/home/detail/sir\\_philip\\_stephens\\_1723-1809](http://www.captaincooksociety.com/home/detail/sir_philip_stephens_1723-1809)



- ▼ climate
  - ▼ mean minimum temperature – 12C
  - ▼ mean maximum temperature – 23C
  - ▼ mean rainfall – range 1,125.6mm – 1,348.9mm
- ▼ national parks, nature reserves, other protected areas – 19.3 square kilometres,
- ▼ major population centres – Tomaree Peninsula, Tilligerry Peninsula, Medowie and Raymond Terrace.<sup>4</sup>

Dungog Shire LGA is situated in the Lower Hunter Planning Region, and has an area of 2251 square kilometres and extends from alluvial flats and undulating country in the south to mountainous and rugged terrain in the north where the LGA is bordered by the Great Dividing Range via the Barrington Tops Ranges and Escarpment. The Shire is situated within the following co-ordinates: <sup>32° 24'S</sup>, <sup>151° 45'E</sup>. The traditional owners of the Dungog Shire area are the Gringai clan of the Wonnarua Nation. The shire offices in Dungog are located 214 kilometres from the Sydney CBD.

Important statistics for Dungog LGA include:

- ▼ main employing industry – sheep, beef cattle and grain farming
- ▼ other employing industries – school education, dairy cattle farming, hospital and health care and road freight transport
- ▼ climate
  - ▼ mean minimum temperature – 10.5C
  - ▼ mean maximum temperature – 24C
  - ▼ mean rainfall – range 900mm – 1500 mm
- ▼ major population centres – Dungog, Clarence Town, Gresford (including East Gresford) and Paterson.<sup>5</sup>

### 2.3 Description of Examination Process

On 2 May 2016 the Acting Chief Executive of the Office of Local Government delegated to me (the Delegate) the functions of examining and reporting on the proposal to amalgamate the LGAs of Port Stephens and Dungog Shire. This is a proposal made by Port Stephens Council to the Minister for Local Government and referred to the Acting Chief Executive of the Office of Local Government.

A copy of the Instrument of Delegation is shown in Appendix A.

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<sup>4</sup> Port Stephens Council Annual Report 2015, p.11

<sup>5</sup> ABS Census Data, 2011, and Dungog Annual Report

As the delegate I must examine and report on this proposal in line with the requirements of the Act.

The factors for consideration under section 263(3) of the Act are:

- a) the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to residents and ratepayers of the areas concerned
- b) the community of interest and geographic cohesion in the existing areas and in any proposed new area
- c) the existing historical and traditional values in the existing areas and the impact of change on them
- d) the attitude of the residents and ratepayers of the areas concerned
- e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area
  - e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities
  - e2) the impact of any relevant proposal on the employment of staff by the councils of the areas concerned
  - e3) the impact of any relevant proposal on rural communities in the areas concerned
  - e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards
  - e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented and
- f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas

As part of this process I have met with Port Stephens and Dungog Shire Councils<sup>6</sup>, received written submissions and conducted a public inquiry. Details about the public inquiry sessions are shown in Table 2.1.

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<sup>6</sup> Met with Port Stephens and Dungog Shire on 7 and 8 June 2016 respectively and records kept of these two meetings.

**Table 2.1 Public Inquiry Sessions**

Session	Port Stephens	Raymond Terrace	Dungog
Session	West's Nelson Bay Diggers Club 8 June 2016 12:00pm-4pm	Raymond Terrace RSL Club 8 June 2016 7:00pm-10pm	Dungog Memorial RSL Club 9 June 2016 7:00pm-10pm
Attendance	67	67	96
Speakers	20	12	23

Source: Transcripts of meetings will be available at OLG Council Boundary Review website

Additionally, 174 written submissions were received. Copies of written submissions as well as the transcripts of each public inquiry session will be published on the Council Boundary Review website.

Section 263(2B) of the Act requires that reasonable public notice of the public inquiry be given. In providing reasonable public notice, the following was undertaken:

- ▼ advertisements were placed in local and state media
- ▼ letters were written to each council within the proposal area and
- ▼ full access to the proposal, map and registration process was provided to all members of the public via the OLG Council Boundary Review website.<sup>7</sup>

## 2.4 Rationale

In its Merger Proposal, Port Stephens Council says “there are considerable synergies between the communities and geography of Port Stephens Council area (West) and Dungog, being rural areas with dispersed settlement patterns; and generally both having tourism as an economic driver”.<sup>8</sup>

In the Proposal document, Port Stephens Council says that the merger will:

- ▼ increase the community benefit to areas that otherwise would experience increased costs and decreased service delivery
- ▼ potentially reduce the number of councils in a regional area without decreasing the ability for Hunter Councils to deal effectively with State agencies by limiting the impact on that body through decreased representation of communities in the region
- ▼ increase the scale and capacity of Dungog Shire Council through access to those areas of impact that were identified by IPART as being factors in Port Stephens Council having ‘scale and capacity’

<sup>7</sup> <https://olg.councilboundaryreview.nsw.gov.au>

<sup>8</sup> Port Stephens Council, “Merger Proposal: Port Stephens Council & Dungog Shire Council”, p.3

- ▼ accede to the requests of some of the affected communities to become part of Port Stephens LGA<sup>9</sup>

I have prepared this report on the Port Stephens and Dungog Shire merger proposal considering all the information I have received as part of the public consultation period as well as my own research relating to each factor I am required to consider under section 263(3) of the Act.

The Final Report will be provided to the Minister and to the Boundaries Commission. The role of the Boundaries Commission is to review this report and provide its comments to the Minister. The Minister will make a decision on whether or not to recommend the implementation of this proposal to the Governor of NSW.

## 2.5 Summary of Submissions

A total of 229 submissions have been received on this merger proposal. This was made up of 174 written submissions and 55 verbal submissions at the Public Inquiry sessions.

Most submissions received were in support of this merger proposal (76% in support; 17% in opposition; 7% no position for or against).<sup>10</sup> This included overwhelming support from the Port Stephens community. There was also significant support from the Dungog Shire community for this proposal. This included a petition received from the Dungog community with 1,794 signatures.<sup>11</sup>

Of the submissions that supported this proposal, there was an overwhelming rejection of the Port Stephens-Newcastle merger from the Port Stephens community and a strong rejection of the Dungog Shire-Maitland City Council merger from the Dungog community.

### 2.5.1 Councils

#### Port Stephens Council

Port Stephens Council's preferred position is to standalone, having been declared 'Fit' by IPART. However, it states that its proposal meets the objectives of the NSW Government's 'Fit for the Future' process and provides a sustainable financial future for both communities.<sup>12</sup> It also states that the communities most impacted by change also largely accept this proposal.

<sup>9</sup> Ibid p. 2.

<sup>10</sup> 174 submissions (76% support the merger proposal excluding the community petition in support). Further information on the submissions received is provided in Chapter 6.

<sup>11</sup> Petition was received at the Public Inquiry Session at Dungog Memorial RSL Club on 8 June 2016.

<sup>12</sup> Port Stephens Council, Submission, pp.2 & 3

It considers this merger is a better outcome for:

- ▼ Dungog Shire and its communities than a Maitland merger and
- ▼ Port Stephens and its communities than a merger with Newcastle.

Port Stephens argues that:

- ▼ the cost to merge is less than the alternative Minister's proposals
- ▼ the infrastructure backlog can be addressed without large increases in rates
- ▼ the impact on rates of this proposal is less than the alternative proposals
- ▼ services will be improved in Dungog and
- ▼ there is significant support for this proposal from the Port Stephens and Dungog communities.

### **Dungog Shire Council**

Dungog Shire does not have a formal position on the merger proposal. However, Dungog Shire's preference is to standalone. Also, it says there are many who believe it should standalone but do not wish to express their view publicly.<sup>13</sup>

It is noted that at its 21 June 2016 meeting, the Council voted against including in its submission the Dungog Shire Community Group's petition and the results of the Dungog Chronicle's poll of 13 May 2016.<sup>14</sup>

### **2.5.2 Community**

The community's strong support for this proposal is based on the common view that this is the best possible option for the Port Stephens and Dungog communities relative to the Minister's competing proposals for these communities which are currently on hold pending the completion of the examination process into this merger proposal.<sup>15</sup> This includes comments such as "if we have to merge, this is the preferred outcome" and "this is the best option by a country mile".

Critically, statements like these were from people who were saying – if we have to merge, this is our preference. On the other hand, there were comments from residents who could see the 'economy' and 'society' benefits of an amalgamation compared with remaining separate eg. a logical and well aligned merger that would result in positive benefits for both of these existing council areas.

Most submissions identified the strong communities of interest and geographical cohesion of the two existing council areas as reasons for supporting this

<sup>13</sup> Dungog Shire Council, Submission, pp1 & 13

<sup>14</sup> Dungog Shire Council Minutes, 21 June 2016

<sup>15</sup> 174 submissions support the proposal.

proposal.<sup>16</sup> The submissions also identify positive impacts on each of the factors for consideration including financial, communities of interest, service delivery, employment by council and rural impacts.

This contrasts with the strong opposition to the alternative merger proposals being considered by the Government. It is clear from these submissions that the negative concerns raised under the factors for consideration under the alternative merger proposals are no longer a concern under this merger proposal.

A number of submissions from the Dungog and Port Stephens community oppose this merger proposal. These submissions note their support for the alternate mergers that are under consideration. For example, some Dungog residents in opposition to this proposal favour the Dungog-Maitland merger. Similarly, some Port Stephens residents in opposition to this proposal support the Port Stephens-Newcastle merger. The reasons stated for opposing this merger largely focus on the lack of 'communities of interest' or geographic cohesion between the council areas.

A number of submissions have raised concerns about Dungog Shire Council's lack of community engagement and the fact it has no position on the merger proposal. As a result, community groups have made the effort to consult members of the community and presented a petition to Dungog Shire, requesting Dungog Shire consult more widely on the proposal with the community. It was stated that Dungog Shire has ignored the proposal and done absolutely nothing to inform or consult the residents. They consider that the council is not in a position to speak for the community. Councillors may express personal points of view, but they do not know what the community thinks.

There were also strong concerns at the Government's merger process to date and in particular negative views expressed about the Delegates' reports into the competing proposals for Port Stephens and Dungog. There was a general perception that in those reports the voice of a large proportion of submitters was ignored.

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<sup>16</sup> See Chapter 4, pp. 20-23

## 3 Finance

This chapter contains an assessment of section 263(3)(a) of the Act.

**The financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to residents and ratepayers of the areas concerned.**

### 3.1 Analysis

In examining this factor, this review has considered the relative financial positions of each council, and the financial benefits or otherwise of the merger. This financial review is critical to the examination process as it outlines the financial burdens currently being experienced by the two councils' residents and ratepayers and the burden to be carried, should the amalgamation proceed.

