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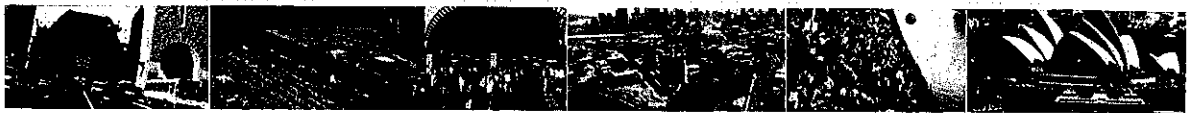


The Committee for  
**Sydney**

# **Evidence to the Inquiry on Local Government in NSW**

## **General Purpose Standing Committee 6**

July 2015



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# 1. Introduction

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The Committee for Sydney is an independent think-tank, collaborative platform and champion for Greater Sydney developing policy beyond the electoral cycle. In the words of the NSW Premier we are 'challenging the city to be great'.

It has a diverse membership of global and local companies, cultural and sporting bodies, not for profit organisations and local governments which are central to the future of Greater Sydney.

It has long been a supporter of governance reform in and for Sydney. In our perspective that means 5 things:

- Fewer but stronger councils with more resources, powers and capacity.
- Some form of Metropolitan governance for Sydney with greater coordination between councils and state government at the Greater Sydney level.
- Alignment between a reformed local government structure for Greater Sydney and a reformed planning system.
- Over time, some devolution of relevant functions from state government to reformed councils and potentially to some form of Greater Sydney governance.
- Strengthening actual and virtual community engagement in the deliberations about the future of Greater Sydney and the place of their precincts or centres within it.

The Committee welcomes the urgency and focus brought to the governance discussion by the Fit for the Future process and indeed the Government's emerging proposals for a Greater Sydney Commission, which commands bi-partisan support. We may be on the cusp of governance reforms for Sydney which could actually strengthen local government and community engagement – and for perhaps the first time give Greater Sydney a framework and a structure enabling matters of strategic significance for all Sydneysiders to be debated and determined. We believe that the available global research vindicates the proposition that a Metropolis with small scale fractured council governance damages both equity and productivity – both of which are ameliorated by having larger councils and some form of Metropolitan framework, coordination or structure.

We also believe, on the basis of international evidence, that such reforms and structures can enable councils to be more equal partners with state government – and that objective needs to be achieved in Sydney.

## 2. Our established position

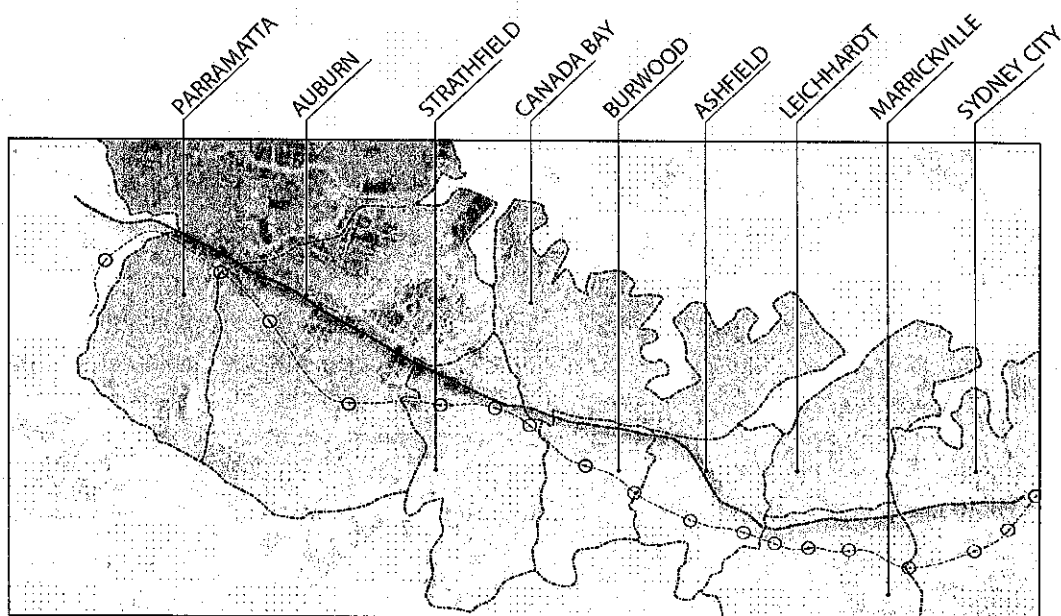
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We have set our principles and objectives around governance reform for Sydney in previous submissions. We present selected excerpts for this presentation but also add further sections derived from more recent thinking and evidence on these issues, particularly from overseas where there have been some important and relevant developments and findings.

The Committee for Sydney has previously provided evidence to this discussion. We include below content that remains relevant to the conversation on the future of Local Government in Sydney from:

- June 2013 Submission: ***Local Government Re-organisation: improving governance to improve Sydney's performance - Committee for Sydney submission on Future Directions for NSW Local Government – Twenty Essential Steps for the Independent Local Government Review Panel.***
- March 2014 Submission: ***Feedback from the Committee for Sydney on the NSW Government Reform Proposals***

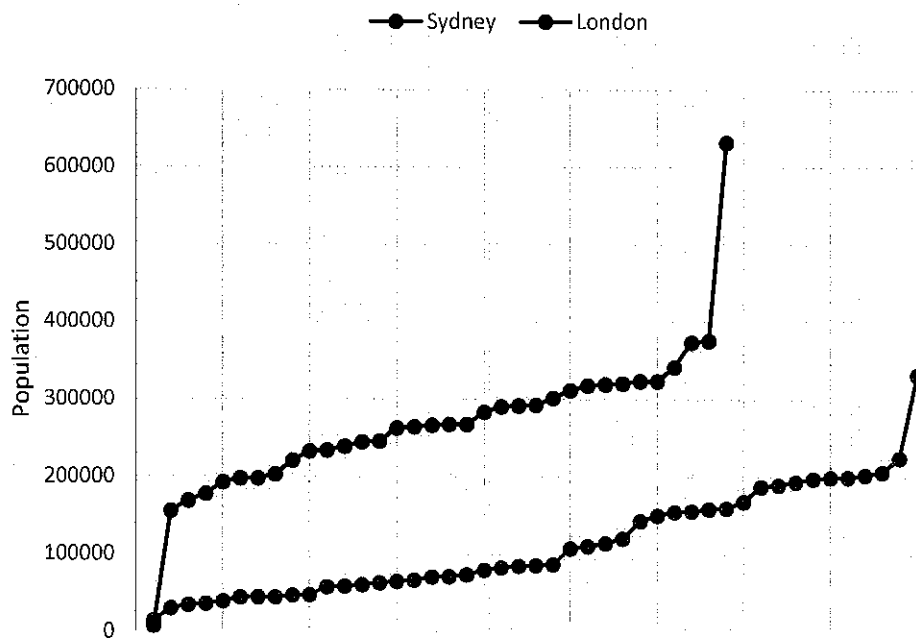
**The symbolic Sydney challenge Parramatta Road LGAs: why governance matters to city performance: the test ahead**



**London and Sydney – LGA populations 2014**

London:  $32 + 1 =$  more than the sum of its parts

Sydney:  $41 - 1 =$  less than the sum of its parts



## June 2013 Submission

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### Improving the governance of metropolitan Sydney

One of the Committee's top priorities is to promote improvements in the governance of Sydney. Our own research has vindicated the view that at the heart of the success of cities in meeting their strategic challenges and maximising their opportunities, is effective governance.

We needed local councils of scale in Sydney able to take a strategic view of the opportunities to be maximised and the challenges to be met.

Filling the governance gap in Sydney – caused both by the presence of too many small councils without the capacity, resources or scale to grapple with the challenges and opportunities of our metropolis and by a lack of effective integration of state government services and departments at the city level – is not just of importance to Sydneysiders but matters to the State and indeed the Nation. As we have shown elsewhere, when 'Sydney fires, the nation booms'. Good metropolitan governance will unlock the potential of Sydney.

Accordingly, we commend the report of the Independent Local Government Review Panel and the proposals in the Planning White Paper to create less fractured, more strategically enabled local government and planning structures as key game-changers for Greater Sydney.

### Stronger not weaker councils

We support local government reorganisation and greater alignment between councils and new planning structures to create more efficient and effective Councils.

That is to say, along with planning reform, the Committee for Sydney supports local government reorganisation within Sydney because it will strengthen local government not weaken it, because it will enable it to be a better and more robust partner for State Government, because it will enable it to be an even more effective advocate for its communities and because it will help unlock the full potential of our Global City.

It will also be critical to ensure that the new and very welcome approach to enhanced and reinvigorated community engagement in the planning process will be adopted as the norm by the new scaled-up councils when developing their Community Strategic Plans.

### We support the analysis of the Independent Review Panel

The Committee for Sydney endorses the views of the Independent Panel that:

- *'new directions must be pursued to transform the culture, structures and operations of NSW local Government, as well as its relations with the state'*
- *'the goal is a more sustainable system of democratic local government that has added capacity to address the needs of local and regional communities and to be a valued partner of state and federal government'*

We strongly agree that we need to have councils *'with the scale, resources and strategic capacity to govern effectively and to provide a strong voice for their communities'*.

#### Towards Better Governance

We agree that better governance will follow from:

- mandating continuing professional development for councilors
- strengthening the authority, powers and responsibilities of mayors

- requiring the popular election of mayors in all councils with population over 20,000 –with a minimum 2 year term
- clarification of roles and responsibilities between general managers, mayors and councils
- providing additional governance options for larger councils similar to that available in other countries such as the UK with a mix of ward and 'at large' councilors and a cabinet style model

We are clear that larger councils should have full time mayors and also that councilors with significant portfolios should also be full time. We need to raise the power, profile and prestige of local government and these reforms will play a critical part in this.

## **A welcome emphasis on Sydney**

We welcome the separate focus on Sydney in the Panel's work and embrace the notion that policy needs to *'Reshape Metropolitan Governance'*.

Our analysis is that the fragmented nature and small scale of local councils in Sydney – by contrast with Brisbane which has one council, as has Auckland – and the consequent lack of resources, skills, capacity or scale of operation required, prevent even the best from achieving what they aspire to for their communities and from dealing with the acute challenges facing them.

The combination of the fragmentation of local government and the lack of effective metropolitan management by state governments over a long period resulted in sub-optimal city performance in areas such as housing delivery and infrastructure.

We agree that the complex challenges faced by Sydney simply cannot be managed – or the economic opportunities fully realised – by a myriad of smaller, under-powered and sometimes introspective councils. At the same time we are strong supporters of what councils with strategic ambition can achieve, such as we see in the kinds of transformative infrastructure schemes of regional significance being promoted by councils such as City of Sydney and Parramatta through their Light Rail projects. It is vital that reform of local government strengthens the capacity of councils to play this city-building role.

We therefore agree that *'amalgamations and more effective sub regional arrangements will be needed to establish a system of local government that has the capacity to be a real partner of State and federal governments in addressing the challenges of growth and change well into the mid 21<sup>st</sup> century when Sydney's population will be around 7 million'*. Indeed it will be 8 million by 2055. Further we support the objectives of the Panel which are to:

- create high capacity councils that can better represent and serve their local communities on metropolitan issues
- underpin Sydney's status as a global city
- support implementation of the Metropolitan Strategy

## **Structural reform in Sydney: towards rationalisation**

The Committee thus endorses the view of the Panel that there should be a reduction in the number of councils in the Sydney basin to 'around 15' which the Panel itself says is an option which is *'not as radical as some might prefer'*. Indeed, although this option is supported by the Committee, our earlier submission indicated some 10 'sub-regional' councils for Sydney would be appropriate. The debate continues. The 'future direction' towards agglomeration is however in our view unanswerable.

