

## **INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

**Organisation:** Hornsby Shire Council

**Date received:** 7/07/2015

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29 June 2015

The Director  
General Purpose Standing Committee No. 6  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Sir

Inquiry into Local Government in NSW

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Thank you for the opportunity of making a submission to the NSW Legislative Council's General Purpose Standing Committee No. 6's inquiry into local government in NSW.

In line with a discussion on 24 June 2015 between Mr John Miller from the Standing Committee's secretariat and Council's Deputy General Manager, Corporate Support, it will be appreciated if our Mayor (Councillor Steve Russell) could be provided with an opportunity to appear as a witness at one of the Standing Committee's scheduled Hearings to explain and take questions about Council's position in respect of local government reform and the extensive research it has undertaken. In this regard, the preferred date for attendance of the Mayor is at the Hearing scheduled in Sydney on **Monday 10 August 2015**. If this is suitable and acceptable to the Standing Committee, the Mayor will be accompanied by myself and the Deputy General Manager.

The remainder of this submission provides details of Council's involvement in the local government reform process since 2011 which most recently resulted in the finalisation of a submission to the Independent Pricing and Regulatory Tribunal (IPART) as required by the NSW Government's Fit for the Future initiative. Council also took the opportunity at the time to formalise its position in respect of potential boundary changes if the Government decides to proceed down the path of forced mergers.

In respect of your Committee's Terms of Reference to inquire into local government in NSW (listed below), this submission and attached research papers focus on those Terms which are **bolded**:

- a) the New South Wales Government's "fit for the Future" reform agenda**
- b) the financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government as against the measures used to benchmark State and Federal Government in Australia*
- c) the performance criteria and associated benchmark values used to assess local authorities in New South Wales**
- d) the scale of local councils in New South Wales**
- e) the role of the Independent Pricing and Regulatory Tribunal (IPART) in reviewing the future of local government in New South Wales, assisted by a South Australian commercial consultant*
- f) the appropriateness of the deadline for "Fit for the Future" proposals*

- g) costs and benefits of amalgamations for local residents and businesses**
- h) evidence of the impact of forced mergers on council rates drawing from the recent Queensland experience and other forced amalgamation episodes*
- i) evidence of the impact of forced mergers on local infrastructure investment and maintenance**
- j) evidence of the impact of forced mergers on municipal employment, including aggregate redundancy costs*
- k) the known and or likely costs and benefits of amalgamations for local communities**
- l) the role of co-operative models for local government including the “Fit for the Future” own Joint Organisations, Strategic Alliances, Regional Organisations of Councils, and other shared service models, such as the Common Service Model**
- m) how forced amalgamations will affect the specific needs of regional and rural councils and communities, especially in terms of its impact on local economies*
- n) protecting and delivering democratic structures for local government that ensure it remains close to the people it serves**
- o) the impact of the “Fit for the Future” benchmarks and the subsequent IPART performance criteria on councils’ current and future increases or levels, and**
- p) any other related matter*

At its 10 June 2015 General Meeting, Council considered Deputy General Manager’s Report No. CS13/15 – Local Government Reform – Fit for the Future (FFTF) – The Process Since 2011 and Council’s Submission to IPART – and resolved that Council:

1. *Advise IPART that it has proactively entered into discussions and undertaken research since 2011 which shows that Hornsby Shire would benefit from local government reform.*
2. *Advise IPART that it has discussed with its neighbouring councils the opportunity to commission the preparation of an independent merger business case which would incorporate joint community consultation and be used objectively and reasonably by the councils to consider amalgamation options and issues.*
3. *Advise IPART that as no neighbouring council has indicated a willingness to partner with Hornsby to commission a merger business case, Council is aware that it will be deemed “not fit” under the scale and capacity criteria of Fit for the Future (FFTF) but now has no choice but to complete a Council Improvement Proposal for IPART’s assessment.*
4. *Endorse the Council Improvement Proposal incorporated in Deputy General Manager’s Report No. CS13/15 for submission to IPART, noting that Council will meet all the financial sustainability, infrastructure and services and efficiency criteria under FFTF by 2018/19.*
5. *Encourage the State Government to remain committed to working with the industry to achieve local government reform in line with the FFTF package.*
6. *Write to the Minister for Local Government and IPART requesting that if the State Government decides to pursue a merger option for Hornsby with Ku-ring-gai (or another council/s) because Hornsby has been deemed “not fit” for the future by IPART, that the Government take the opportunity to also consider the following changes to Hornsby’s existing boundaries as part of the process:*

- a) *That part of the suburb of Carlingford, east of Marsden Road, currently with the Parramatta City Local Government Area (LGA), be transferred to the Hornsby Shire LGA*
  - b) *That part of the suburb of Eastwood currently within the Parramatta City LGA be transferred to the Hornsby Shire LGA*
  - c) *That part of the suburb of Epping currently within the Parramatta City LGA be transferred to the Hornsby Shire LGA*
  - d) *That part of the suburb of Eastwood currently within the City of Ryde LGA be transferred to the Hornsby Shire LGA*
  - e) *The suburb of Marsfield, currently within the City of Ryde LGA, be transferred to the Hornsby Shire LGA*
  - f) *The suburb of Macquarie Park, currently within the City of Ryde LGA, be transferred to the Hornsby Shire LGA*
7. *Make a submission to the NSW Legislative Council's General Purpose Standing Committee No. 6 – Inquiry into local government in New South Wales in terms consistent with the contents of Deputy General Manager's Report No. CS13/15 and Council's resolution.*
  8. *Write to the Chair of the NSW Legislative Council's General Purpose Standing Committee No. 6 – Inquiry into local government reform in New South Wales requesting that the Mayor appear as a witness before the Inquiry on behalf of Hornsby Shire Council.*

A copy of Deputy General Manager's Report No. CS13/15 is attached for the information of the Standing Committee's members.