The Independent Pricing and Regulatory Tribunal (IPART) assessed Port Stephens to be "Fit", for its scale and capacity, under the IPART "Fit for the Future" criteria. On the other hand, Dungog was found to be "Not Fit" and in its proposal to IPART to become "Fit", Dungog proposed a Special Rates Variation (SRV) of 108.2% (92.2% above the rate cap) over six years to achieve the operating performance benchmark.<sup>17</sup>

In 2012, the NSW Treasury Corporation (T Corp) undertook financial assessments of all NSW Councils and found that while Port Stephens Council's 10 year forecasts show a surplus position for each year (after excluding capital grants and contributions), Dungog had projected operating deficits in the first eight years of the 10 year forecast period.<sup>18</sup>

More recent end of year Underlying Operating Results (after excluding capital grants and contributions) are as follows:

**Table 3.1 Underlying Operating Results – Port Stephens & Dungog LGAs**

	2013	2014	2015
Port Stephens	\$1,613,000	\$481,000	(\$2,747,000)
Dungog	(\$7,000)	(\$2,477,000)	(\$6,301,000)

Source: Council Income Statements in General Purpose Financial Statements Annual Reports 2013-2015

<sup>17</sup> IPART, Assessment of Council Fit for the Future Proposals, pp. 63-64 in Port Stephens, Merger Proposal, op cit, p.2

<sup>18</sup> NSW Treasury Corporation, Financial Assessment, Sustainability & Benchmarking Reports: Port Stephens & Dungog, Oct 2012, pp. 5 & 4 respectively.

“Analysis by KPMG in 2015<sup>19</sup> shows the proposed merger has the potential to generate a net financial saving of \$17 million to the new council over 20 years. Gross savings over 20 years will primarily be due to:

- ▼ streamlining senior management roles (\$4.1 million)
- ▼ the redeployment of back office and administrative functions (\$12.8 million), and
- ▼ efficiencies generated through increased purchasing power of materials and contracts (\$5.5 million).

In addition, the NSW Government has announced a funding package to support new councils that would result in \$15 million being made available, should the proposed merger proceed.

The implementation costs associated with the proposed merger (for example, information and communication technology, office relocation, workforce training, signage, and legal costs) are expected to be surpassed by the accumulated net savings generated by the merger within a four year payback period. Overall, the proposed merger is expected to enhance the financial sustainability of the new council through:

- ▼ net financial savings of \$17 million to the new council over 20 years,
- ▼ achieving efficiencies across council operations through, for example, the redeployment of duplicated back office roles and administrative functions, and streamlining senior management,
- ▼ establishing a larger entity with revenue that is expected to reach \$179 million per year by 2025,
- ▼ an asset base of approximately \$708 million to be managed by the merged council; and
- ▼ greater capacity to effectively manage and reduce the \$56 million infrastructure backlog across the region by maintaining and upgrading community assets”.<sup>20</sup>

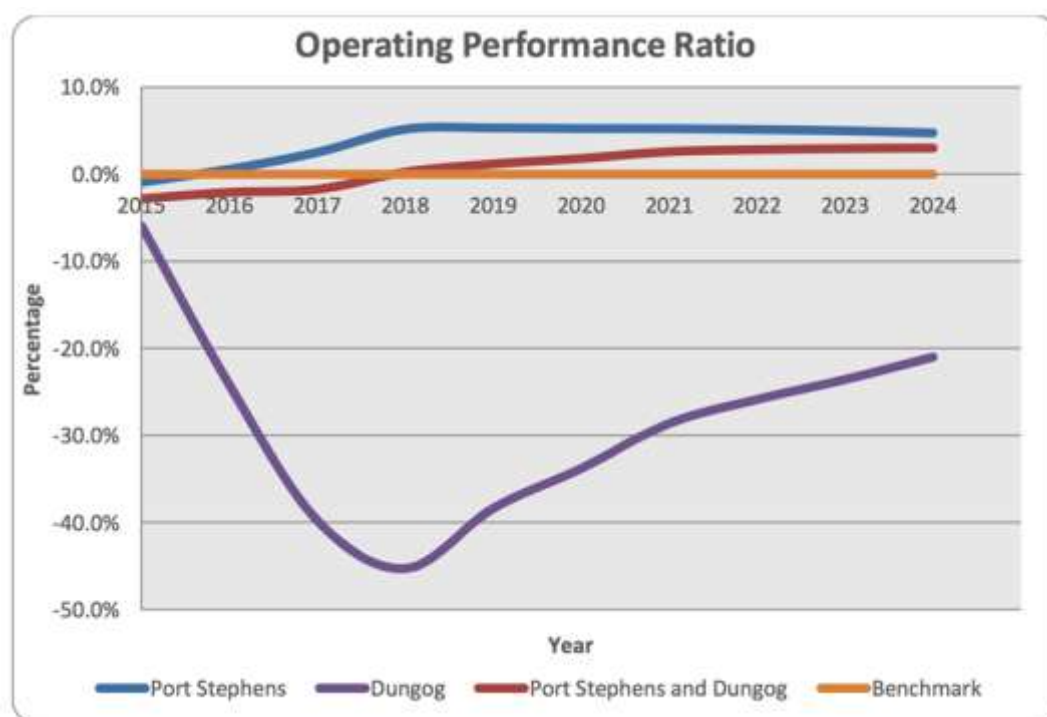
Port Stephens Council engaged Consultants, Morrison Low, to undertake a high level merger business case to identify the benefits and costs of a potential merger with Dungog (see Appendix B for a copy of the report). Significantly, their forecast Operating Performance Ratio achieves the break-even benchmark in 2018 and remains above the benchmark for the remainder of the LTFP term.<sup>21</sup>

<sup>19</sup> See Appendix C for a copy of the report.

<sup>20</sup> KPMG, Financial Analysis: Dungog Shire Council & Port Stephens Council, June 2016, pp. 2-3

<sup>21</sup> Morrison Low, “Merger Proposal Port Stephens Council and Dungog Shire Council” (Port Stephens Council) p.10



**Figure 3.1 Operating Performance Ratio**

Source: Morrison Low, Merger Business Case, Port Stephens Council and Dungog Shire Council, February 2016, p.10

The improvement in the Operating Performance Ratio reflects the impact of the transitional costs and in later years the impact of efficiencies generated from the merger, as well as the forecasted improved financial positions by both councils.

### 3.1.1 Economies of Scale

The proposal will increase the rating base of the area by increasing the number of residences, businesses and farms subject to rates. See Table 3.2 below.

**Table 3.2 Scale of Rating Base 2014/15**

	No. of Residential assessments	Residential rates revenue (\$'000)	No. of Business assessments	Business Rates Revenue (\$'000)	No. of Farmland Rates assessments	Farmland rates revenue (\$'000)
Port Stephens	30,401	28,110	1,771	6,981	497	815
Dungog	3,444	2,645	366	313	978	2,064
Merged Council	33,845	30,755	2,137	7,294	1,475	2,879

Source: Council 2015 Annual Financial Statements and Information provided by Port Stephens Council

A larger rate base will provide the merged council with increased scale and capacity in considering important financial decisions. In this chapter and later in chapter 8, it will be noted how the efficiencies from greater scale will provide the merged council with the opportunity to invest in improved service levels, such as co-ordinated tourism marketing, and addressing Dungog's infrastructure backlog.

### 3.1.2 Rating

Based on current rating, a merged council would have rates and annual charges revenue of \$40.9 million.<sup>22</sup> The larger rate base can be expected to provide the new council with the opportunity to enter into negotiations for larger contracts and cost savings can be expected through the amalgamated council's increased purchasing power for say materials and contracts. For example, in its financial modelling for council mergers, KPMG has assumed a modest 2% efficiency saving for a regional council's expenditure on materials and contracts on 80% of items reported under 'materials and contracts' (i.e. it assumes 20% would not be subject to scale efficiency).<sup>23</sup>

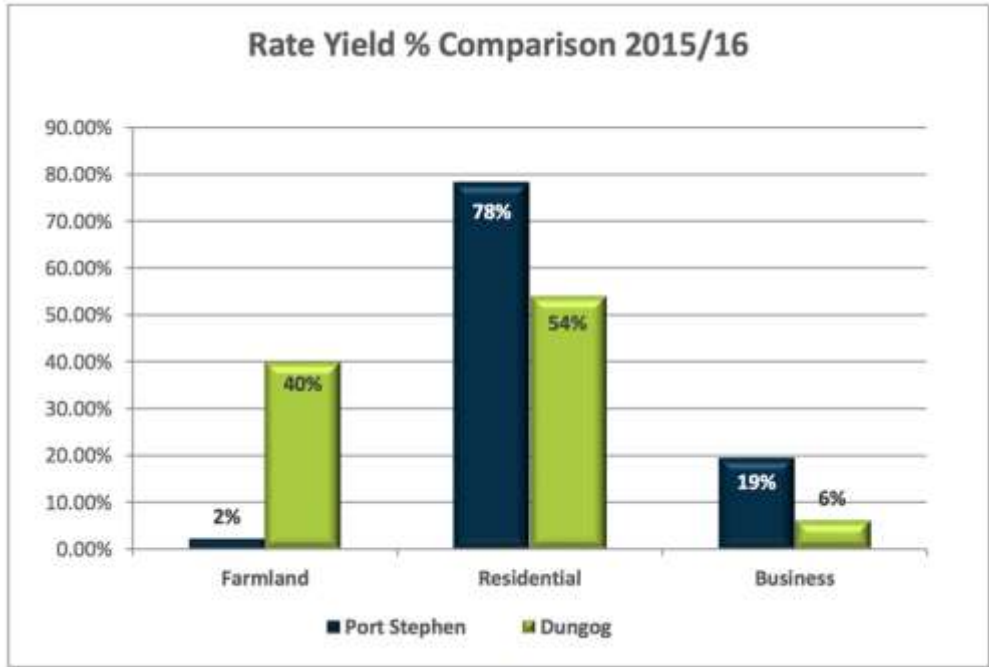
However, there are significant differences from where the two Councils source their rates – see Figure 3.2.

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<sup>22</sup> Council Income Statements in General Purpose Financial Statements, Annual Reports, 2015

<sup>23</sup> KPMG, Outline of Financial Modelling Assumptions for Local Government Merger Proposals (KPMG 2016), p.2

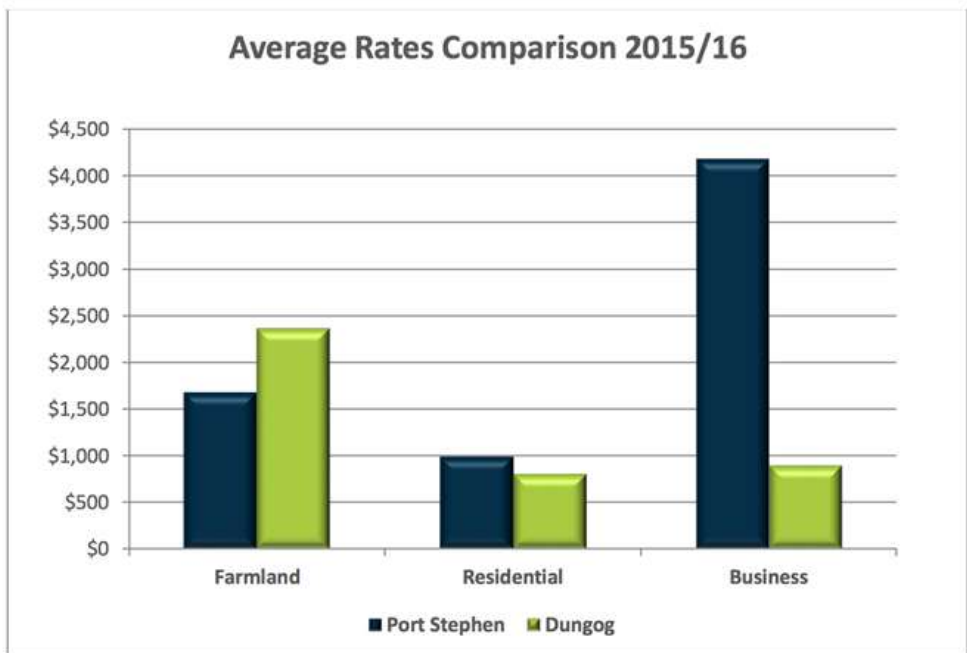
**Figure 3.2 Rate Yield (Percentage) Comparison 2015/16**



Source: Morrison Low, Merger Business Case, Port Stephens Council and Dungog Shire Council, February 2016, p.15

Also, there are significant differences in the breakdown of each council’s average rates.