However, we also would wish to explore further the Panel's suggestion that 'local boards' could be introduced *'to ensure local identity and representation in very large urban councils'*. In various forms this is the model underpinning Big City governance in both New York and Auckland.

### Alignment with planning sub-regions in Sydney – and shaping and supporting effective growth infrastructure plans

We see the need for alignment between local government boundaries and sub-regional planning entities. We firmly agree there needs to be a strong overlay and fit of the planning and council structures. At present 6 planning sub-regions are proposed though we understand that this might become 7 given the size and number of councils in the proposed Central sub-region. It is important that the geography of planning sub-regions fit elegantly and efficiently with the geography of the proposed larger councils for Sydney. Getting this right is a priority if confusion and duplication are to be avoided.

## **A Metropolitan Council of Mayors for Sydney**

We have previously called for a forum to link councils across Sydney and strongly endorse the suggestion by the Panel of creating an organisation in Sydney – a Council of Mayors – along the lines of the SE Queensland Council of Mayors. The Lord Mayor of an expanded 'global city of Sydney' could chair this, as is noted by the Panel. We agree that such a body could *'provide a voice for Sydney and represent local government and communities in high level consultations with State and federal governments, as well as internationally.'* It would also be a natural consultative forum, along with the proposed sub-regional planning boards, for the next iteration of or updating of the Metropolitan Strategy and for assessing annual progress on the implementation of its targets.

## **Better state coordination and collaboration with councils**

The Committee has previously stressed that better governance of Sydney requires reforms to the State government and its agencies and how they operate in the context of Metropolitan Sydney. It was never just local government that needed reform. We strongly agree with the Panel's stress on the need for state government to be more coordinated at the metropolitan and sub-regional levels – in terms of planning, projects and services – and for there to be a 'much closer working relationship' between a reformed state apparatus and Sydney's reformed council structures.

## **Major new councils in the key centres of Metropolitan Sydney: 'Global Sydney', Parramatta and Liverpool**

We strongly support the proposals of the Panel to support the development and planning of the major centres in the Metro Strategy by enabling them to have councils of even greater scale and capacity at the heart of the transformation of their areas. The Panel identifies them as 'Global Sydney', 'Parramatta 2<sup>nd</sup> CBD' and 'Liverpool: Regional City'.

Whilst the precise boundaries in any amalgamation will need further independent research and assessment, we are sympathetic to the need the Panel sees to explore how the management of what it terms the 'global city' – bigger than the existing City of Sydney – should be managed going forward. We agree that the *'existing City of Sydney is working well in terms of its current boundaries and role'*. But we also concur that as the Panel says, *'Sydney's future economic growth and international status will rest increasingly on having a central local government that, like Brisbane and Auckland, has the scale and capacity appropriate to global aspirations'*.



## **Realising the potential of Parramatta, Liverpool and Penrith**

In relation to delivering the objectives of the Metropolitan Strategy, we also note and welcome the emphasis of the Panel on realising the fullest potential of Sydney's major centres such as Parramatta. The Panel stresses that an 'essential factor' in the previous failure to deliver Parramatta's potential as Sydney's second CBD has been the absence of a well-resourced local council of scale. Parramatta's development has been *'hindered by the limited scale and narrow boundaries of the current local government area'*.

Though impressed by what the Council has been achieving with its current scale and constrained boundaries, we agree. We welcome the notion of Parramatta becoming the centre of a major council area on expanded boundaries so that it has the resources *'needed to develop a 'second CBD'*. Consideration should be given to also including Ryde Council area to enable the creation of strong links between both the proposed urban activation precinct area at Epping and Macquarie Park and Parramatta Town centre, the UWS and Westmead.

### **Liverpool at the heart of the south-west**

We endorse the recommendation to amalgamate Liverpool, Fairfield and perhaps Bankstown to support what is termed 'Liverpool Regional City'. In our view the planned development of the 'region' would be enormously facilitated and improved by the emergence of such an empowered council – as a robust partner for state government and its agencies and as an advocate for its communities – particularly around ensuring that Metropolitan Strategy targets on jobs as well as homes are met in this critical area.

## **Incentives, 'special rates' and the monitoring role of State government**

Further consideration will be needed to deliver a package of incentives - both 'carrots and sticks' – to encourage the amalgamation of councils. These could include the devolution of powers to council who agree to amalgamate to a sub-regional level. The Government will need to be imaginative on this agenda. An issue to be explored in this context is that of 'special rates'.

The Committee for Sydney is sympathetic to innovation around how finance can be raised for key infrastructure projects and the Planning White Paper is proposing a new regime of levies. We agree with the Panel that local government should – as the best have always done – experiment with innovations to raise revenue for key projects and services. Though rate-pegging may remain, some relaxation and innovation should be encouraged around special rate regimes for specific, transparent community purposes. We agree with the Panel on this point. Indeed, we would suggest exploring how rate-pegging itself might be varied for such purposes in key growth and high need areas, especially where a reformed/amalgamated council exhibits good performance and engagement with its community.

This latter point raises a key element of the proposed reform program for councils: the role the Department of Local Government should play in improving performance and accountability by monitoring outcomes and benchmarking council performance against key indicators. This need not be a burdensome or over-centralised regime and entrepreneurial councils must be encouraged. There are many examples of such systems internationally that could be adapted.

## **Conclusion**

Sydney needs more effective governance both in terms of scale and capacity of local councils and in terms of the partnership between councils and state government in relation to meeting the challenges of metropolitan Sydney.

More detailed work will be required to come to a final view on the appropriate numbers of

councils in Sydney and alignment with the planning sub-regions. What is very positive about the Panel report and the approach of State government – whether one agrees with the detail or not – is the view which we share that 'business as usual', in terms of governance, will not deliver the outcomes our communities need. Reorganisation is vital. We support the Independent Review wholeheartedly on this point. The report is at its strongest when it calls for councils of bigger scale and capacity to be the administrative and strategic heart of the centres identified as crucial to the economic and housing ambitions in the Metropolitan Strategy: Central Sydney, Parramatta, Liverpool and Penrith must have local councils able to lead their sub regional centres and partner State government in delivering strategic change.

### **Shared Services welcome, and amalgamations not easy**

We believe that many innovative councils will, in the interim, be looking to share resources and save costs voluntarily, and indeed already are, and we support that process. We also recognise that amalgamations can take time to deliver the anticipated benefits and that they need to be managed carefully and effectively.

The Government will need to ensure that if they endorse the objectives of the Independent Panel in willing the 'end' of seeking more empowered and strengthened councils, they will also provide the 'means' to achieve them. This means supporting significant organisational change by providing realistic funding for the transition and appropriate guidance and technical support including best practice around local government amalgamation.

The difficulties of reorganising local government should not be underestimated. Success will require that the reform be championed at the highest level of State Government and the benefits clearly articulated. The prize will not just be to deliver the ambition of the Planning White Paper and the Metropolitan Strategy. It will be to realise the full economic potential of Sydney in the interest of the state and indeed the nation.

Although amalgamation is never easy we should reflect on the successful experience of amalgamation in Queensland. There, councils of scale have been created that have capacity and can take a strategic view on the challenges facing their areas and the opportunities to be exploited. On the whole the reformed structure also commands support from their communities and a better more balanced partnership with state government.

## March 2014 Submission

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The Committee for Sydney has long believed that Sydney's performance, economically and in meeting the key strategic challenges facing our communities, has been significantly held back by its highly fractured governance.

However, though some individual councils are showing great leadership in their areas, the Committee for Sydney believes – and few we have consulted would disagree – that the current governance structure of Greater Sydney – with over 40 small councils engaging in complex relationships with a myriad of state government agencies – is simply not fit for purpose. It does not enable Sydney to meet its strategic challenges at the metropolitan scale or to fully exploit its opportunities. Few cities in the world now have such great complexity or such little coordinated self-government at a metropolitan scale. Reform is vital if Sydney is to realise its full potential as Australia's global city – a view shared across the Committee for Sydney with its mixed membership from the private, public and not for profit sectors.

Reform is vital also if Sydney is to compete successfully over the next half century with other cities also seeking to attract global talent and investment. We stress that some of these are not the usual suspects in Europe, the Americas or Asia but in Australasia itself, with Auckland – now led by a single council for its metropolitan area having significant momentum in the region. And we know that Melbourne, which went through a governance revolution a generation ago from which it is still benefiting, will on current trends replace Sydney as Australia's largest city by mid-century. Governance reform is a must for Sydney.

We have thus been consistent supporters of:

- Fewer but stronger, bigger, more empowered councils in Greater Sydney via an amalgamation shaped through evidence based consideration by an independent Boundaries Commission;
- Greater coordination and cooperation between Greater Sydney's councils to improve efficiency and effectiveness and address common problems and opportunities at the metropolitan level;
- As much alignment as possible of the post-amalgamation councils with the new sub regional planning structures soon to be created;
- Some form of Greater Sydney-wide forum of Mayors made up of the smaller number of councils which would be left after amalgamation to provide Greater Sydney and its communities with a metropolitan framework and voice;
- A more balanced partnership between state and local governments with a more metro-scale of council for Sydney taking on some responsibilities currently centralised at state level – and with better coordination across state government of their agencies' or departments' activities in, policies for and data about Greater Sydney, perhaps initially through the creation of a Sydney Unit under the auspices of the Department of Premier and Cabinet;

We have therefore supported the direction of travel of reform for Sydney's governance set out by the Independent Local Government Review Panel in its various reports. We endorse the need for reform across the state, identified in the Panel's final report, driven not least by the fiscal challenges facing local government and we welcomed the identification of the 'key themes' underpinning the report, particularly the focus on:

- Strengthening the 'strategic capacity' of councils;

- Changing the rates system to generate revenues needed for infrastructure;
- Stronger regional structures and collaborations;
- Council amalgamations as part of the structural reform of governance in 'metropolitan Sydney';
- Improved working relations and coordination between local government and state agencies;
- The need for the process for considering possible amalgamations and boundary changes to be overhauled.

### **Committee support for the Panel's views on Sydney**

The Panel report should be viewed by the NSW government as compelling evidence for amalgamations, for the creation of bigger, more strategically enabled councils, for a rebalance of the relationship between tiers of government, for much greater coordination of state government agencies in their dealings with councils and for, above all, a structure of metropolitan governance fit for Australia's only global city.

The Committee approves of the Panel's support in relation to Sydney for what it calls 'reshaping metropolitan governance'. Its central value proposition regarding Sydney is very welcome and should be required reading by key decision-makers in government: 'the Panel is convinced that for Sydney to remain Australasia's pre-eminent global city, very substantial changes are needed to the way the region is governed at both local and State levels'.

The Panel has helpfully reproduced the Western Australian government's overview of why governance renewal and amalgamations are vital – and how the process will improve both local government and outcomes for communities:

- 'Enhanced leadership across the State and local government sector and the wider community will be required to manage the extraordinary growth of the metropolitan over the next 50 years
- The current local government arrangements will not provide the best outcomes for the community into the future.
- The status quo cannot and should not remain.
- The outcome should be a stronger, more effective, more capable local government sector, with an enhanced role and greater authority.
- The structure and governance arrangements for local government cannot be considered in isolation from the role and function of local government, and from the relationship between state government and local governments.
- A sense of place and local identity can be maintained through appropriate governance regardless of the size of a local government'.

*All this is relevant to Sydney and should be applied here.*

### **Governance and planning reform: two sides of the same coin**

We note that part of the reason for cities to embrace governance reform is to plan for and manage the challenges of growth at the metropolitan scale. Sprawl and indeed spatial inequality have been identified in the academic literature on urban development as endemic in cities with fractured local government structures and a plethora of small councils. The COAG Reform Council report on Capital Cities Planning Systems placed the failure to plan effectively

for such cities at the door of poor coordination stemming from such a fractured system of government on the one hand and poor integration of state government activities on the other.

It is thus welcome that the Panel report echoes these views, and stresses the opportunity 'to align sub-regional boundaries with those to be used for the State Plan and Metropolitan Strategy'. We agree overall with the Panel that an enhanced scale of council would 'support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans'.

Noting that 'achieving more effective metropolitan governance requires a partnership approach involving State, local and, if possible, federal governments', the report goes on to say:

*'At a minimum there needs to be much stronger coordination focused on metropolitan planning and major projects, with a clear locus of responsibility (perhaps through the Premier's department's regional coordination processes); full alignment of the State Plan and Metropolitan Strategy (including through sub-regional plans); and robust arrangements for a much closer working relationship with councils. The State Government needs to do more to discharge its own responsibilities in these areas'.*

We agree.

### **Reduction in the number of Councils and some form of metro-wide forum**

Further, we agree that there is a need to 'substantially reduce the number of councils so that each has the resources and credibility to be a player in metropolitan affairs in its own right, and so that they can all come together in a strong metropolitan-wide organisation, such as a 'Council of Mayors'.

There are indeed 'simply too many voices striving to be heard'.

Moreover, while we also support voluntary moves towards sub-regional cooperation and shared services we believe, with the Panel, that 'enhanced capacity for local government to play a major role in strategic planning, delivery of major infrastructure and improvement projects, and partnering effectively with State and federal agencies is more likely to be achieved if the basic building blocks – individual councils – are larger and more capable'. We share the view of the Panel that the purpose of such reform is actually to strengthen the capacity of councils to deal with big city challenges and to have a more equal relationship with state government. That is, the objective is to 'create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies'.

We would add 'high capacity councils that have the ambition and resources to champion and sponsor key infrastructure projects on their own, in collaboration with the state government or in partnership with the private sector'. The exemplary leadership shown by Parramatta Council and City of Sydney in relation to their respective light rail proposals suggests what more would be achieved when councils have the scale, resources and aptitude to turn 'Big City' thinking into Big City delivery. We sometimes forget that most international cities of Greater Sydney's size conventionally run their own transport system – unthinkable here because of the scale and fractured nature of local government.

We note that it is the Panel's view that Sydney should move towards a scenario where by mid-century, when it will be a city of some 7 million, there will be a maximum of 15-18 councils. The Committee itself is on record as indicating that fewer councils than this would be optimal and would need to match the number of sub regional planning structures currently being proposed (under 10) with some linking metro-wide forum such as the Panel's suggested 'Council of Mayors'. We stress however, that a lot more work is required to establish the optimum solution and that the extent and boundaries of the final council areas need to be shaped through an

evidence based approach and defined by an independent Boundaries Commission so that the result is and is seen to be, beyond the electoral cycle and above party politics.

We note that the Panel itself supports such an initiative as a part of an approval process which should, in its view, include establishing a new Ministerial Advisory Group before consideration by an independent Boundaries Commission, and we draw attention to its clear views on this: 'The Panel therefore believes that the best way forward would be first, to seek evidence-based responses from councils to its proposals; then to refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1); and then, if warranted, to the Boundaries Commission for further consideration'. The Committee strongly supports the involvement of the Boundaries Commission to ensure objectivity in appraising evidence and in determining the final shape of local government in Sydney.

### **Key regional centres in Sydney and 'global Sydney'**

The Commission would for example consider proposals for enhanced councils for the key regional centres in Sydney. We commend the Panel for recognising the importance to Sydney not just of the City of Sydney (clearly crucial) but also of Parramatta, Liverpool and Penrith. While the specific proposals for such key places need the kind of evidence based objectivity that would be brought to the process by involving a Boundaries Commission, we welcome the recognition afforded to these key centres which are already showing the kind of strategic leadership the Panel is seeking. We agree strongly that further governance reform, strengthened capacity and extra resources could add to the impact of these centres in their regions.

We welcome the governance discussion over Sydney's global city – and indeed Capital City - status requiring a bespoke solution to reinforce the capacity of local government, working in partnership with state government, to manage that part of the global city which is both within and without the current boundaries of the City of Sydney. We agree that the global city de facto extends outside the boundary of its de jure local council, as it were.

We note and endorse the Panel's support for a continued or possibly updated City of Sydney Act that can highlight and make provision for its special 'capital city' features and functions. The Act could build on the success of the Central Sydney Planning Committee to incorporate further measures for closer state-city cooperation.

We believe that the capacity shown by the City of Sydney and innovation around such things as partnering with state government to enable the light rail project amount to an exemplar of what an empowered and resourced council can do now and an indicator of what can be achieved on a broader canvass than current boundaries allow. However, as we have stressed and as the Panel now stresses, further evidence needs to be brought forward for specific change proposals and any determination needs to be undertaken by the independent Boundaries Commission.

### **A Council of Mayors: a new voice for Greater Sydney**

We have argued for an initiative such as a 'Council of Mayors' at a pan-Sydney level in previous submissions. We agree strongly that Greater Sydney needs a form of 'metropolitan councils' organisation that can provide a 'voice for the region'. With many fewer councils, we share the view that 'there would be an opportunity – as well as a strong case – to establish a body similar to the South East Queensland Council of Mayors'.

Such a body could, we agree, be more effective in 'representing local government and local communities in high-level consultations with state and federal governments, as well as internationally'. The latter point is increasingly important as the lack of such a voice or force is a

weakness in comparison with the cities with which Sydney is in competition. The many global organisations in membership of the Committee have experience of the benefits to all whether in the public or private sectors of being able to partner 'Big City government' in the many cities across the globe in which they operate. The lack of such a force to engage with at the Sydney metropolitan level is much commented on by members.

### Specific Panel recommendations for metropolitan Sydney

- 40 Strengthen arrangements within state government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government (13.1): **the Committee agrees**
- 41 Seek evidence-based responses from metropolitan councils to the Panel's proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (Greater Sydney Commission) (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (13.3): **the Committee agrees and stresses importance of Boundaries Commission**
- 42 Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and retain a separate City of Sydney Act to recognise its Capital City role: **the Committee sees this as recognition of the importance of these two key CBD/centres and a reflection on what empowered councils can achieve** (13.4)
- 43 Pending any future action on mergers, establish joint organisations of councils for the purposes of strategic sub-regional planning (13.5): **the Committee agrees**
- 46 Promote the establishment of a metropolitan 'Council of Mayors' (13.8): **the Committee agrees**

### Conclusion: New evidence of the importance of governance reform

Recent academic work has reinforced the role of good governance structures in city competitiveness – and the need for what Bruce Katz of the Brookings Institute has called a 'Metropolitan Revolution'. Katz, who is addressing the Committee for Sydney in an upcoming 'Global Cities Online Dialogue', has said of the US something that applies to Sydney:

*'America's metropolitan areas can no longer afford the crazy quilt of tiny, fragmented governments that they have inherited from the 19th century. ... The result is a fundamental mismatch between the real metro-scaled economy of innovative firms, risk-taking entrepreneurs and talented workers and the inefficient administrative geography of government.'*

In 'Benchmarking the Competitiveness of Australian Global Cities: Sydney and Melbourne in Global Context', Sydney's performance is compared against certain key metrics (see Figures 1 and 2 below). While Sydney does well in certain categories (business friendliness and creativity/diversity) it has a 'very low' score in indicators of government structure and governance innovation. The authors note that Sydney has no 'metropolitan government to assume direct responsibility for city-regional wide planning and development'. They refer to the

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<sup>1</sup> Richard Hu (Canberra University), Edward J. Blakely (University of Sydney) & Yimin Zhou (Urban Redevelopment Authority, Singapore), *Benchmarking the Competitiveness of Australian Global Cities: Sydney and Melbourne in the Global Context*, Urban Policy and Research (2013)

large number of councils in Sydney which are seen as 'very weak in power and resources' by comparison with global exemplars. They make a crucial point and it is one the NSW State Government needs to recognise:

*'Although it could be argued that the state-led governance arrangement could provide much stronger resources and control over metropolitan strategy, it generates both vertical conflicts (between the state and local governments) and horizontal fragmentation (between numerous local governments) in metropolitan planning and implementation. The lack of a metropolitan authority and the multi-scalar nature of urban governance are increasingly problematic in tackling the wicked challenges of global competitiveness, sustainability and social polarisation'.*

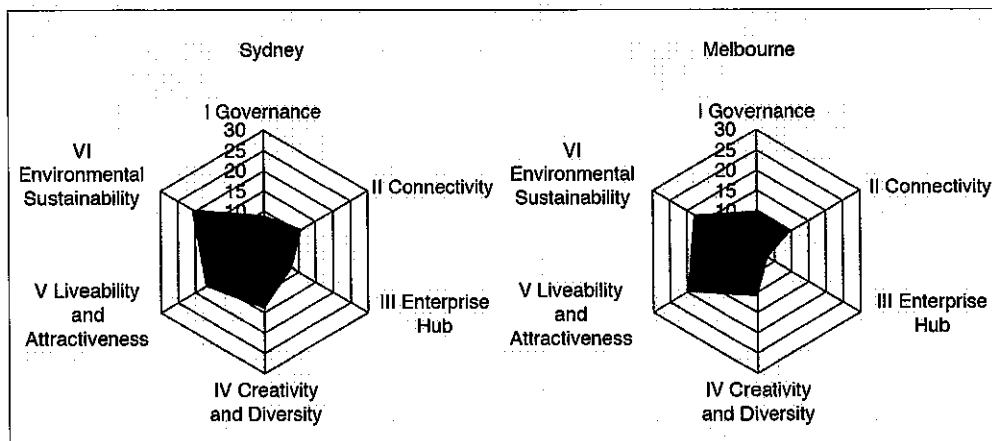


Figure 1: Competitiveness of Sydney and Melbourne

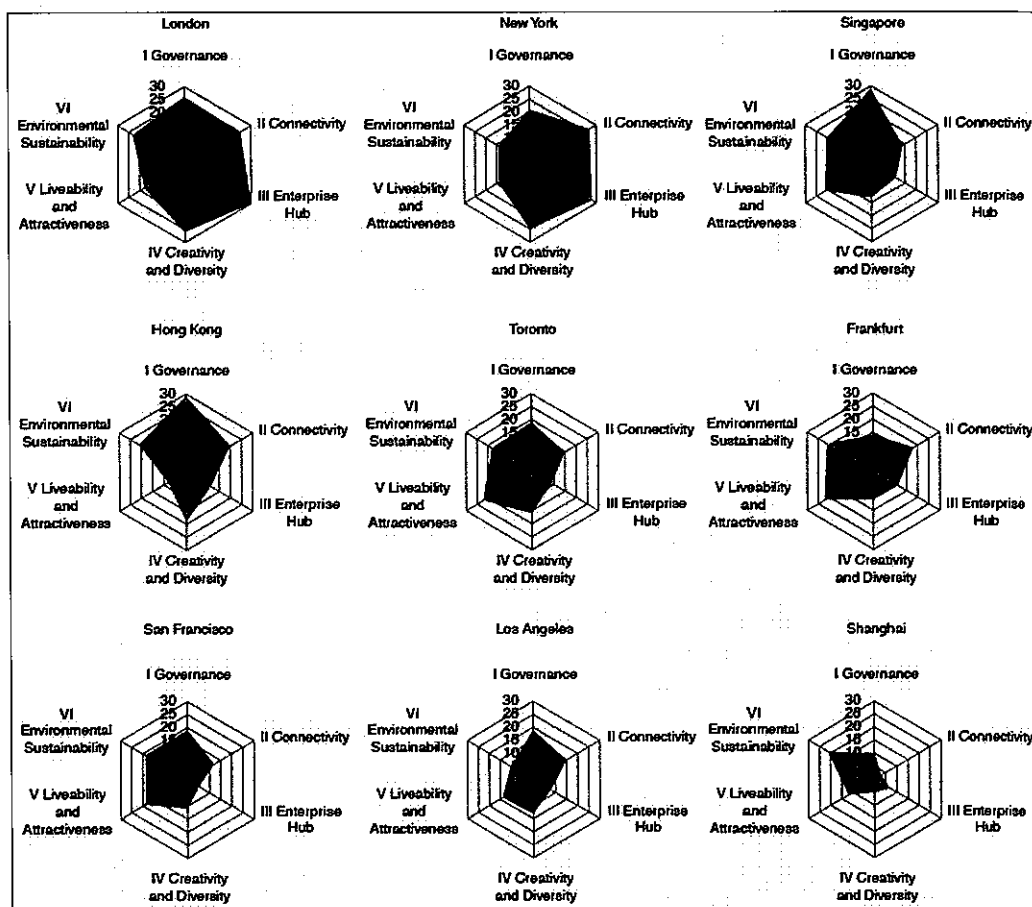


Figure 2: Competitiveness of benchmark global cities



As a consequence, and it is a view the Committee shares, in relation to governance, Sydney 'needs to improve' compared with other global cities such as Singapore and Hong Kong. Its 'less competitive position' in governance has 'meaningful urban policy implications' for 'enhancing...global competitiveness'.