**Figure 3.3 Average Rates Comparison 2015/16**



Source: Morrison Low, Merger Business Case, Port Stephens Council and Dungog Shire Council, February 2016, p.16

It is noted that IPART is undertaking a review of the NSW Local Government rating system. The review process will include public consultation, with a final report due in December 2016.<sup>24</sup> Also, the Minister has announced that existing rating structures for merged councils will be maintained for four years.<sup>25</sup> Following this IPART review and during the four year freeze, the new council will have the opportunity to consider and develop a suitable rating structure and as such the new council will be able to address the differences as per Figures 3.2 & 3.3.

The Delegate notes that some questions have been raised about the KPMG modelling, however, both KPMG and Morrison Low show savings from the merger (albeit Morrison Low's savings are relative to the cost of other merger proposals). Nevertheless, there will be a challenge to the new council in harmonising the current rating structures, but with expert and technical assistance, this is not considered to be an insurmountable problem. With the IPART review and the support of the NSW Office of Local Government (OLG), it can be expected that an equitable, effective and efficient rating structure can be "struck".

## 3.2 Submissions

### Port Stephens Council

Port Stephens provides three positive financial impacts of the proposal on residents and ratepayers of this merger proposal:

- ▼ Port Stephens estimates that the infrastructure backlog under the proposal is \$41.7m and the new council has the financial capacity to address this backlog without significant increases to council rates in the foreseeable future
- ▼ with regard to rates harmonisation, Port Stephens provides analysis to show that rates increases for Dungog ratepayers will be less under a merger with Port Stephens than a merger with Maitland
- ▼ the cost to merge is less than the alternative Dungog-Maitland and Port Stephens-Newcastle merger proposals.

### Dungog Shire Council

Dungog Shire notes that the Morrison Low analysis undertaken on behalf of Port Stephens shows the merger will come at a cost to the communities. This compares with the estimated savings by KPMG of \$17m over 20 years.

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<sup>24</sup> IPART, Review of the Local Government Rating System – Local Government Issues Paper, April. 2016, pp. 1 & 4

<sup>25</sup> *ibid*, p.1

Dungog Shire states that if rates are harmonised, there will be significant increases for the Dungog community, but the merged entity would not have sufficient funds to address the infrastructure backlog. Dungog Shire does not support the 4 year moratorium on rates increases.

### Other Submissions

A total of 94 submissions commented on the financial factor. Most submissions support this merger proposal and state that its impact on ratepayers and residents is more beneficial than either the Port Stephens-Newcastle or Dungog-Maitland merger proposals. The benefits of this proposal identified in submissions include:

- ▼ it is a more cost-effective and affordable option for Dungog and Port Stephens
- ▼ the impact on rates of this proposal for Dungog residents will be less than a Dungog-Maitland merger
- ▼ Dungog will impact less on the merger financially and is preferred for a stable and financially secure unified council moving forward
- ▼ the merged council will have a better financial position, and this will benefit residents of both council areas
- ▼ the merger can achieve scale economies.

A small number of submissions oppose this merger proposal and identify three key potential negative effects of this merger proposal for residents and ratepayers. This includes:

- ▼ adding Dungog's large infrastructure backlog to Port Stephens will be a financial burden on Port Stephens Council. This is a burden that initially would need to be 'shouldered' by the new council's residents and ratepayers. But, as can be seen from Figure 3.1, the merged council will be able to adequately address this initial financial encumbrance via its increasing annual operating surpluses
- ▼ Port Stephens faces significant financial risks from climate change associated with rising sea levels and extreme weather events, which could be a financial burden for Dungog Shire residents. However, it is noted that the Port Stephens Planning Strategy 2011-2036 takes climate change effects into account
- ▼ Port Stephens Council's positive financial position faces significant risk due to outstanding court cases, which would result in a financial burden on Dungog residents. The Delegate believes that it is outside of the parameters of this examination report to consider the results of these cases.

Some verbal submitters referred to the financial strength of Port Stephens Council and the benefits of this to Dungog. Others said that, from a financial perspective, Dungog cannot stand alone because of the problems with its road

infrastructure. One concern raised was the difference between the two councils' business rates and the problem that this presents to the amalgamated council.

### **3.3 Conclusion**

Notwithstanding the differences in the savings calculated for the merger and also the two councils' rating structures, the financial advantages to the new council outweigh the financial disadvantages. Also, the amalgamated council with its bigger rate base will provide the merged council with increased scale and capacity in considering important financial decisions. On this basis, the Delegate is of the view that the proposal warrants support, with respect to this factor.

## 4 Communities of Interest

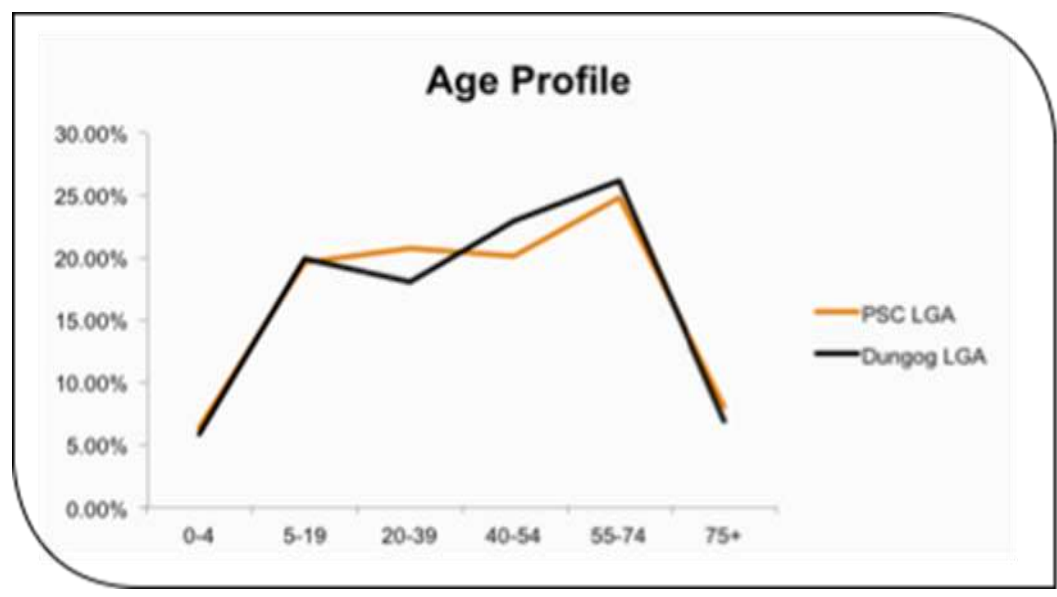
This chapter contains an assessment of section 263(3)(b) of the Act.

**The community of interest and geographic cohesion in the existing areas and in any proposed new area.**

### 4.1 Analysis

With respect to communities of interest, the Proposal states that the demographic profile of the two communities is very similar viz:-

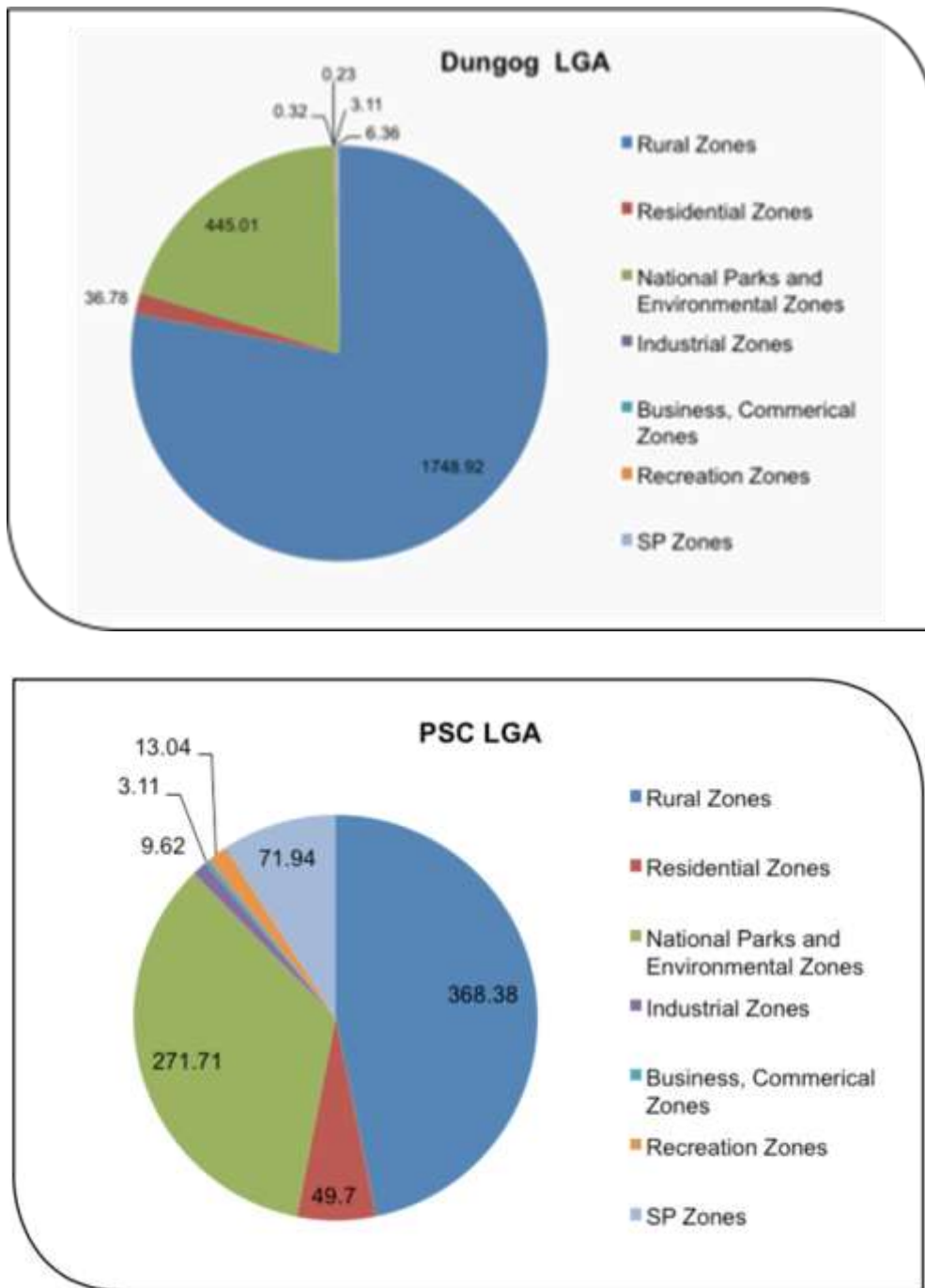
**Figure 4.1 Age Profile**



Source: Port Stephens Council, Merger Proposal Port Stephens Council and Dungog Shire Council, 2016, p.7

The similarities in the zoning patterns of the two LGAs is depicted in Figure 4.2.