The argument about the importance of having a metropolitan scale of governance to deal with metropolitan challenges is reinforced in a recent Issues Paper commissioned by the European Commission, by Ivan Tosics of the Metropolitan Research Institute of Budapest<sup>2</sup>. Essentially a reflection on the impact of governance on places like Sydney where the 'economic city' has become much larger than the 'administrative city' and where 'outdated institutional and territorial structures' prevail, the paper argues for a 'modernisation' of urban structures and a 're-thinking of the subnational level, especially regarding the governance system of the urban areas'. This requires 'optimal coordination and governance models which align the de facto city at a functional spatial (metropolitan) level and the de jure city of formal administrative structures'.

Tosics makes the point made by others that a lack of fit between the at best 20<sup>th</sup> century administrative fragmentation of urban areas and the economic and developmental reality of the metropolis also leads to 'a high probability of an increase in spatial separation of different social groups. Environmentally more attractive settlements will aim to avoid providing social services for the poor who therefore have to concentrate even more on less attractive settlements, where such services are provided (from their much lower budgetary means). Administrative fragmentation thus almost unavoidably also contributes to the socio-spatial segregation of the urban areas'.

Sydney's failure to meet housing need, enable intergenerational equity or prevent increasing socio-spatial segregation is a local example of how such metro-scale problem cannot be managed effectively via the current administrative fragmentation. Tosics finds that 'the smaller the local authority is in geographical terms compared to the morphological and to the functional urban area, the less opportunities it has to influence the spatial allocation of inequalities'. This reinforces his assessment from a global review that on the one hand 'efficient local redistributive policies (regarding housing, land policy, social services, etc.) require strong public authority with substantial control over a wider area' and on the other that the sheer complexity of the future shared challenges which urban areas have – ageing, climate adaptation, globalisation, energy management, social polarisation – also strengthen the broader argument in favour of 'integration on a higher spatial level'. Although written in a European policy forum, this analysis has application in Australia, for Sydney.

### **Change is never easy**

Grasping the nettle of local government reform, amalgamations, the creation of metro-scale governance for Sydney and a better, more equal partnership between state government and enhanced Sydney councils, will not be easy. But it has to be done. Everyone knows that the status quo is not working and will not work to give Sydneysiders, whether in the community or in business, the Big City government they deserve.

The reforms needed can, far from weakening local democracy, actually lead to greater engagement in the democratic process, both online and face to face: as councils will have the power and clout to make a difference – and be worth engaging with more. Moreover, the increased governance clarity brought about by having fewer councils and linkages between

---

<sup>2</sup> Ivan Tosics (Metropolitan Research Institute of Budapest), *Governance challenges and models for the cities of tomorrow*, Issue paper commissioned by the European Commission (Directorate General for Regional Policy) (January 2011)

them via a Council of Mayors would make it easier for citizens to understand what was going on and to hold their elected officials accountable.

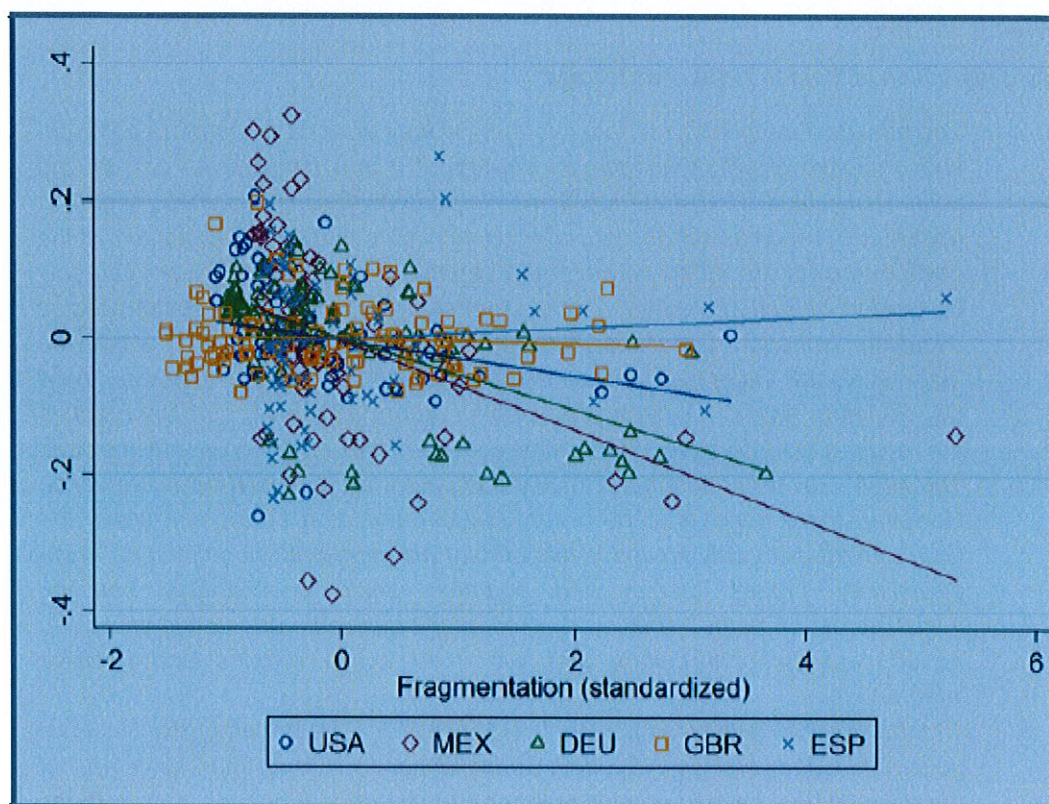
Change, properly evidenced and confidently promoted in the political process, will command mass support. The proposed reforms amount to an idea whose time has come.

### 3. Recent research: City performance, productivity and equity

---

Since these submissions were made, the OECD has issued ground-breaking research by one of their key advisors Rudger Ahrend, on *'What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries'*. The paper finds that cities with fragmented governance structures tend to have lower levels of productivity. For a given population size, a metropolitan area with twice the number of municipalities is associated with around six percent lower productivity; an effect that is mitigated by almost half by the existence of a governance body at the metropolitan level.

The Figure 1 below illustrates the degree to which administrative fragmentation is associated with city productivity premiums. The degree of fragmentation of urban areas is measured by the number of municipalities per 100,000 inhabitants. The charts show a tendency for more fragmented cities to have lower levels of economic productivity.



*Figure 1: administrative fragmentation and productivity*

The OECD found that the impact of horizontal fragmentation is more severe when the presence of governance bodies is taken into account. Without a Metropolitan governance body the negative impact on productivity is about 6%. The fragmentation penalty is halved by the presence of a governance body at the Metro level to 2.5-3% lower productivity. The study notes these are 'significant' penalties.

#### **Recent visit and work by Greg Clark, OECD and Brookings Institution city advisor**

The OECD analysis above was reinforced by the recent visit to Sydney (at the end of April



2015) at the invitation of the Committee by acknowledged global cities expert, Greg Clark, also an OECD advisor and Brookings Fellow. Prof. Clark reviewed the performance of Sydney in the context of 33 other relevant cities and came to the conclusion that keys to Sydney's future success were Metropolitan Co-ordination and Local Government Reform. As he stressed in a note to the NSW Government:

*"By far the major issue discussed on my visit was metropolitan governance.*

- *NSW Government has agreed to form a Greater Sydney Commission and is now awaiting proposals from the Minister of Planning and Environment. I am not informed about what he will propose.*
- *In addition to the creation of the Greater Sydney Commission plans are also in train to consolidate the pattern of Greater Sydney local municipalities from 42 to 15.*

*Taken together these two developments appear to have the potential to substantially resolve some of the major deficits and challenges that Greater Sydney faces.*

#### ***What is the need?***

*My observation is that the need is as follows:*

- i. *The new development cycle requires that Sydney adopt a much more coherent and proactive growth management strategy if it is to continue its growth and optimise its value. That strategy will need to address the consequences of growth (externalities such as congestion, inflation, pollution, and spatial disparities) if the costs of growth are not to outweigh the benefits. These growth issues can only be tackled with integrated approaches that combine high quality sector policies (Housing, Transport, Economic Development, Education, Tourism, Leisure) with high levels of integrated spatial management (CBD, Major Projects, New Development Areas, Densification, Regeneration, etc). Integrated approaches are required to resolve the externalities, sector policies on their own will not work.*
- ii. *The NSW Government is full of highly competent professional public servants. However, there appears to be a very low co-ordination equilibrium within the Government, with only limited levels of joint planning and management, multi-disciplinary project teams, and common goals / strategies between ministries/departments. This low co-ordination equilibrium appears to be a deep rooted organisational culture that will need active reforms and decisive intervention.*
- iii. *42 municipalities with weak powers is too many for coherent and proactive local governance and services in Sydney. Consolidation to 15 is an important step, but there would be a case to go much further and reduce to 5 or even 1. As reforms of this kind are only possible once in a decade it is wise to seek the optimum reform at the first attempt.*

*There appears to be a view that the main function of GSC should be planning. I do think that is helpful. What is needed most is a strong co-ordination function between ministries and between NSW and local government and other stakeholder".*

Professor Clark highlighted the challenges facing Sydney in the following slides – and saw greater Metropolitan coordination (across state government and between tiers of government) and council amalgamations as crucial to meeting Sydney's strategic challenges – largely problems of growth and equity – and maximising its opportunities..



## **We need greater Metro self-government to meet externality challenges of agglomeration: the price of success**

- High costs: housing, labour, goods, living
- Infrastructure investment demand
- Social cohesion and integration
- Two-tier labour market
- Sprawl
- Traffic congestion
- Pollution
- Opposition to growth model

## **Comparing the options**

### **Metropolis Off**

- Sectoral policies lead
- Autonomous bodies
- Hierarchical system
- Spatial disparities and variation
- Low co-ordination equilibrium
- Tax and transfer payments

### **Metropolis On**

- Integrated planning
- Cross cutting objectives
- Networked governance
- Spatial strategy and cohesion
- Cross cutting/catalytic projects
- High co-ordination equilibrium
- Financial innovation and leverage

Prof Clarke's perspectives on the challenges facing Sydney echoed our own submissions but also research the Committee has subsequently done which focused on the productivity and spatial equity issues for Sydney and the need for effective Metropolitan coordination, collaboration between tiers, and council amalgamations combined if possible with some devolution of powers from state government to Greater Sydney, both to the enhanced and bigger councils we seek and the emerging Greater Sydney Commission.



## Sydney Overview

- City with great momentum
- Effective State Government
- Budget surplus from growth
- Big infrastructure spend
- Big challenges remain
- Growth from 4 to 8 million: up or out
- East-west core-periphery divides – impacts talent attraction
- Sprawl model vs. public transport for all/walkable centres
- No metropolitan governance or funding; State Government silos; too big/too small (41 councils) – GSC the answer?