**Figure 4.2 Zoning Patterns**



Source: Port Stephens, Merger Proposal Port Stephens Council and Dungog Shire Council, 2016, p.5

The Proposal also sets out the following with respect to communities of interest:

- ▼ Dungog Shire is almost entirely within the Port Stephens Police Local Area Command (LAC). This is critical for emergency management



- ▼ Dungog and Port Stephens sit on the Lower Hunter Bush Fire Management Committee and
- ▼ both Dungog & Port Stephens are within the Hunter New England Area Health District, Hunter Region educational services district, and residents of both LGAs have water and sewer provided by the Hunter Water Corporation.<sup>26</sup>

With respect to geography, the Proposal sets out the following:

- ▼ geographic cohesion is demonstrated by the environment as the Dungog Shire comprises four river valleys: Williams, Allyn, Paterson and Lostock valleys which all form part of the Hunter Water Corporation catchment area as does Port Stephens. The rivers form natural boundaries<sup>27</sup> and
- ▼ both LGAs have significant natural environments with unique flora and fauna; also both have a depth of experience in the management of fragile environments.<sup>28</sup>

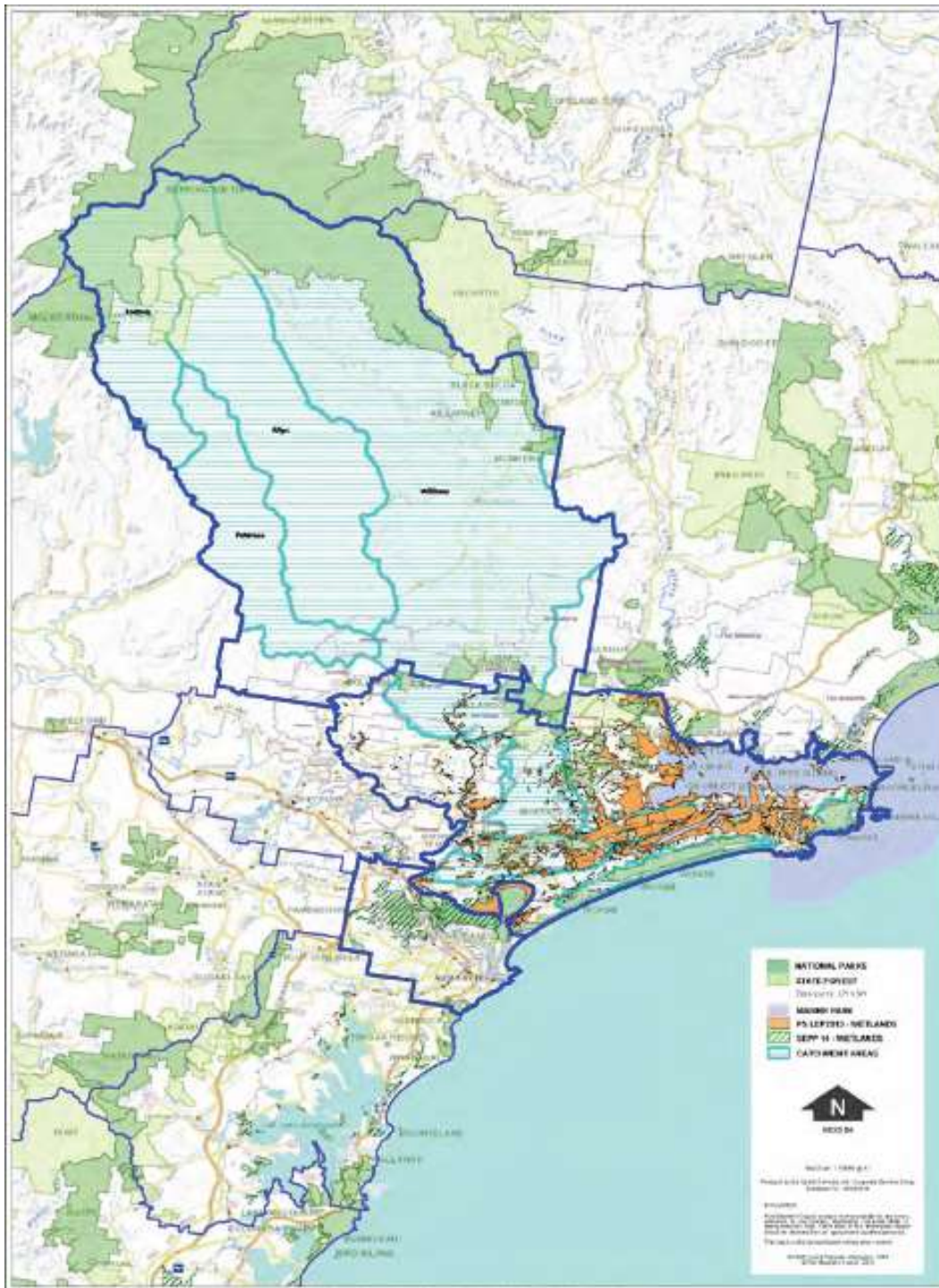
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<sup>26</sup> Merger Proposal, op. cit, p.8

<sup>27</sup> ibid, p.5

<sup>28</sup> ibid, p.6

**Figure 4.3 Communities of Interest – Environmentally Sensitive Area**



Source: Port Stephens Council, Merger Proposal Port Stephens Council and Dungog Shire Council, 2016, p.6

## 4.2 Submissions

### Port Stephens Council

Port Stephens states that there are significant synergies between Port Stephens and Dungog Shire local government areas including geographic, environmental, social, economic, and operational. Key examples include:

- ▼ shared land use patterns of dispersed settlements amidst farm and environmental lands
- ▼ opportunity to unite water catchment of Lower Hunter region under one council
- ▼ similar age profiles and population density
- ▼ history of working together and working with other levels of government
- ▼ shared focus on tourism as major driver of economic activity and growth.

### Dungog Shire Council

Dungog Shire provides data from the 2011 census that shows 2,064 local jobs of which 1,635 are filled by local residents. The census identifies 3,721 residents are employed, and 56% of these leave the Shire for work. i.e more residents work outside of the Shire than inside it.

Dungog notes that the Port Stephens proposal focuses on the environment as evidence of geographic cohesion, however, it supports statements that suggest focussing on the environment neglects sociological and economic communities of interest.

Dungog Shire discusses various elements of communities of interest including:

- ▼ transport – there is no direct public transport link between Port Stephens and Dungog, people tend to travel more to Maitland than to Raymond Terrace
- ▼ health – serviced by the Hunter New England Health Service as part of the Hunter cluster. Port Stephens is part of the Greater Newcastle cluster with respect to Tomaree Hospital
- ▼ emergency services – policing is provided partly by Port Stephens Local Area Command and Central Hunter Command. Bushfire control is managed by the Lower Hunter District that includes Dungog and Port Stephens
- ▼ sports, recreation and culture – mostly have cross-border rivalry related to the broader Hunter region.

### Other Submissions

A total of 159 submissions commented on this factor. Most submissions in support of this merger proposal identify the strong communities of interest and geographic cohesion between the Dungog and Port Stephens communities. The

overwhelming view from submissions is that Dungog and Port Stephens are very similar communities in terms of demographics and landscape; they are made up of small rural villages and are very different to city areas such as Newcastle and Maitland. It has been described by many as merging 'like for like' and a 'natural fit'.

The communities are considered to be culturally and economically aligned, sharing a strong interest in tourism. Many submissions identify that joining Dungog with Port Stephens will offer the opportunity to expand tourism with many positive benefits of joining a coastal area with a hinterland and leveraging off the established Destination Port Stephens brand.

Many submissions provided examples of shared/common services across the region including:

- ▼ Port Stephens Police Local Area Command covers Dungog and Clarence Town
- ▼ Lower Hunter Bushfire Management Committee Risk Management Plan
- ▼ Hunter Water provides all town water and sewerage schemes for Dungog and Clarence Town
- ▼ Hunter New England Health District
- ▼ road safety, septic inspection, library programs and
- ▼ shared river catchment.

It was noted that the merger would have the positive effect of bringing the water catchment under one local government area. With regard to Bushfire Management, it was raised that adopting an alternative merger proposal would negatively affect bushfire management, as it will mean that the new entity will have responsibility across Lower Hunter and Hunter Bush Fire Risk Management Plans which would be untenable.

Some submissions also commented that council mergers would not affect where people shop so should not be a consideration under this factor.

In contrast, a small number of submissions that oppose this merger argue that Dungog and Port Stephens have very limited or no communities of interest. Examples provided include:

- ▼ Port Stephens is tourism-orientated – it is not rural like Dungog
- ▼ Port Stephens is development-focussed, which is different to Dungog's focus of maintaining rural amenity
- ▼ planning zones for Hunter and Central Coast Regional Environmental Strategy are different - Maitland and Dungog are in the central zone, with Port Stephens in the coastal zone
- ▼ that the 90km distance from Tomaree to Dungog is too large.

It was also argued that Dungog has stronger communities of interest with Maitland eg train line, schools, tourism, shopping, arts, while Port Stephens has stronger communities of interest with Newcastle eg airport interest, shopping, and similar coastal areas.

### **4.3 Conclusion**

The community and geographic characteristics of these two LGAs are similar and strongly aligned. On this basis, the Delegate found that there is no impediment to the Proposal proceeding, with respect to this factor.

## 5 Historical and Traditional Values

This chapter contains an assessment of section 263(3)(c) of the Act.

**The existing historical and traditional values in the existing areas and the impact of change on them.**

### 5.1 Analysis

The Proposal sets out the following:

Both Dungog Shire and Port Stephens share a rich cultural heritage with local identity a key feature: this leads to a shared way of life and attitude to cultural and social cohesion; and respect for indigenous culture is embedded into both councils' plans and strategies.

Both areas provide for active and passive lifestyle choices for residents and visitors, as well as opportunities for community service and participation. Volunteers and community organisations are features of both areas.<sup>29</sup>

#### 5.1.1 Indigenous History

The Port Stephens Council website sets out the Indigenous History of the LGA as follows:

The Worimi are the traditional owners of the Port Stephens area.

The area remains important for the Worimi people and traditional sites provide important information about their relationship and special connection with the lands. The Worimi nation, which envelops the Port Stephens local government area, extends from the Hunter River in the south to Forster in the north and as far west as the Barrington Tops and Maitland. The Worimi people spoke the Gathang language.

The landscape includes an extraordinary number of Aboriginal cultural sites that pre-date the arrival of non-Aboriginal people to the area. Port Stephens and the wider region is home to numerous sites of deep cultural significance, from the area now known as the Worimi Conservation Lands of the Stockton Bight to significant relic sites, including canoe trees at Little Beach. In the area stretching from Wallis Lake to Newcastle there are 37 recorded Ceremonial Sites (stone arrangements, bora grounds, carved trees and burial sites), 115 recorded campsites (mia mia, scarred tree, open campsite, shelter with deposit, well, fish trap, abraded grooves and quarries) and 97 middens. Four middens and a burial site are located at the base of Yacaaba Head. Middens are located at Fingal Spit, Anna Bay, Schnapper Point, Boat Harbour, Skate Bay and Fishermans Bay. There is a burial site at Skate Bay and grinding grooves at Morna Point.<sup>30</sup>

<sup>29</sup> Merger Proposal, loc. cit.