## Growth attracting population to main cities: Australia is an urban economy and will increasingly be so

### Sydney and Melbourne outpacing the rest

	2013/14	2012/13	2010/11	-	2003/04
Sydney	84,000	80,000	53,000	-	22,000
Melbourne	96,000	92,000	64,000	-	48,000
Brisbane	41,000	41,000	39,000	-	43,000
Perth	48,000	68,000	52,000	-	24,000
Adelaide	13,000	13,000	11,000	-	6,000
Top Five	282,000	294,000	219,000	-	143,000
Balance	83,000	104,000	89,000	-	69,000
Australia	365,000	398,000	308,000	-	212,000

#### Annual population growth in Australia's largest cities over a decade

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Source: Based on Australian Bureau of Statistics data: KPMG Demographics

*But Melbourne will overtake Sydney by 2050 because we're not solving our housing affordability*



## And a diverse society – increasingly so

### Australia is now an Anglo-Mediterranean-Asian-Indian fusion culture

2004			2014			Change
1.	United Kingdom	1,113,000	1.	United Kingdom	1,218,000	9%
2.	New Zealand	414,000	2.	New Zealand	617,000	49%
3.	Italy	223,000	3.	China	447,000	118%
4.	China	205,000	4.	India	397,000	199%
5.	Vietnam	172,000	5.	Philippines	225,000	75%
6.	India	133,000	6.	Vietnam	223,000	30%
7.	Greece	129,000	7.	Italy	202,000	-9%
8.	Philippines	129,000	8.	South Africa	176,000	63%
9.	Germany	122,000	9.	Malaysia	154,000	58%
10.	South Africa	108,000	10.	Germany	129,000	6%

Top 10 long-term resident population in Australia by country of birth in 2004 and 2014

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Source: Based on Australian Bureau of Statistics data. KPMG Demographics

### Sydney's Golden Crescent contains the biggest Chinese tribes in Australia ... just west of the Goat's Cheese Curtain



<b>Melbourne</b>	
Box Hill:	22%
<b>Canberra</b>	
Canberra City:	17%
<b>Brisbane</b>	
Sunnybank:	16%
<b>Adelaide</b>	
Adelaide:	13%
<b>Perth</b>	
Crawley:	10%

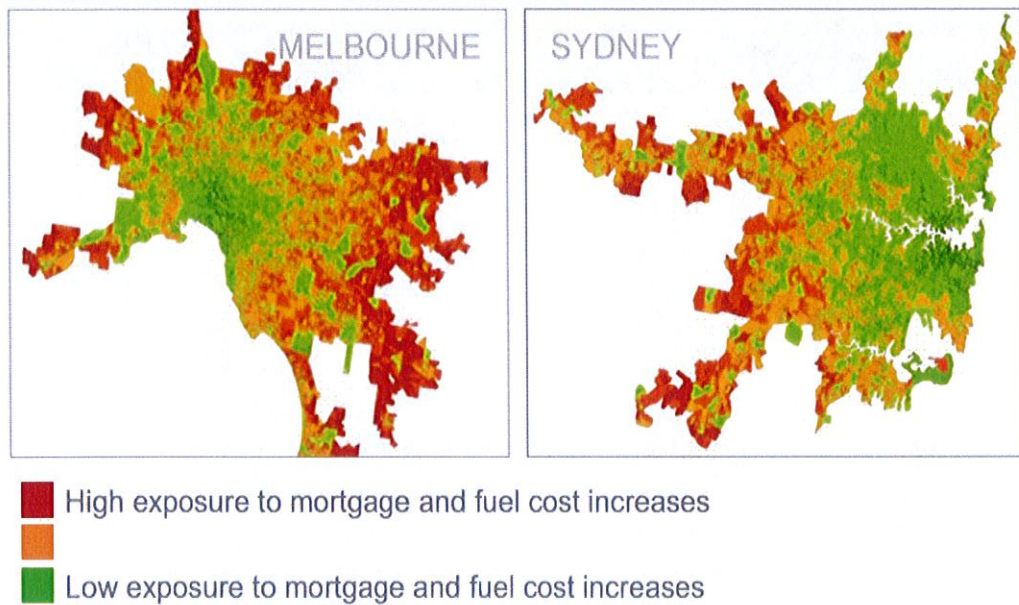
Per cent concentration of Chinese-born residents in Sydney suburbs at the 2011 Census

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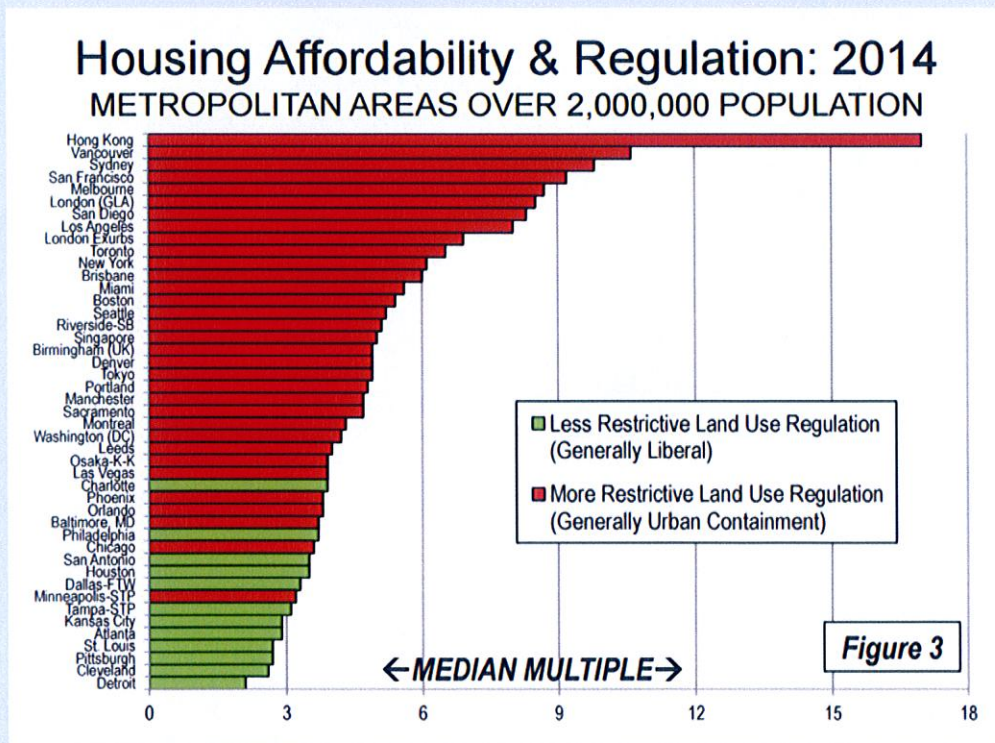
Source: Based on Australian Bureau of Statistics data. KPMG Demographics



### At the edge: Vulnerable communities in a city



### Success is posing challenges: 6% first time buyers / 70% 35 year olds

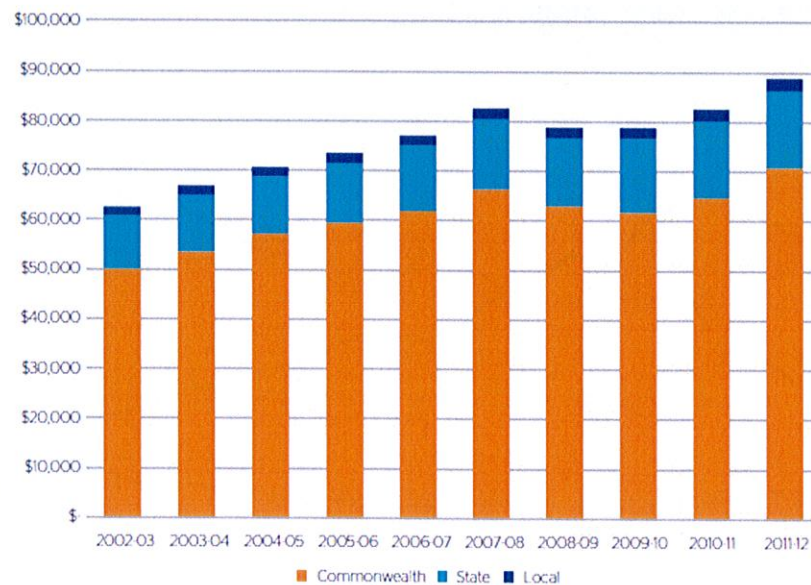


Source: Demographia, 11<sup>th</sup> Annual International Housing Affordability Survey 2015



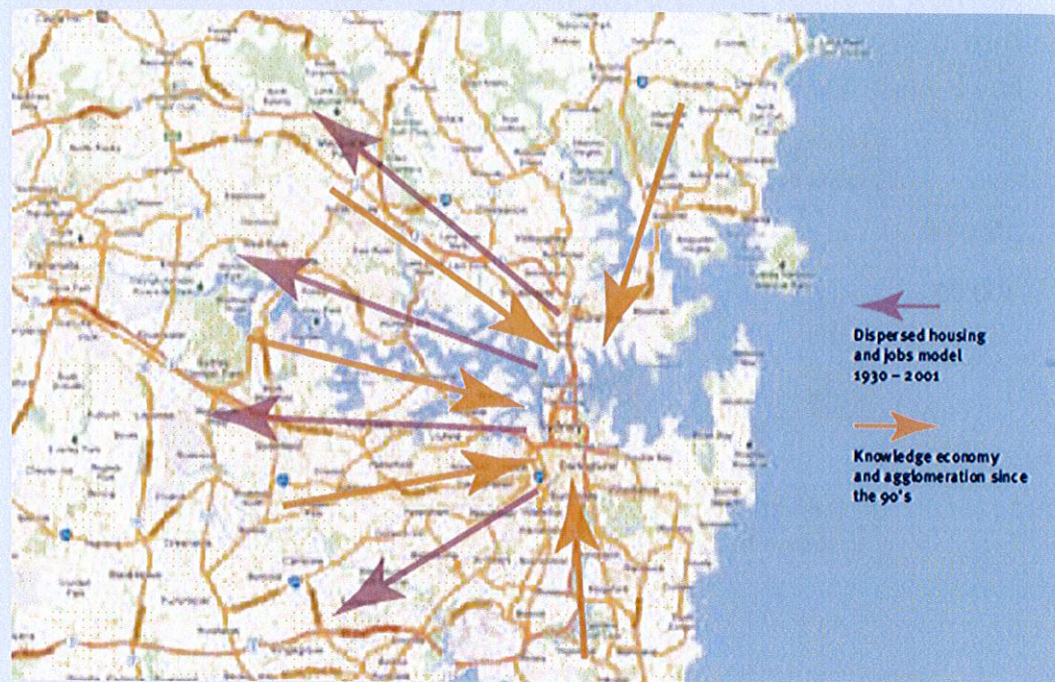
## And...Vertical fiscal imbalance – cities underfunded

**Exhibit 3: 82% of Sydney's Taxation Revenue goes directly to the Commonwealth**



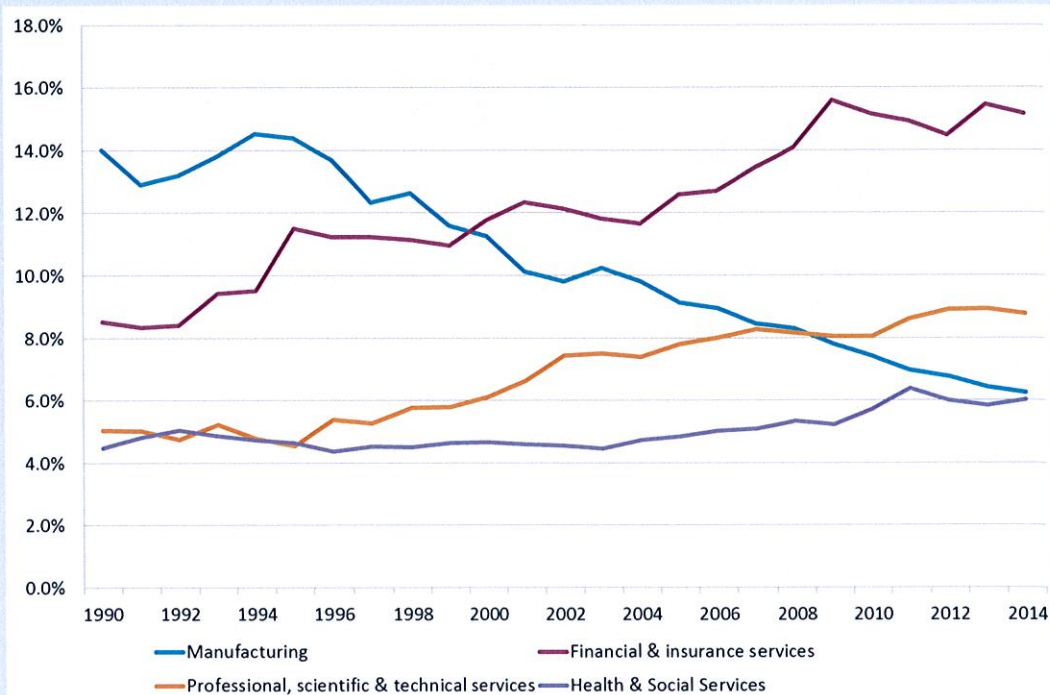
Source: SGS Economics & Planning

**Some big trends re-shaping the city KE value jobs (orange trend) v residential trend (sort of purple): massive trends which our current governance and policy structure are not fit to respond to**





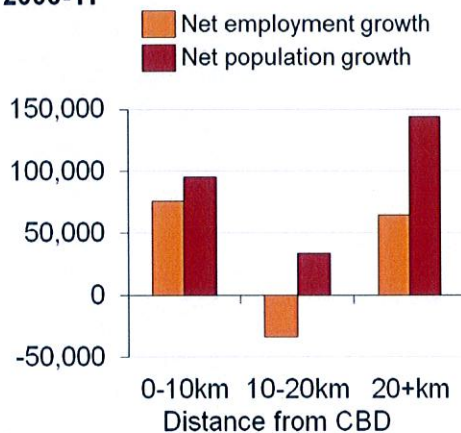
**And some sector imbalances: leading to spatial pressures: decline of manufacturing is a geography too**



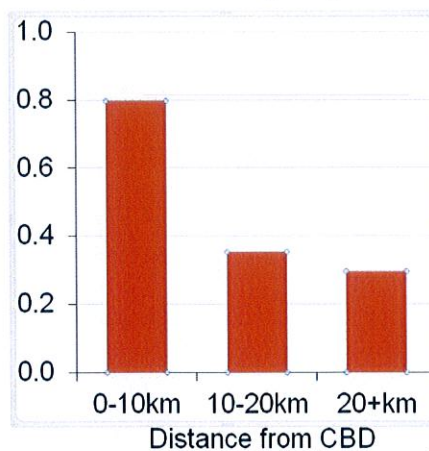
**Homes are not being built where jobs are being created**

GRATTAN  
Institute

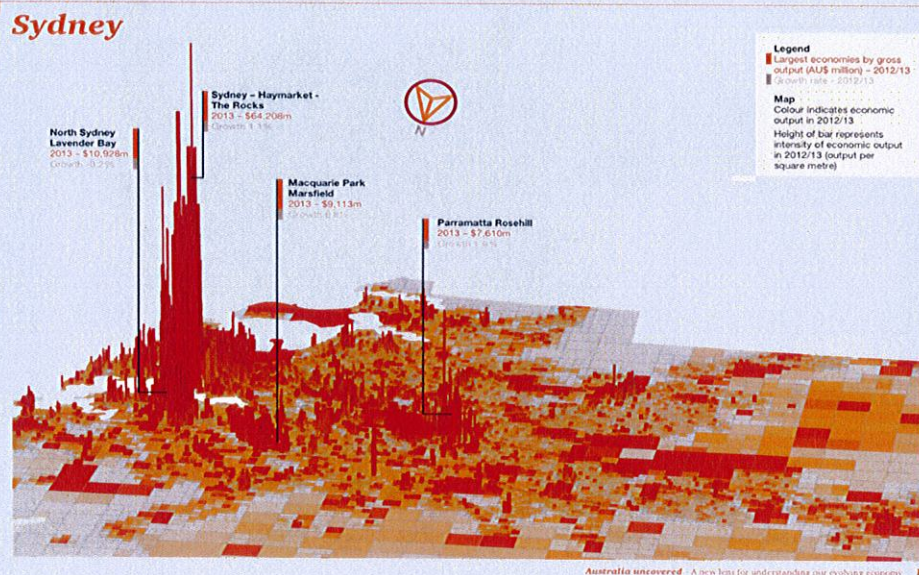
**Employment and population growth, 2006-11**



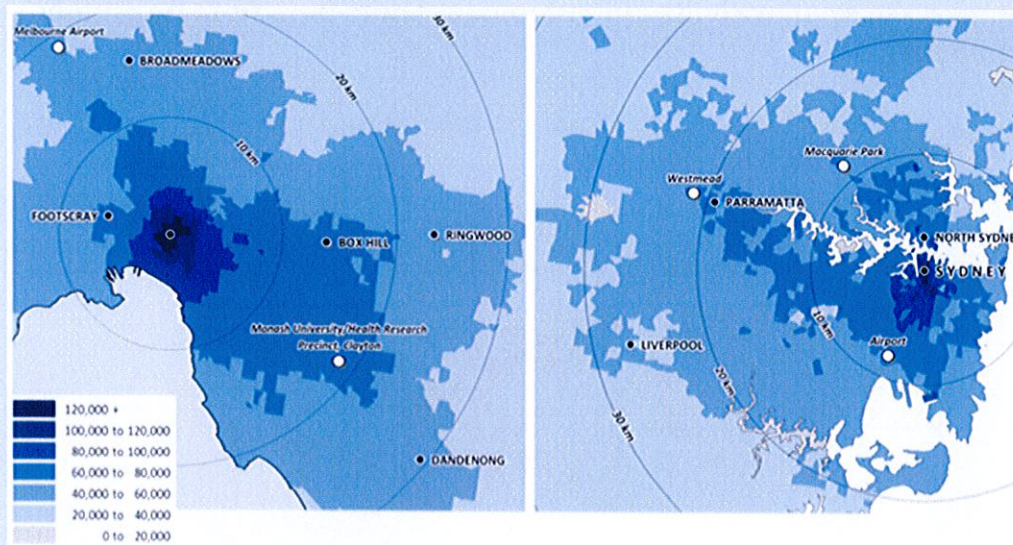
**Jobs per resident, Sydney, 2011**



## Leading to GDP still concentrating east of Parramatta while population is growing west

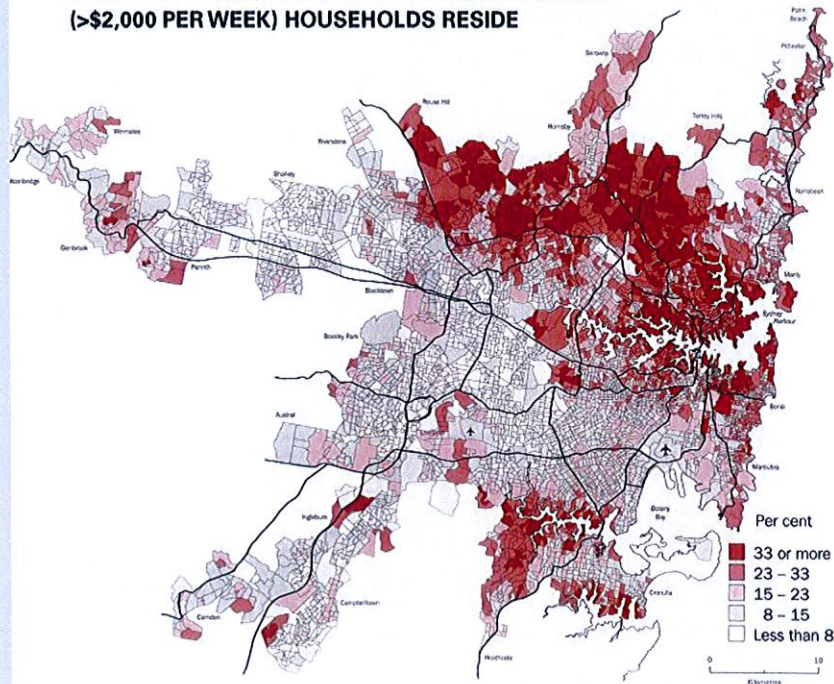


## With lack of public transport to meet Sydney's structural challenge



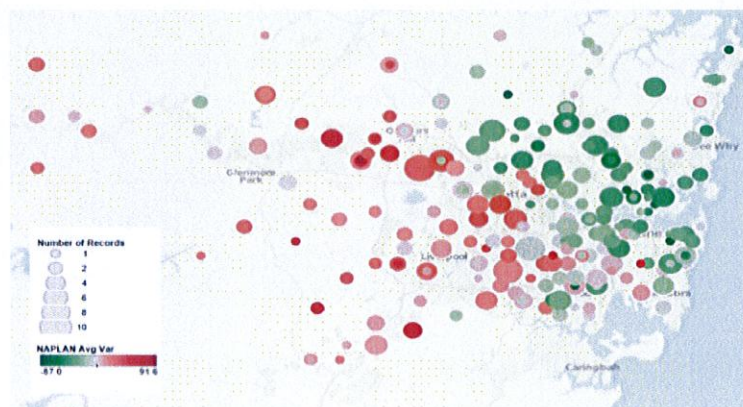


**FIGURE A4 CENSUS MAP OF WHERE HIGH INCOME (>\$2,000 PER WEEK) HOUSEHOLDS RESIDE**



## All leading to spatial divides in outcomes: short term or increasingly permanent?

**Exhibit 11:** The divides in education outcomes remain unambiguous and require long term action and investment.

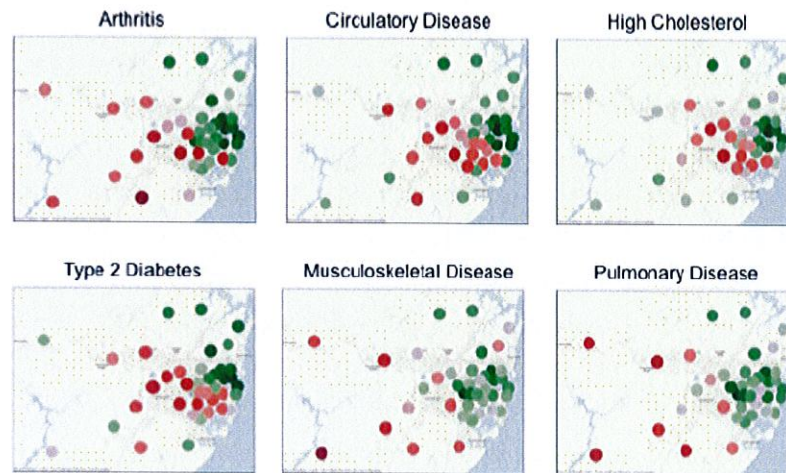


Source: UWS Presentation to Committee for Sydney Board (April 2014)



## Other spatial trends follow...

**Exhibit 12:** The spatial divide in terms of health outcomes is clear, despite the clear momentum underway.



Source: UWS Presentation to Committee for Sydney Board (April 2014)

## With problems for social mobility from the default model of sprawl and residential segregation/unmixed communities

*We found significant correlations between intergenerational mobility and income inequality, economic and racial residential segregation. In particular, areas with a smaller middle class had lower rates of upward mobility. In contrast, a high concentration of income in the top 1% was not highly correlated with mobility patterns. Areas in which low income individuals were residentially segregated from middle income individuals were also particularly likely to have low rates of upward mobility'.*

- Harvard Study

## Two Sydneys?

- Dickens wrote his novel, *A Tale of Two Cities*, about London and Paris. A writer with similar ambitions today could easily stay in one city and write a tale of two Sydneys.
- In one Sydney, people live within 10 kilometres of the city centre, where there is almost one job for every resident, and public transport is close by and comes fairly frequently.
- The inner suburbs, which from 2006 have soaked up more than half the city's overall employment growth, stand in stark contrast to the Sydney more than 20 kilometres from the city centre.
- There are three jobs for every 10 western Sydney residents, compared to eight in 10 for people in suburbs within 10 kilometres of the centre. Outer suburban jobs also pay much less: across the nation, an average of \$56,000 a year compared to \$77,000 for those near the centre.
- Yet today more than half of Sydney's population lives more than 20 kilometres from the city centre. And it is this outer Sydney where most population growth is occurring. The increasing separation between jobs and people in our large cities is Australia's great new divide.