<sup>30</sup> Port Stephens Council Website  
<http://www.portstephens.nsw.gov.au/play/culture-and-history/aboriginal-history>

The Visit Dungog website sets out the following under this heading:

Dungog Shire was occupied by Koori people up to about 40,000 years before European settlement. The Kooris living in the area from what is now known as Brookfield at the headwaters of the Williams and Chichester Rivers belonged to a tribe known as the Gringai, a sub-group of the Wonnarua people. The areas known as Paterson and Gresford were home to another branch of the Gringai tribe, with whom the Kooris in the Dungog district intermarried and interacted. Northwards, the lower Williams was inhabited by the Kattang tribe of the Worimi people, with a tribal boundary with the Gringais at a point approximately at the present locality of Glen William and a territory which extended through what is now Clarence Town, down the Williams River to the Coast.

Historians indicate that at the time of white settlement Koori people were present in 'relatively large' numbers in the valleys of the Paterson and Williams Rivers. They were distributed over the district in local groups or 'urras' approximately 8 miles apart, in villages which consisted of 8 or 9 huts or families. Each 'urra' occupied a defined area of land.

The coming of Europeans to the Shire had a devastating effect on the local aboriginal population. Apart from the conflicts which arose between Kooris and whites, European diseases significantly reduced the Koori population. In 1835 McKinley noted the sharp decline in the Koori birthrate, attributing it to factors arising from contact with Europeans. It is now accepted that by the 1830's Koori society in the Shire had been irrevocably changed and damaged. From this time the population of Kooris in the Hunter as a whole fell steadily and the distribution of the population changed.<sup>31</sup>

### 5.1.2 Colonial History

The Port Stephens website described the colonial history of the LGA as follows:

Port Stephens was discovered by Captain Cook in May 1770, and was named after Sir Phillip Stephens, Secretary of the Admiralty. ...

The earliest Europeans to live in this area were five escaped convicts, wrecked at Port Stephens in 1790. They were befriended by the Worimi, with whom they lived for five years before being recaptured by Captain W.R. Broughton, of the HMAS Providence.

...

Another early visitor was Governor Macquarie, who had thoughts of forming a settlement north of Newcastle and with that purpose in mind inspected Port Stephens from 31st December, 1811 to 2nd January, 1812. ...

A small garrison of soldiers was established (at Soldiers Point) in about the late 1820s to try and prevent escaped convicts from Port Macquarie crossing the narrow section of Port Stephens en route to settled areas further south.

Captain William Cromarty... settled at Soldiers Point where he had been granted land in (the 1830s). (After his death in 1838, his wife and children) stayed on at Soldiers Point, where they kept a small store for passing whalers and fishermen. ...

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<sup>31</sup> Visit Dungog Website <http://www.visitdungog.com.au/area/history/indigenous/history>

(The) Port Stephens Lighthouse (was) built in 1862, and a lighthouse-keepers residence, built about 1861. ... The Point was linked to the mainland by a permanent sand spit. In 1891 it was washed away in a gale and the spit has become an intermittent landform. ...<sup>32</sup>

The Visit Dungog website sets out the following under this heading:-

European settlement in all Planning Districts of the Dungog Shire was based on the movement of settlers further from the coast and the availability of land for agriculture. Continuing settlement resulted in the principal Shire towns being established along the Williams and Paterson Rivers in the early 1800's.

#### Land Acquisition and Appropriation

Terms of land tenure in the early days were vague. The land was not surveyed when initially settled and settlers did not know their exact boundaries when official surveying took place.

The Hunter Valley was closed to free settlement until 1825 because of its proximity to the penal colony at Newcastle. In 1823, the prisoners were transferred to Port Macquarie, and by 1825 exploration had shown that the Hunter Valley was not as accessible as first thought. The Williams Valley was opened up in 1825 by Governor Darling, with land granted according to settlers means, ability to carry out improvements and willingness to take assigned convicts. Free grants of land ranging from 329 and 2560 acres were made from 1823, or up to 9600 acres could be purchased outright.

The first land portions in the Shire were surveyed on the basis of a line extending due north from Maitland. Early grantees were military or naval officers or free immigrants. Most grants were of flat and undulating land, with vegetation consisting of open forest and grassy woodland. Mountains and hills were generally reserved as Crown Land, and these areas were for the most part not populated until after 1861, when the NSW Land Act made it possible to select portions of between 40 and 320 acres. Prior to this Crown Land could be leased.<sup>33</sup>

### 5.1.3 Volunteering

The Port Stephens Council website states “volunteers in Port Stephens are the lifeblood of our local area as they donate their time and energy to a range of activities that benefit our whole community. Many council programs and services could not be provided without the support of volunteers”.<sup>34</sup>

Similarly, Dungog Shire's Community Centre website says that “our volunteers are important and together we accomplish great things. Volunteering gives so much to those in need, but more often than not gives so much more back”.<sup>35</sup>

<sup>32</sup> Port Stephens Council website (<http://www.portstephens.nsw.gov.au/play/culture-and-history>)

<sup>33</sup> <http://www.visitdungog.com.au/area> history

<sup>34</sup> Port Stephens Council website (<http://dscc.net.au/volunteers>)

<sup>35</sup> Dungog Shire Community Centre Website (<http://www.dscc.net.au>)



Also, Local Living Dungog's website says there are lots of ways to volunteer and get involved with their organization eg volunteer with a growers stall at Saturday markets, help organize community events such as the Dungog Food Affair, awareness-raising at Dungog Show etc.<sup>36</sup>

## 5.2 Submissions

### Port Stephens Council

Port Stephens states that Dungog and Port Stephens share a rich cultural heritage with local identity being a key feature of both areas. Examples of shared history and traditional values include:

- ▼ aboriginal culture is highly valued and respected. Port Stephens is the land of the Worimi Nation and Dungog includes the family groups making up Gringai tribe, and more broadly the Wonnarua nation
- ▼ Dungog and Port Stephens are made up of a number of historical villages and towns settled in the 1830's due to river trade and
- ▼ in 1843 there was a Raymond Terrace and Dungog District Council which operated until 1884 when Raymond Terrace Municipal Council was established. Port Stephens was established in 1895 and merged with Raymond Terrace Municipal Council in 1937.

### Dungog Shire Council

Dungog Shire was occupied by indigenous sub-groups of the Wonnarua and Worimi peoples in the Dungog area, the Gringai tribe. There are four local aboriginal land councils in the Dungog council area.

Dungog is still made up of traditional rural communities with agriculture contributing \$93m annually to the local economy. This contrasts with Port Stephens which has witnessed significant population growth that has threatened traditional rural industries like oyster growing.

### Other Submissions

Only a small number of submissions addressed this factor. Submissions in support of the merger proposal identify strong historical ties between Port Stephens and Dungog with regard to the common Aboriginal and European heritage of the areas.

Worimi Nation occupied the lands which are known as Port Stephens. Worimi Aborigines traditionally lived in the coastal areas centred on Port Stephens, stretching from north bank of the Lower Hunter to the north end of Wallis Lake,

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<sup>36</sup> Local Living Dungog Website (<http://www.locallivingdungog.wordpress.com>.)

then inland to the Chichester area and down to Maitland. Dungog is included in this area. The people in the area south of the Hunter River are Wonnarua.

It was noted that the Worimi and Wonnarau people should not be forced to compete for funding and merging Port Stephens and Dungog avoids the unintended consequences of having two major aboriginal land councils in one local government area. It was also stated that the Worimi Country extends to virtually all of Dungog, so it makes sense to better align the boundaries where possible.

From white settlement, Port Stephens and Dungog have long been associated with each other. It was commented that their European history is identical with Raymond Terrace, Clarence Town and Paterson settled at the same time, while Dungog was settled a few years later. It was noted that Dungog was settled by many people who had origins in Port Stephens.

Both areas relied on early river trade. The areas were settled due to Red Cedar Trees with historical ties going back a long way. Dungog was supported by the timber, dairying and beef industry, while historically Port Stephens had dairying, but now mainly beef cattle.

From 1843-1844 there was a joint council, Raymond Terrace and Dungog District Council. It was stated that we should “go back to the future”.

It was suggested that the merger will not change the historical and traditional values of the areas concerned.

Some submissions in opposition to this merger proposal suggest that Dungog’s historical links are with Maitland, not Port Stephens. For example, the train line, musical and historical heritage are shared with Maitland. Dungog and Maitland share pride in architectural history of township, while Port Stephens is known for its focus on development.

### **5.3 Conclusion**

The review has noted that both Port Stephens and Dungog LGAs have similar traditional and cultural backgrounds. This factor is not considered to be an impediment to the merger proposal proceeding; in fact, the proposed merged council provides an opportunity to further develop these values.

## 6 Attitude of Residents and Ratepayers

This chapter contains an assessment of section 263(3)(d) of the Act.

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

#### 6.1 Analysis

The examination has considered the attitudes expressed in verbal and written submissions in reaching the conclusion to support the merger proposal.

#### 6.2 Submissions

##### Port Stephens Council

Port Stephens notes the community support for this proposal is evidenced by:

- ▼ 1,700 residents in Dungog signing a petition in support of the proposal
- ▼ Dungog Chronicle poll which found 77.5% nominating this proposal as its first preference
- ▼ 18,000 Port Stephens residents signed a petition objecting to the Port Stephens-Newcastle merger.

##### Dungog Shire Council

It is noted that the majority of the Port Stephens community do not have an opinion on the proposal given the low attendances at the public inquiry sessions.

The attitudes of people differ, with Port Stephens campaigning for the proposal in the Dungog Shire community to gain support.

##### Other Submissions

The Port Stephens and Dungog Shire communities strongly support this merger proposal.<sup>37</sup> A petition with 1,794 signatures was also received from the Dungog community in support of this merger proposal.<sup>38</sup>

Most submissions identified the strong communities of interest and geographical cohesion of the two existing council areas as reasons for supporting this proposal. The submissions also identify positive impacts on each of the factors for consideration including financial, communities of interest, service delivery, employment by council and rural impacts.

<sup>37</sup> 174 submissions support the proposal.

<sup>38</sup> It is noted that some concerns were raised regarding people being coerced into signing the petition, or inaccurate information being used to obtain information.

This contrasts with the strong opposition to the alternative merger proposals being considered by the Government. It is clear from these submissions that the negative concerns raised under the factors for consideration for the alternative merger proposals are no concern for this merger proposal. Further, whilst there is always the option not to merge, the Delegate notes that Dungog has been deemed not 'fit for the future' and in 3.1.1 and 3.1.2, the scale benefits to the merged council of a larger rate base were discussed, relative to the two councils remaining separate.

A number of submissions from the Dungog and Port Stephens community oppose this merger proposal. These submissions note their support for the alternate mergers that are under consideration. For example, Dungog residents in opposition to this proposal favour the Dungog-Maitland merger. Similarly, Port Stephens residents in opposition to this proposal support the Port Stephens-Newcastle merger. The key reasons for opposing this merger largely focus on the lack of 'communities of interest' or geographic cohesion between the council areas.

The Delegate received 174 submissions, with 76% in support of the Proposal, 17% in opposition while 7% indicated no opinion for or against the Proposal. In addition, a Petition with 1,794 signatures in support was also received. (It is noted that the responses received, albeit strongly in support represent a small percentage of the total population in the two council areas and opinions on the proposal can vary).