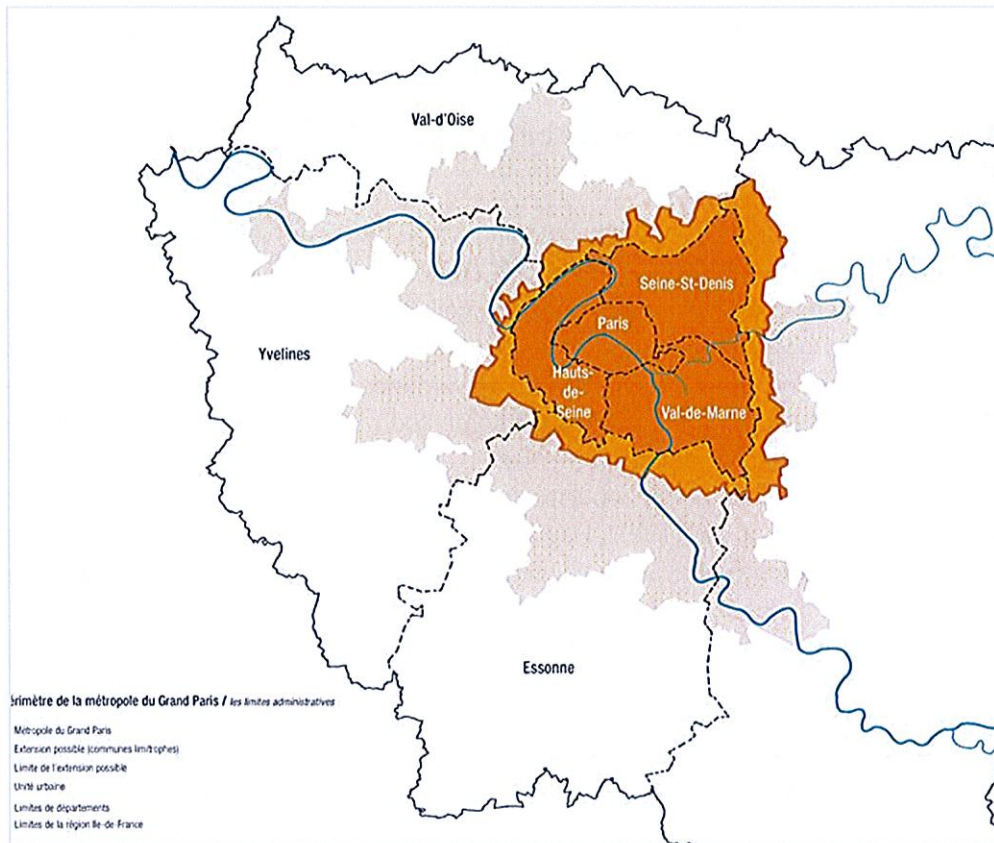
## 4. Other Global City Governance Transformations

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### **One global city transforms governance to deal with such challenges: Métropole de Grand Paris**

The governance of global cities is fast changing. Over two years ago the architect of the new governance for Greater Paris – Métropole de Grand Paris – came to Sydney and was still attached to the concept of voluntary council collaboration across Paris. Pierre Mansat is now leading the process to a formal Metro structure. Why this has happened is relevant to the Sydney discussion. In an interview on the governance revolution for Paris Mansat notes that 'Currently, local government in Paris is fragmented with no overarching authority. The disconnected governance system has resulted in a socio-economic divide between central Paris (with only 20% of the metro population) and the banlieus (the suburbs – 13% of the suburbs live below the poverty line.)'. However, at the start of 2014 a new law was passed that takes Paris 'metropole' beyond a voluntary association of local governments that served as a policy exchange forum but had no formal force into a new Metro authority: the Métropole de Grand Paris, that will enable inter-municipal cooperation for the greater Paris area by spanning the city and the suburbs. The law will also see similar consolidation in Lyons and Marseilles and will grant them additional powers. The impact of the law will be to triple the population of Paris that will be subject to a unified Metro council: some 7 million. The intention as Mansat stresses is to 'create a new image of Paris as more inclusive, integrated, fluid'. People in poor suburbs will belong to the same city as people in the Seventh Arrondissement," he said. "This is a profound change".

The government's blueprint would mark the end of a situation where the lone big fish of the Paris swims alongside an immense school of minnows formed by the hundreds of surrounding municipalities. This would be accomplished by stipulating that only entities representing 300,000 or more inhabitants would have a right to vote at the metropolitan council, creating a very strong incentive for municipalities to band together into viable entities. Some have in fact already started to do so, with three groups of municipalities having in fact passed the 300,000 person threshold. Métropole de Paris would not initially assume the responsibilities of the municipalities. It would at first simply be a forum for metropolitan-level issues, with actual prerogatives only in one area: housing. Nevertheless, Métropole de Paris would form the institutional foundation for a future metropolitan government. An interesting rolling model of devolution to the Metro level and consolidation of councils beneath it. The map below sums up the shift and outlines the geography of the new entity with the dark orange representing the first phase of expansion and consolidation and the lighter shade where the intention is to expand further over time.



The city and a ring of inner suburbs will be joined, in an effort to redress a century's worth of urban decisions that have exacerbated the country's gaping cultural divide.

The new Métropole du Grand Paris will swallow rich suburbs to the west. But it should also provide better access to jobs and to business hubs and, if it really works, a greater sense of belonging for millions of immigrant families who live in poverty and isolation on the city's southern, northern and eastern fringes. Resources would be redistributed, in particular those dealing with housing.

This new city authority will break down the rigid barrier between the city of Paris and what are referred to as its suburbs. Managing housing, land use and the environment – and crucially deciding policy – it will help decentralize the city and help the départements toward more joined-up, strategic thinking. The Grand Paris area is now slated for a major rise in social housing construction, and will be served by a huge metro and transit expansion, with new lines connecting outer districts with each other independently rather than via central Paris alone.



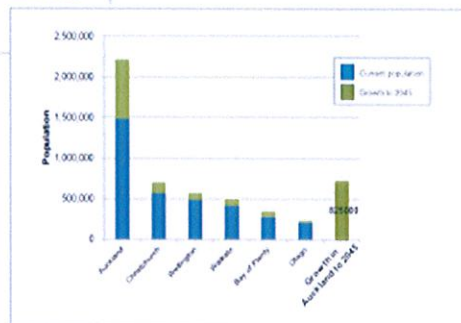
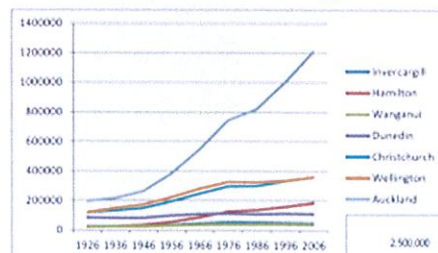
## A visit from the future? Auckland Council

*'to be the world's most liveable city, delivering Aucklanders great value for money'*

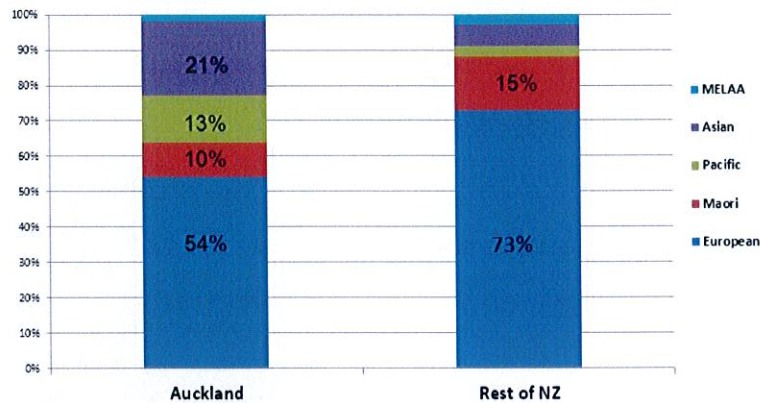
- Auckland
  - amongst most liveable international cities
  - outside top 50 in terms of infrastructure
  - in KPMG Infrastructure 100 list
- The big issues
  - growth and the economy
  - infrastructure
  - housing
  - funding



### Auckland is... growing



## Auckland is... diverse



Source: Statistics New Zealand

## The case for change

Aiming for something bigger, smarter and better

- Before 2010 region consisted of several city, regional and district councils
- Multiple plans, strategies, regulations, bylaws and fees made it difficult to plan and costly to do business
- Pressing infrastructure requirements and lack of funding tools
- Governance arrangements were complex and too hard to get agreement between central government, regional council, seven local authorities and 30 community boards
- Inefficient governance structures were holding Auckland back
- The case for change was overwhelming



## Implementing change

### Auckland Transition Authority

- Set up ATA 18 months ahead of new council with a short and high pressure timetable
- ATA tasked to design the detail of new council and set it up for operations on 1 November 2010
- Strong local and central government collaboration to put in place enabling legislation and manage the transition
- Regular meetings with Ministers and Cabinet
- Scale of change daunting – largest public sector reorganisation in NZ's history which created one of the biggest councils in developed world.