The public's comments have also been referred to in each of the factors addressed in this report.

### **6.3 Conclusion**

The Delegate is of the view that this factor is not considered to be an impediment to the merger proposal proceeding. In fact, the Delegate believes that, from those interested in responding, there is strong support for the proposal.

## 7 Elected Representation

This chapter contains my assessment of section 263(3)(e) of the Act.

**The requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area.**

### 7.1 Analysis

The merger Proposal envisaged a popularly elected mayor and nine councillors with the new LGA divided into three wards.<sup>39</sup> Currently, Dungog has nine councillors with a council-elected mayor (annual basis) whereas Port Stephens has a popularly elected mayor and nine councillors.

**Table 7.1 Current Councillor Representation**

<b>Council</b>	<b>No of Elected members</b>	<b>No of residents 2011</b>	<b>Representation per councillor</b>
Port Stephens	10	64,807	6,481
Dungog	9	8,318	924
Total		73,125	

Source: Port Stephens & Dungog Shire Councils Annual Reports 2015 and ABS Census Data 2011

The Proposal of 10 Elected Members (EMs) would result in a residents per councillor ratio of 7313, reasonably close to the current ratio of 6481 for Port Stephens but significantly different for Dungog (from 924 to 7313).<sup>40</sup>

A comparison with similarly sized NSW Regional City Councils revealed the following residents/councillor ratios (as at 2011 Census):

<sup>39</sup> Port Stephens Council, Merger Proposal, op.cit., p.11

<sup>40</sup> Council Annual Reports and ABS Census Data 2011

**Table 7.2 Current Councillor Representation**

<b>Council</b>	<b>No of Elected members</b>	<b>No of residents 2011</b>	<b>Representation per councillor</b>
Shellharbour	7	63,605	9,086
Port Macquarie-Hastings	9	72,696	8,077
Coffs Harbour	9	68,413	7,601
Tamworth	9	56,292	6,254
Wagga Wagga	11	59,458	5,405
Albury	9	47,810	5,312

Source: Council Annual Reports 2015 and ABS Census Data 2011

Under Section 224 of the Act, a council must have between five and 15 councillors, one of whom must be the mayor. It is understood that the most common number of councillors across regional NSW is nine.

However, it is considered appropriate to view elected representation as a matter of the public's access to the elected members, in addition to numerical comparisons. This is particularly important for rural and regional areas and in this regard accessibility to elected officials can be aided by the provision of sophisticated internet-based services and social media.

If the Proposal proceeds, it would be important for the mayor, councillors and staff to develop a close working relationship as quickly as possible. This would need to be built around executive leadership supported by the elected body. To this end, it is considered that a mayor elected by and from among the elected members which, under proposed new legislation, would be for a period longer than one year, will facilitate this outcome. (It is noted that at a later time the community could decide by referendum to return to a popularly elected mayor, should that be its preference).

As for the number of elected members, a recent OLG Explanatory Paper regarding proposed amendments to the Local Government Act proposes to amend Section 224 of the Act to have an odd number of Elected Officials, presumably to reduce the risk of the mayoralty (when elected directly by the members) being determined by lot and decisions being made on the casting vote of the mayor.<sup>41</sup> The Delegate supports the 'thrust' of this amendment and would have recommended 11 members across four wards to keep the residents/councillor ratio close to the average for the listed NSW regional centres. But, as in Chapter 11 the Delegate is supporting the ward system and because Sections 280 and 281 of the Act require "the same number of councillors to be elected for each ward", the Delegate is recommending 12 elected officials (based on four 3 member wards), with the mayor directly elected by the councillors. If

<sup>41</sup> Local Government NSW, Feedback to the Office of Local Government on the Phase 1 review of the Local Government Act 1993, p.14

this were to be adopted, it would yield a residents per councillor ratio of 6,094, about the same as Tamworth and significantly more than Wagga Wagga and Albury.

Finally, to maintain quasi-representation in the more sparsely populated areas of the former Dungog Shire Council, it is suggested that, should the new council be established, consideration be given to the establishment of a citizens liaison committee that will have an advisory role to the new merged council. Also, it is suggested that 2-3 times per year council meetings be held in different villages of the new council so as to engage with those who may believe they have become disenfranchised (certainly disengaged) from the new council's policy-setting and decision-making. These were two initiatives that were successfully employed following the Victorian and South Australian council amalgamations of the 1990's.

## **7.2 Submissions**

### **Port Stephens Council**

Port Stephens suggests the local government area be divided into three wards with approximately 19,370 electors in each ward. There should be a popularly elected mayor and nine councillors.

### **Dungog Shire Council**

Under the proposal, elected representation for the Dungog community is likely to fall to one representative. Dungog Shire suggests that an additional ward be introduced, made up of the entire Dungog Shire area to assist with the transition. It is then up to the new entity to determine future representation and structure.

### **Other Submissions**

A total of 51 submissions commented on this factor.

Submissions in support of this merger consider this proposal protects representation, with the inclusion of wards.

Many submissions in support of the merger proposal note that the reduction in representation is less of a concern in this proposal because the communities are both rural areas with similar issues and concerns. This compares with merging city councils, which would be dominated by city issues.

Further, submissions from the Dungog community indicate acceptance and that in the past Dungog's representation was likely an over-representation and reduced representation is acceptable. It was suggested that with a reduction in representation, hopefully the quality of representation is increased.

Regarding the number of elected representatives, Clarence Town Progress Association suggests that there should be between nine and 13 councillors. Four wards should be introduced, with each ward having two or three councillors. It also suggests having a popularly elected mayor. Another submission suggested three wards with three councillors and a popularly elected mayor. Another submission suggests 12 councillors with a popularly elected mayor.

Submissions in opposition to the proposal are largely concerned about the impact of the reduction in representation for the Dungog community. Given the population differences, it was stated that Dungog would be outvoted by Port Stephens, with representation reducing to one or two councillors.

### **7.3 Conclusion**

Having regard to such factors as population, geographic span and diversity, elected member workloads and the requirements of the Act, it is recommended that should the merger Proposal proceed, the new council comprise of 12 councillors, including the mayor, who will be elected directly by the councillors.



## 8 Service Delivery

This chapter contains an assessment of section 263(3)(e1) of the Act.

**The impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities.**

### 8.1 Analysis

The Port Stephens proposal sets out the following:

“We have identified some areas that would be likely to provide definite improvements for the residents of Dungog Shire, in areas of services that residents of both LGAs value. For example, in the area of waste services: currently Dungog has a two bin service (red and yellow) the same as Port Stephens.....Under this merger proposal, residents of Dungog Shire would have immediate access to all Port Stephens drop-off facilities where they currently have none; a service could also be supplied at Dungog at little cost.

Dungog Shire residents would also benefit in terms of waste and recycle education programs which could be extended from Port Stephens Council's current service, again at little to no cost. There would be access to the waste strategic planning services of Port Stephens Council which currently are not available in Dungog Shire”.<sup>42</sup>

In the Port Stephens Council Proposal, it is stated that Dungog and Port Stephens have extensive rural road networks and both have experience dealing with high speed, low volume roads. Both councils have worked together on road maintenance and rehabilitation. Also, Port Stephens believes that there will potentially be a stronger alliance between coast and hinterland in tourism marketing with a merged council.<sup>43</sup>

Significantly, the scale efficiencies and service cost savings generated by the merger present the opportunity for a new council to invest in new/better services and address Dungog's infrastructure issues, albeit the Infrastructure Backlog Ratio in the Proposal of 2.9% in 2024 still does not quite meet IPART's 2% annual benchmark due to the large backlog in Dungog.<sup>44</sup>

Naturally, there will need to be a harmonisation of services between the two councils to achieve the service improvements anticipated from a merged council. However, this can be facilitated via a 'rolling' program of service reviews which can be expected to ensure that the services provided to both communities are in a position to be improved rather than simply maintained (or even reduced).

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<sup>42</sup> Port Stephens Council, Merger Proposal, op cit, p11

<sup>43</sup> ibid, p.12

<sup>44</sup> Morrison Low, Merger Business Case, op.cit., p10

Finally, Port Stephens is committed to customer service and conducts an annual customer satisfaction survey. In 2015, the community's overall satisfaction with Port Stephens Council was 79% (down from 87% in 2014).<sup>45</sup> Dungog does not undertake formal customer satisfaction surveys that today are a normal performance management tool.<sup>46</sup> (NB Every two years (with its rates notices), Dungog does ask questions about the community's needs). If the two councils merge, customer satisfaction surveys can be expected to be usual practice across the Dungog as well as Port Stephens areas of the new council.

## 8.2 Submissions

### Port Stephens Council

Port Stephens considers this proposal will improve the overall provision of services to the current Dungog Shire area largely within existing resources without any disadvantages to the residents of Port Stephens. Key areas of service improvement to Dungog include: waste management, libraries and tourism.

### Dungog Shire Council

Dungog Shire suggests that the Service NSW agency run by council should be continued to ensure equitable access to services.

Dungog Shire notes some inaccuracies in the Port Stephens proposal document in relation to waste services currently provided to Dungog residents eg a waste drop-off service is available to Dungog residents.

Dungog Shire states there will be a reduction in Financial Assistance Grants to the merged entity, and this will negatively impact on service delivery.

### Other Submissions

A total of 63 submissions commented on this factor.

Most submissions that commented on this factor state that due to Port Stephens Council's strong financial position and capacity, the merger proposal will result in improved services and facilities for the Dungog community. Some submitters said that there is general acceptance from the Dungog community that Dungog Shire lacks the capacity to improve its services and a merger with Port Stephens will have many positive benefits for this community. Examples provided of potential service improvements include:

- ▼ processing of development applications

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<sup>45</sup> Port Stephens Council, Annual Report, 2015, p.44

<sup>46</sup> Dungog Shire Council, General Manager email advice.

- ▼ waste services
- ▼ reduction in the infrastructure backlog eg roads and infrastructure
- ▼ regional Libraries Agreement and
- ▼ improved planning and development eg Rural Strategy document.

Some submissions commented that services would be maintained in Port Stephens for this proposal.

Submissions that are opposed to the merger proposal identify concerns with future service delivery of the merged council.

A submitter states that Port Stephens does not adequately service its rural areas, so it was unlikely that Dungog would be adequately serviced, given it is more remote.

Another submitter suggests that the differences between coastal and rural will be an issue for the merged council. It is stated that the merged council is unlikely to achieve the economies of scale due to the large geographical disposition of services.

Another submitter considers that a Maitland-Dungog merger would have a better ability to meet service standards requirements for Dungog, given that it is a fast growing area.

### **8.3 Conclusion**

With every change process, there will always be a level of disruption to service delivery. But a rolling program of service reviews can be expected to deliver a range of services for the new council that are appropriate, effective and efficient. Also, the community synergies and geographic alignment of the two LGAs can be expected to facilitate scale efficiencies and the harmonising of services between the two current councils. On the basis of the above considerations, this factor is not considered to be an impediment to the merger proposal proceeding; in fact, based on the examples provided, one can expect service delivery to be improved.

## 9 Employment

This chapter contains an assessment of section 263(3)(e2) of the Act.