## Implementing change

### Creating simplicity and focus

From this	To this
4 City Councils 3 District Councils 1 Regional Council	One Council
8 District Plans	1 District Plan
8 Rating Systems	1 Rating System
8 Operating Models	1 Operating Model
Multiple regulations and bylaws	Consolidated regulations and bylaws
7 Mayors	1 Mayor
261 Elected Members	170 Elected Members
9,430 FTEs	8,207 FTEs

## Transition challenges

Successes but the honeymoon was short

- High expectations of immediate transformation, but focus had to be on maintaining operational services
- Concurrently required to do many complex tasks quickly
- Politicians swamped with information and decision making requirements
- Regionalisation and scale vs local community needs
- Challenging to get one Auckland Council Group culture/view
- Media critical and unforgiving. measure of success turned to operational efficiencies, staff numbers and budget





## 5. Devolution to UK Cities

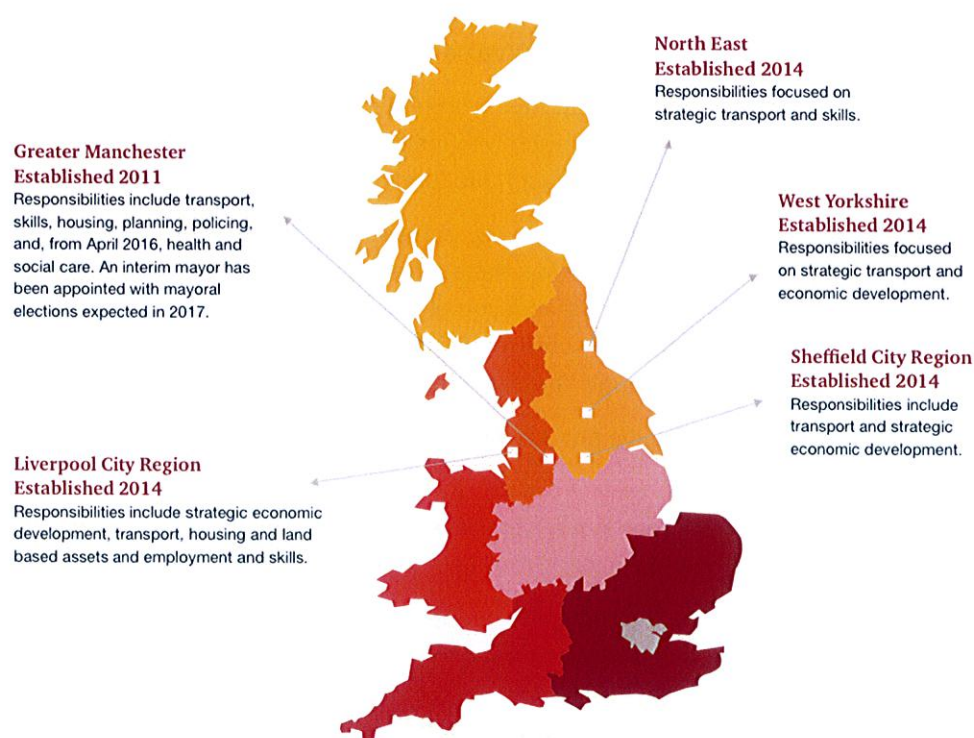
### UK City Deals and Combined Authorities

Chancellor George Osborne announced he would be implementing a Cities Devolution Bill that will empower cities that elect metropolitan mayors to “take greater control and responsibility over all the key things that make a city work.” The announcement was included in the Queen’s Speech. Osborne said that “the old model of trying to run everything in our country from the centre of London is broken” and that a joined-up approach across cities was necessary to identify what can be better achieved collaboratively and the gaps local public sector bodies are currently missing through not taking a joined up approach.

Greater Manchester will be entitled to elect its first mayor in 2017.

There are currently 5 combined authorities in England, with which the central government has negotiated devolution or city deals. Greater Manchester was established in 2011 and 4 others followed in 2014. It is estimated that up to 40 combined authorities may form attempting to secure devolved powers.

**Figure 6: The current combined authority landscape**



18 LGC, February 2015, Exclusive: the 40 areas that could form combined authorities.

## UK Experience of audited savings achieved by amalgamations

The savings that have been generated from other Unitary authorities are illustrated in the table below:

Unitary	Savings Achieved
Shropshire	£20m pa
Durham	£22m in the first year, and £130m over the next three years
Cornwall	£25m pa
Wiltshire	£14m pa
Northumberland	£85m over three years

## Leicester Proposals

This analysis tests the ability of a single Unitary Council to:

1. Deliver better value for money;
2. Provide greater value to Leicestershire's Council tax payers;
3. Create stronger locality focus; and
4. Make a greater strategic impact. Better Value for Money

A single Unitary Council presents the opportunity to reduce the cost of maintaining 8 independent government organisations, each with their own management teams, infrastructure and bureaucracy, and to direct more funding into frontline services.

- The analysis suggests that this opportunity equates to a saving of up to £31.4m per annum, comprising: o £4.8m in senior management post reductions; o £1.3m in having fewer Members; o £1.3m in reduced election costs (once every 4 years); o £11m in back-office and property cost reduction; o £9.7m in middle management post reductions; and o £3.3m through integrating and redesigning services.
- The £3.3m service efficiencies are based on taking a whole systems approach to service redesign
- A Council merger would generate a Net Present Value saving of nearly £90m over 5 years, which can be used to protect frontline services for Leicestershire residents.
- The cost of implementing the required changes is estimated to be £12.8m. With a forecast payback period of just over 1 year.

In summary, a single Council model would provide the opportunity for efficiency and cost reduction, whilst also protecting the frontline services to the people of Leicestershire. It also creates an environment within which it is easier to prioritise collective local government resources and deliver better outcomes through:

- The simplification of delivery;
- The removal of boundaries and organisation silos;
- Greater integration across services;

## **Savings Achieved**

### **Sropshire**

- Planned savings of £20m p.a. The actual saving was approx.. £20m in the first year. However, there are additional savings that will be realized doubling the figure.

### **Durham**

- The savings achieved were £22m p.a. as anticipated in the business case. However more significant savings were achieved after the initial year amounting to £130m over 3 years.

## **Savings opportunities**

- Areas that typically delivered savings included:
- Back office rationalisation and consolidation and convergence on one set of back office services;
- Staff reductions through management streamlining;
- Reduction in democratic costs;
- Consolidation of IT and accommodation;
- Procurement and contract management;
- The creation of a single senior management team;
- The merging of a number of other professions across the county.

## **Implementation costs**

The implementation costs were typically:

- Planning costs prior to the restructure;
- Resourcing costs to be implemented
- Communications, branding and marketing costs;
- Redundancy costs after the merger;
- One council incurred additional costs through the reinvestment of savings to generate support;
- For two of the councils these costs were covered by reserves and the payback period was between 1 and 2 years.

## Key challenges

The key challenges that the council encountered were typically:

- A perception of a democratic deficit at a local level. One council introduced area action partnerships, and strengthened the role of the Parish Council. Another of the councils felt that they needed a localist agenda, which was achieved through town and parish councils. Also the same council introduced a system of area committees initially. However, these were later disbanded as they were not deemed necessary;
- Agreeing an approach to the harmonisation of council taxes or levies, one council harmonised to the highest level over a number of years, but others have harmonised down;
- Agreeing an approach to the harmonisation of pay and conditions;
- There was a concern that local access to services would be reduced if the District offices providing local services were rationalised. In Shropshire, there was a focus on retaining physical presence in key towns and not pulling back into one location. There is a delicate balance of pulling some areas into the centre and devolving some to local level;
- Convergence of services;
- Prior to merger, not all the councils were supportive of the move to Unitary local government and, in some cases, actively resisted the change.

### Strategic opportunity

The creation of the Unitary provided an opportunity to work strategically across the area as a whole:

- Greater economic impact and ability to work as an economic region;
- Strategic planning and housing development;
- Health and social care integration through creation of co-terminus boundaries with health bodies;
- Integration of waste services;
- Strategic commissioning of outcomes;
- Integrated tax collection/benefits administration provides a more co-ordinated view reducing fraud and error.

## Savings from other UK Amalgamations

### **Cornwall, Wiltshire, and Northumberland**

Cornwall Unitary Council (pop. 535,399) 123 councillors. Before reorganisation, Cornwall had 6 Districts and a County Council. The combined number of members went down from 300+ to 123. The change to unitary avoided the need to make extensive service cuts. Total savings of around £25m per year are estimated to have been achieved.



Wiltshire Unitary Council (pop. 461,480) 98 councillors Before reorganisation, Wiltshire had one County Council and 5 District Councils. It was decided to create one unitary authority. It has 98 members. It is estimated that, in the first year, around £14m was saved and many vital services were preserved.

Northumberland County Council (pop. 310,600) 67 councillors The last County Council elections were held in 2008 and, the following year, the six District Councils were abolished. The new unitary authority has 67 members. Savings of £85m have been reported over a three year period

### **Savings from amalgamations in Denmark**

Danish Structure Reform of 2007: 14 counties were amalgamated into 5 regions and 270 municipalities were amalgamated into 98

- Experiment: 66 were amalgamations of old municipalities, while 32 were left untouched (control group)

Increase in jurisdiction size led to lower administrative costs per capita – the experiment revealed an average savings of 8% of total administrative costs for the 66 amalgamations.

## Shared Services

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The CBI report set out seven recommendations to help standardise shared services for both central and local government:

1. All existing shared services centres should be compared with the best performing shared services centres and required to set out how they intend to improve.
2. The Cabinet Office should direct all government departments and agencies not already doing so to sign up to existing shared services arrangements in the short term, and to the new independent shared services centres in the medium term.
3. All new statutory agencies established should be required to have their HR, ICT, procurement and finance functions delivered through shared services arrangements.
4. The implementation plan for the Cabinet Office's strategic vision for shared services should be published, outlining how the new independent shared services centres will be established.
5. All local authorities not already doing so should share common back-office functions, such as HR, ICT and finance, either by introducing new shared services arrangements or by participating in existing shared services centres.
6. Local authorities leading the way in sharing front-line services should share best practice with neighbouring authorities.
7. When implementing shared services, local authorities & central government should open competition to both private and public providers.

These ideas and designs are based on the concept of managing value. When managers learn to manage value they drive costs out of their systems. Shared services is a desperate attempt to manage costs; when you manage costs you drive costs up.

Shared services is old style because service redesign is the issue, not just shared services but collaborative consumption

This study has demonstrated that authorities are deploying a number of approaches to delivering efficiencies and cashable savings. These include back office improvements, service re-design, shared services and collaboration, and increased working with the private sector through strategic partnering, outsourcing and joint ventures.

At the core of the spectrum is an increasing reliance on major service re-design and approaches such as demand management, prevention and early intervention. This is enabling a shift from traditional savings to transformational reform. This in return requires a shift from securing savings in a single service to a wider, more collaborative approach. At the same time, and as part of this development, those councils with the relevant responsibilities are increasingly focusing their drive to secure savings and efficiencies in adult social care and children's services. Our work also suggests that the speed at which authorities are moving across the spectrum is increasing, and that the further they move across the spectrum, the greater the potential to achieve better for less.

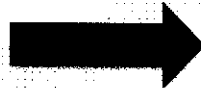
Traditional savings



Transformational reform

Increasing reliance on major service re-design, demand management, prevention and early intervention

Focus on one service



Focus on collaboration

Increasing scope to achieve 'better for less'



# Conclusion

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The Committee for Sydney is for stronger councils. We believe that Sydney is well served by councils with more capacity, more resources and more powers. With the constrained resources of most local councils in Sydney, we cannot deliver on the needs of a city that is growing from 4 million to 8 million. All public spending will come under pressure over the coming years and decades, including local government – this will mean a pressure to do more with less. Ensuring continued innovation and support of our city will require a change. This can only happen through amalgamations to grow the strength of Local Government.

A fractured, underpowered local government system in Sydney undermines the productivity of the city, and cannot respond effectively to the issues of intergenerational inequity and productivity. We have estimated, based on the OECD's analysis, that fractured local government costs the economy 6% of its GDP, that Sydney is losing \$21 Billion a year from the status quo – the equivalent of the gains from the partial leasing of the poles and wires year in, year out.

We need better metro collaboration across local councils and we need better collaboration across, and between, tiers of government.

The future of Sydney, if it is to move from a 'good' city to a 'great' one, will require some devolution of powers from the State government to empowered local councils – but currently many councils do not have the capacity to effectively take this opportunity on.

While we welcome shared services, we note their limitations in terms of delivering staff cost savings. But, more importantly, we note they do not offer to increase local government's ability to innovate and deliver new services to their community. Shared services will, in reality, only ensure 'business as usual', delivered slightly more efficiently. Given future constraints on finances, this will not deliver for our growing population. The time is ripe for us to think more creatively.

The criteria for 'Fit for the Future' is sound, but only looks at the financial strength of local councils. We are adamant that the real gains in amalgamation are not in the short-term balance books of local areas, but the ability to successfully address the metro-level issues our city faces.

We need to ensure that the process for identifying boundaries is overseen by an independent boundaries commission, or through an independent role of the Greater Sydney Commission. This development of boundaries must not be driven by short term outcomes, or temporary economic circumstances. This should be based on what makes long-term strategic sense.

We believe that stronger councils can have a deeper engagement with their local communities, also by looking at the Auckland model of community boards. This is double devolution of power from the State government to local councils, and with sufficient capacity, from local council to the community.