**The impact of any relevant proposal on the employment of staff by the councils of the areas concerned.**

### 9.1 Analysis

The following Table shows the total number of staff for each council in 2015:

**Table 9.1 Total Staff 2015**

Council	Total Staff (FTE)	No. of Senior Staff
Port Stephens	467	4
Dungog	65	1

Source: Port Stephens Council Submission, Merger Proposal, Newcastle and Port Stephens, 2016, p.28  
Morrison Low, Merger Business Case, op.cit., p.7

Submissions received from the councils and residents referred to the impact of potential reductions on council staff, see council submissions below for details.

However, it needs to be noted that the Act contains protection for non-senior staff against redundancy for three years from the date of proclamation of a newly merged council. In this regard, Section 354F of the Act states:

No forced redundancy of non-senior staff members for 3 years after transfer.

If a staff transfer occurs, the employment of:

- (a) a transferred staff member and
- (b) in the case of a boundary alteration:
  - i. a remaining staff member of the transferor Council and
  - ii. an existing staff member of the transferee Council, other than a senior staff member, must not be terminated, without the staff member's agreement, within 3 years after the transfer day on the grounds of redundancy arising from the staff transfer.

The issue of job reductions has arisen due to the inclusion of staff reductions in the gross savings over 20 years as modelled by KPMG:

- ▼ streamlining senior management roles (\$4.1 million)
- ▼ the redeployment of back office and administrative functions (\$12.8 million)<sup>47</sup>

<sup>47</sup> KPMG, Financial Analysis: Dungog Shire Council and Port Stephens Council, June 2016, p.2

Critically, the security of jobs in the reform process is addressed via the three year protection set out in Section 354F of the Act whilst the savings for the new council that arise from scale economies will be available to provide new and/or enhanced services for the community. On this basis, it should not be assumed that the newly merged council would lead to a reduction in overall staff numbers. This aligns with the outcome of a study by Jeff Tate Consulting wherein it was stated that as a result of the NSW council mergers in 2004, 487 additional positions were created between 2002/03 and 2010/11 which equated to employment growth of 11.7%.<sup>48</sup> Also, Section 218CA of the Act requires the number of regular staff in a small rural centre like Dungog (with a population of less than 5000) to be maintained (see chapter 10 for details).

Finally, as stated in its Proposal, Port Stephens Council invests heavily in its staff's learning and development. On the other hand, Dungog Shire has one of the lowest per capita staff levels in the State, meaning that the operational demands for its staff leave little time for their professional development. The council merger can be expected to aid Dungog personnel in the important area of staff development.<sup>49</sup>

## 9.2 Submissions

### Port Stephens Council

The merger proposal will have positive outcomes for staff of both councils. It will secure the ongoing provision of services within Dungog Shire while maintaining presence in Raymond Terrace.

Port Stephens also states it invests strongly in staff learning and development and Dungog would benefit from the same opportunities being available. The merger offers greater capability and capacity to perform key services.

### Dungog Shire Council

Dungog Shire has had difficulty over many years recruiting skilled staff. Staff have had to take on a cross-section of roles. The merger offers the opportunity to divest some of these responsibilities to appropriately qualified staff.

Dungog states that different cultures across the councils will be a difficult issue for the new merged council to address.

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<sup>48</sup> Jeff Tate Consulting, Report: Assessing processes and outcomes of the 2004 Local Government boundary changes NSW, (Independent Local Government Review Panel 2013), p.18

<sup>49</sup> Port Stephens Council, Merger Proposal, op. cit., p.13

### **Other Submissions**

A total of 43 submissions commented on this factor.

There is a general view amongst supporters of this proposal that local jobs will be protected under this proposal, relative to other proposals. It is also considered that the expansion of tourism and other services could actually increase job opportunities.

Submissions against the merger proposal note that there will be job losses under any proposal. It was also stated that the concentration of staff in Raymond Terrace would be detrimental to Dungog.

### **9.3 Conclusion**

This review has established that a merger will not necessarily lead to a reduction in overall staff numbers. In fact, the 2004 NSW merger process resulted in employment growth of 11.7% over eight years as the larger councils embraced the provision of new and/or enhanced services that the benefits of scale and capacity provide.<sup>50</sup> Also, notwithstanding the loss of corporate knowledge through the potential loss of at least one senior staff position, the new publicly advertised positions created can be expected to attract very strong fields of candidates that will more than offset the loss of staff with extensive local knowledge. Having regard for these considerations, the Delegate considers that there is no impediment to the Proposal proceeding, with respect to this factor.

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<sup>50</sup> Jeff Tate, loc. cit.

## 10 Rural Factor

This chapter contains an assessment of section 263(3)(e3) of the Act.

**The impact of any relevant proposal on rural communities in the areas concerned.**

### 10.1 Analysis

On page 12 of its Merger Proposal, Port Stephens Council states:-

“The Williams River Valley is a continuum with the western part of Port Stephens LGA and there would be no impact on the rural communities, other than access to any additional services currently enjoyed across the border.....

Aside from the five villages/towns (Dungog, Clarence Town, Gresford, Vacy and Paterson), the Dungog Shire is relatively sparsely populated. In these areas the impacts have yet to be fully understood but would be the subject of further study should this option advance”.

As per Figure 4.2, both Port Stephens and Dungog LGAs have a large proportion of their areas which are zoned Rural. Also, the head office of Dungog Shire Council is located in the township of Dungog, a rural centre with a population of 2131<sup>51</sup>. Significantly, Section 218CA of the Act provides that the new council “must ensure that the number of regular staff of the council employed at the rural centre is, as far is reasonably practicable, maintained at not less than the same level of regular staff as were employed by the previous council at the centre immediately before the amalgamation.....took effect”.

Notwithstanding that under Section 218CA the number of regular staff in Dungog is in practical terms to be maintained, service delivery to isolated areas can be addressed via a range of modern state of the art tools eg. internet-based delivery, service hubs, transaction centres. Also, a council/contractor vehicular service delivery could be implemented.

### 10.2 Submissions

#### Port Stephens Council

Both council areas have a dispersed settlement pattern with a number of rural villages and towns. Port Stephens recognises the need to preserve these characteristics as vital for the ongoing wellbeing of those communities.

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<sup>51</sup>

[http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/SSC10751?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/SSC10751?opendocument&navpos=220)

### **Dungog Shire Council**

Dungog Shire states that the retention of the administrative centre in Dungog is paramount for the delivery of services to the surrounding areas. It is also stated that protection of employment within the Dungog Township will be crucial in the long-term recovery of the township as a consequence of the natural disaster in April 2015. There is also a need to continue the local health forum for rural health needs, as Gresford community is still lacking in GP services.

### **Other Submissions**

A total of 32 submissions commented on this factor.

Most submissions in support of this merger commented that the improvement of services under this proposal would have positive effects on the Dungog community. Others suggested that the similarities of the two rural communities means that rural issues are likely to be heard and adequately addressed, relative to the alternate proposals which merge a rural council with a city council. It was also noted that rural issues would be represented through wards.

It was noted that Dungog Shire's rural strategy is inadequate and considered an urban expansion document rather than a rural strategy, while Port Stephens has a more developed rural strategy which would be of benefit to Dungog.

A small number of submissions against the proposal addressed this factor. It was stated that Port Stephens is pro-development, which does not align with the rural character of Dungog. It was also suggested that rates increases in Dungog would negatively affect local businesses, resulting in job losses, reduction in services such as police and eventual population decline.

## **10.3 Conclusion**

Having regard to the above considerations, the Delegate found no impediment to the Proposal proceeding, with regard to this factor; in fact if established, the new council should carefully consider the various options outlined in this chapter (and earlier in Chapter 7) that could be employed to improve service delivery to the isolated rural areas.



## 11 Wards

This chapter contains an assessment of section 263(3)(e4) of the Act.

**In the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards.**

### 11.1 Analysis

In page 13 of its Proposal, Port Stephens states:

“Under this option, Port Stephens Council would seek to maintain the current three (3) ward structure to ensure adequate representation across the whole local government area .....

However, Port Stephens Council is open to reviewing the ward structure once the views of all stakeholders are canvassed”.

**Figure 11.1 Existing Port Stephens Wards and Dungog Shire Council Area**



Source: Proposal for new Dungog-Port Stephens Regional Council, Submission of Port Stephens Council, p.34

At the September 2012 NSW Local Government elections, a popularly-elected mayor and nine councillors across three wards were elected to Port Stephens Council while nine councillors across three wards were elected to Dungog Shire Council (with the mayor elected by the councillors). The ward structures for the two councils are as follows:

**Table 11.1 Wards**

<b>Council</b>	<b>Wards</b>
Port Stephens	East Ward
	Central Ward
	West Ward
Dungog	A Ward
	B Ward
	C Ward

Source: Port Stephens Council Annual Report, 2015, p.20 and Dungog Shire Council Annual Report, 2015, p.8

The various merits of a ward system as opposed to no wards are often debated across the Local Government sector. In reality, the circumstances of each Local Government area are different and a decision to have wards or not must be assessed against the specific current and future circumstances of the area concerned.

In this case, it is considered that in a newly merged council representation should be maximised in the first instance and as such 'guarantee' representation across the new council. Obviously, this cannot be guaranteed under an undivided system and on this basis a ward system is recommended. Also, given that both councils are currently 'warded', there is merit in continuing with wards, at least in the first instance.

As for the number of wards, given a council comprising 12 councillors (including a mayor directly elected from "within") and the legislative requirement for the same number of councillors to be elected for each ward, it is proposed that the new LGA be divided into four 3 member wards. To help ensure suitable representation levels and to 'marry' in both councils' rural and semi-rural areas, it is considered that when drawing ward boundaries, it may be advantageous for two wards to encompass territory in both of the existing LGAs.

## 11.2 Submissions

### Port Stephens Council

Port Stephens proposes a three ward structure to enable adequate representation across the whole local government area. This could allow Dungog residents to return at least two councillors on the merged council.

### Dungog Shire Council

Dungog Shire suggests that an additional ward within a merged council for the Dungog area comprised of three councillors in the first term is required to ease the transition. This will ensure the values of the Dungog communities are preserved.

### Other Submissions

A small number of submissions commented on this factor with overwhelming support for the introduction of wards to ensure that Dungog and its rural interests are represented on a new council. Suggestions include:

- ▼ A submitter suggests wards should be introduced whereby the west ward of Port Stephens includes all of Dungog and the boundaries of the Central/West ward shifted to accommodate even numbers
- ▼ Another submission support wards suggesting four wards, including an additional ward for the Dungog area
- ▼ Another submitter suggests three wards with three councillors and a popularly elected mayor
- ▼ Another submitter suggests four wards with three councillors per ward or three wards with three councillors. The north ward should include Seaham, Hinton, Brandy Hill and Butterwick.

### 11.3 Conclusion

Recognising concerns regarding the level of representation in Dungog, this review considers that a multi-councillor ward system will deliver the best system to provide representation across the new council. If the Proposal proceeds, it is recommended that the new merged council be divided into four 3 member wards. Finally, having regard to the desirability (or otherwise) of dividing the new LGA into wards, the Delegate found that there is no impediment to the Proposal proceeding, with respect to this factor.

## 12 Diversity

This chapter contains an assessment of section 263(3)(e5) of the Act.

**In the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented.**

### 12.1 Analysis

Port Stephens and Dungog have very significant similarities in their demographic characteristics and socio-economic profiles. For example, 2011 Census data shows that Aboriginal and Torres Strait Islander (ATSI) people make up 3.6% of the Port Stephens population and 3.2% for Dungog. Also, the Male/Female Ratio for both LGAs is almost 50/50; further, both communities have relatively similar levels of advantage and disadvantage as measured by the Socio-Economic Index for Areas (SEIFA).<sup>52</sup> In Chapter 4 of this report, Figure 4.1 showed the very strong alignment in the Age Profiles of Port Stephens and Dungog. Other similarities are depicted in Table 12.1.

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<sup>52</sup> [http://stat.abs.gov.au/Index.aspx?DataSetCode=ABS\\_SEIFA\\_LGA](http://stat.abs.gov.au/Index.aspx?DataSetCode=ABS_SEIFA_LGA)

**Table 12.1 Selected Socio-Economic Data for Port Stephens and Dungog LGAs - 2011**

		<b>Port Stephens</b>	<b>Dungog</b>
Cultural Diversity -Ancestry	Australian	33.3%	35.4%
	English	32.5%	33.5%
	Irish	8.0%	8.8%
	Scottish	7.5%	7.6%
	German	3.1%	4.0%
Religious Affiliation	Anglican	29.4%	35.0%
	Catholic	23.3%	20.0%
	No Religion	18.7%	16.8%
	Uniting Church	6.4%	6.6%
	Pres.& Reformed	3.9%	6.6%
Median Weekly Income	Median Weekly Personal Income	\$498	\$484
	% of Aust Median Income	86.3%	83.9%
	Median Weekly Family Income	\$1246	\$1278
	% of Aust Median Income	84.1%	86.3%
	Median Weekly Household Income	\$999	\$1005
	% of Aust Median Income	81.0%	81.4%
Age Profile	<15 years	19.3%	18.8%
	15-64 years	61.7%	63.5%
	>64 years	19.0%	17.7%
	Median Age Years (Aust. Av)	42 (37)	44 (37)

Source:

Port Stephens:

[http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/LGA16400?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/LGA16400?opendocument&navpos=220)

Dungog:

[http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/LGA12700?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/LGA12700?opendocument&navpos=220)

Not surprisingly, given the relatively older populations in Port Stephens and Dungog, the councils have ensured that the provision of such aged services as in-home care (transferred to Integrated Living Australia in 2015<sup>53</sup>), facilities for senior citizens and volunteer programs (incl. training for volunteers) are strategically represented in their areas.

Port Stephens Council's commitment to its ageing population is vindicated by its employment of experienced staff in this and related community services areas. Dungog's resources are much less, even in relative terms. If the proposal is

<sup>53</sup> Port Stephens Council, Annual Report, 2015, p.50

adopted, the new council will need to 'apply' social cohesion and community opinion techniques to those service areas where demands are high and delivery has been under-represented.

Similarly, the new council needs to ensure that service provision to its disparate villages and townships is also not under-represented. The new council must ensure that there is appropriate engagement with its smaller towns, villages and rural areas during its Community Strategic Plan process to make certain that the opinions of these diverse communities are effectively represented.

Finally, elected representation and initiatives to maintain quasi-representation in the more sparsely populated areas were covered in Chapter 7.

## **12.2 Submissions**

### **Dungog Shire Council**

Dungog refers to data from the 2011 census which shows that 5.4% of the population was born overseas, from Anglo/European backgrounds and the Aboriginal and Torres Strait Islander population is above average. Dungog Shire engages with the four land councils on matters that arise locally.

### **Other Submissions**

A small number of submissions addressed this factor.

The submissions suggested that due to the council areas being similar and rural in nature, rural communities are likely to be heard and their issues addressed in the merged council where wards are introduced.

A submission referred to the percentage of Dungog's total population who were born overseas or are from Anglo/European or Aboriginal and Torres Strait Islander backgrounds. It notes Dungog Shire engages with the four land councils on matters that arise locally.

## **12.3 Conclusion**

It is clear from the statistical information and the submissions received that Port Stephens Council and Dungog Shire Council have very similar demographics. Should the Proposal proceed, this can be expected to assist in implementing the merger, albeit that the opinions of the area's diverse communities will need to be gathered in determining the merged council's services. Also, the opinions of the area's diverse communities will need to be collected in the preparation of the new Council's Community Strategic Plan, should the new council be established. On the basis of the above information, the Delegate found that there is no impediment to the Proposal proceeding, with respect to this factor.

## 13 Other Factors

This chapter contains an assessment of section 263(3)(f) of the Act.

**Such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.**

### 13.1 Name of Council

A number of submissions provide their support for naming the new council 'Dungog-Port Stephens Regional Council'. The submissions note the importance of maintaining Dungog and Port Stephens in the name, some say for the benefits of tourism. Previously, Port Stephens Council had suggested this name when submitting their Proposal at the Public Inquiry Meeting of 8 June 2016.

In Chapter 4, it was noted that some comments had been made about the potential to extend the tourism marketing of Destination Port Stephens to the Dungog LGA. (There is the opportunity to promote the new council area as "Sand Dunes to the Snow" or "Beaches to the Barringtons"). Given that the merger provides the two areas, as a joint body, with these tourism marketing possibilities, it is recommended that if the proposed new council is to be implemented, it be named Dungog-Port Stephens Regional Council.

### 13.2 Other Merger Proposals

It is noted that previously Delegates' Reports had been prepared for the following merger Proposals:

- ▼ Newcastle City and Port Stephens Councils,
- ▼ Maitland City and Dungog Shire Councils.

It is outside of the scope of this examination report to comment on these two other proposals.

### 13.3 Election of Mayor

In Chapter 7, it was highlighted that in a new council, it is important for the mayor, councillors and staff to develop a close working relationship as swiftly as possible and on this basis, it is recommended that if the new council is established, the mayor be directly elected by the councillors.

### **13.4 Conclusion**

Having regard to the above issues, the Delegate considers that there is no impediment to the Proposal proceeding, with respect to this factor.



## 14 Recommendation

### 14.1 Key Findings

- ▼ There are differences in the two councils' rating structures that will require appropriate harmonising. However, the financial advantages of the merger outweigh the financial disadvantages. Also, the larger council with its bigger rate base will provide the merged council with increased scale and capacity in considering important financial decisions. The Proposal warrants support, with respect to the financial factor. (Refer Chapter 3)
- ▼ The community and geographic characteristics of the two LGAs are similar and strongly aligned. (Refer Chapter 4)
- ▼ Port Stephens and Dungog LGAs have similar traditional and cultural backgrounds. It is considered that the proposed new council provides an opportunity to further develop these values. (Refer Chapter 5)
- ▼ Given the verbal and written feedback from the councils and the public, on balance, there is strong support for the proposal. (Refer Chapter 6)
- ▼ The Delegate believes that, should the merger Proposal proceed, it is important for the mayor, councillors and staff to develop a close working relationship as quickly as possible. To this end, it is considered that a mayor elected by and from among the elected members will facilitate this outcome. Also, having regard to the number of residents/councillor ratios for six other similarly sized NSW Regional City Councils, a council with 12 elected officials seems appropriate. (Refer Chapter 7)
- ▼ Should the new council be established, to maintain quasi-representation in the more sparsely populated areas of the former Dungog Shire Council, consideration should be given to the formation of a citizens liaison committee that will have an advisory role to the new council. Also, it is suggested that 2-3 times per year council meetings be held in different villages of the new council to engage with these isolated communities. (Refer Chapter 7)
- ▼ With every change process, there will always be a level of disruption to service delivery, however, a rolling program of service reviews can be expected to deliver a range of services for the new council which are appropriate, effective and efficient. (Refer Chapter 8)
- ▼ A merger will not necessarily lead to a reduction in overall staff numbers, with examples showing that new bigger councils from past amalgamations have embraced the provision of new and/or enhanced services requiring the creation of additional positions. Also, the new publicly advertised positions created through the merger process can be expected to attract very strong fields of candidates. (Refer Chapter 9)

- ▼ The Local Government Act provides employment protection to council staff employed by a newly merged and also for those working in a rural centre such as Dungog. (Refer Chapter 9)
- ▼ Both Port Stephens and Dungog LGAs have a large proportion of their areas zoned Rural. Also, under Section 218CA of the Act, Dungog township is deemed a rural centre and as such a new council after amalgamation must maintain as far as is reasonably practicable the same level of regular staff in Dungog as were employed prior to the merger. Given the relatively large rural areas of the two councils, it is suggested that the new council, if proclaimed, should endeavour to improve service delivery to isolated areas via a range of modern state of the art tools. (Refer Chapter 10)
- ▼ The merits of a ward system as opposed to no wards are often debated across the Local Government sector. In this case, it is considered that in a newly merged council representation should be maximised in the first instance and as such “guarantee” representation across the new council. Obviously, this cannot be guaranteed under an undivided system. As for the number of wards, given a council comprising 12 councillors and also the legislative requirement for the same number of councillors to be elected for each ward, a new LGA divided into four 3 member wards seems appropriate (Refer Chapter 11)
- ▼ It is clear from the statistical information and the submissions received that the two councils have very similar demographics. This can be expected to assist in implementing the merger, albeit the opinions of the area’s diverse communities will need to be collected in determining the services to be provided. A similar community opinion process will need to be followed in the preparation of the Community Strategic Plan. (Refer Chapter 12)

## 14.2 Major Findings and Recommendation

This review presents the following major findings in support of its recommendation to the Minister for Local Government:

- ▼ that a merger between the local government areas of Port Stephens and Dungog will derive financial savings for the two councils while the larger rate base can be expected to provide the merged council with increased scale and capacity to consider important financial decisions eg negotiating larger contracts, providing new/better services, addressing infrastructure backlogs, etc.
- ▼ there is a very strong alignment between the two council’s community and geographic characteristics and traditional and cultural backgrounds and residents and ratepayers can expect these values to be further developed through the increased scale and capacity of a merged council, and
- ▼ there is strong support from those who lodged a submission.

### **14.3 Recommendation to Minister**

That the proposed merger of Port Stephens and Dungog Shire Councils proceed, subject to consideration by the Boundaries Commission and approval by the Minister for Local Government.

### **14.4 Other Matters for Attention and Consideration**

Should the merger proposal proceed, this review provides the following matters for attention and consideration by the Minister, Boundaries Commission and the new council:

- ▼ that if the Proposal proceeds, the new LGA comprise of 12 councillors, including the mayor, who will be directly elected by the councillors
- ▼ that if the Proposal proceeds, the new LGA be divided into four 3 member wards, and
- ▼ that if the Proposal proceeds, the new LGA be named Dungog-Port Stephens Regional Council.



## Appendices

### A. Instrument of Delegation

#### INSTRUMENT OF DELEGATION

Pursuant to s. 745(1) of the *Local Government Act 1993* (the "*LG Act*"), I, Tim Hurst, Acting Chief Executive, Office of Local Government, delegate to the persons listed in Part A in respect of the proposals listed opposite in Part B the following functions conferred on me by the *LG Act*:

1. Examination of and report on one or more proposals referred by the Minister under section 218F of the *LG Act*; and
2. Any function that is incidental to the function of examining of and reporting on proposals under s. 218F of the *LG Act*.

Signed:  Date: 2/5/16

A/Chief Executive  
Office of Local Government

Part A	Part B
Peter Brian Peppin	Kogarah, Hurstville and Rockdale City Council Proposal dated 10 March 2016
Peter Brian Peppin	Port Stephens and Dungog Council Proposal dated 9 March 2016



## **B. Port Stephens Merger Proposal**