Apart from responding to papers prepared by the Independent Local Government Review Panel (ILGRP) and the Local Government Acts Taskforce (LGAT), Council has collected and developed its own research about reform options. Firstly, Hornsby and The Hills Councils jointly commissioned PricewaterhouseCoopers (PWC) to undertake a project to investigate potential mergers of Hornsby and The Hills with each other and/or with neighbouring councils. Secondly, Hornsby contracted Crosby Textor to undertake independent, scientifically robust and informative research to assist Council in understanding community opinion about the local government reform process as it affects the community.

Whilst the PWC research details the potential issues, benefits and disadvantages associated with Hornsby amalgamating with its neighbouring councils; Crosby Textor's research provides insights into the community's view about reforms proposed by the ILGRP in its April 2013 Discussion Paper and, in particular, council amalgamations and/or shared services.

The main messages emanating from the PWC research were:

- Strategic Capacity - access to a larger pool of financial and non-financial resources would enable a merged Hornsby/The Hills Council to undertake new functions and deliver new services.
- Lobbying - a larger Council would have greater weight in applying for State and Federal funding in addition to having a stronger negotiating position when discussing tenders and preferred supplier arrangements.
- Asset Utilisation and Rationalisation - there would be an increased ability to utilise assets by sharing resources and disposing of surplus or duplicated assets.

- Administrative Rationalisation - both Hornsby and The Hills operate through a similar organisational structure based on the configuration of functional expertise and the delivery of services. This would reduce the execution risk of removing duplicate functions.
- Increased Service Delivery – removing duplicate activities in multiple community centres, standardisation of services and increased scale of process would allow for more cost efficient delivery of services. Strategic location of newly developed infrastructure assets of a newly merged council would benefit a larger population, reducing the need to duplicate investment in infrastructure.
- Investment in Future Capital Assets – realisation of surplus assets may provide additional funds to reinvest in future capital projects, reduce the need to borrow or allow for the redeployment of reserves for new projects.
- Upgrade Existing Infrastructure – an amalgamation would allow for some facilities to be closed, delivering maintenance savings and income from property sales. An evaluation of the infrastructure requiring remediation would need to be undertaken to identify overlap and identify areas of potential savings.
- Re-calibrate Capital Structure – the loan funding levels of Hornsby and The Hills Councils are relatively low, with debt service ratios not exceeding 5%. There is capacity to increase borrowings to fund capital budgets and reduce backlogs in costs to bring assets to a satisfactory condition. There would also be an ability to refinance or repay existing debt to reduce borrowing costs given the stronger balance sheet position of the merged council.
- Strategic Alignment – there is an alignment of a number of strategic goals of Hornsby and The Hills. This alignment indicates that there are potential synergies to be gained in achieving these goals from an amalgamation of the two Councils e.g.
  - Ecology and environment strategies in relation to climate change, bushland and natural areas, environmental education, development and water.
  - Economy and infrastructure strategies in relation to transport, economic development, recreation, employment, assets and business development.
  - Community strategies in relation to community engagement, service provision, cultural engagement and crime.
  - Governance strategies in relation to reporting, internal policies, stakeholder management and risk management.
- In respect of financial benefits:
  - The rationalisation of corporate support functions like information technology, financial services, records, and human resources would lead to significant expense reductions.
  - Labour consolidation could also be applied to managerial staff, administrative support staff, property sections and strategy and communication groups.
  - A review of the information system requirements of a combined council may result in reasonable savings in lease payments.
  - Rationalisation of assets that on review are surplus to needs may present opportunities to improve cash-flow and address infrastructure backlogs. Reduced maintenance budgets may also be a side benefit.

- Reduced operating expenses due to labour consolidation and asset rationalisation to address infrastructure backlogs would improve a council's strategic ability to manage reliance on rate pegging allowances.

Crosby Textor's research indicated that:

- Local issues are low on the order of local residents' issues. Issues concerning matters of State Government rank higher on the top-of-mind agenda for the local residents of Hornsby, The Hills, Parramatta and Ryde. These issues predominantly include the provision of better public and social infrastructure and traffic congestion.
- There is a low level of awareness of local council amalgamation. Total awareness of the current local government reform process sits around 53%.
- There is a high level of indecision – “soft” support/opposition for reform. The recommended option from the ILGRP to amalgamate councils has a “soft” position of approximately 60% of surveyed people. This finding is particularly important because it shows that community members are neither genuinely in support or opposed to the proposed reforms.
- The shared services model is preferred over amalgamation. Total support for a shared services model sits at 73% with minimal “strong” opposition at 9%. Of the reform options proposed, a shared services model was the most readily accepted. A reduction in council costs and improved service delivery were viewed as the primary reasons to support the model.
- There are disparate Hornsby Ward views about amalgamation. The results show that the views of residents in A, B and C wards are different. The geographical distances between these wards and the change of community landscape shows that there is not homogeneity in their views.
- Attitudes are consistent amongst residents from all surveyed councils. There appears to be relative levels of parity in the views expressed by community members surveyed in neighbouring council areas. The results showed that varying levels of awareness, opposition and support were only marginal if any at all.
- There is potential to convince those who are undecided on amalgamations by explaining the arguments which support lower costs and improved efficiencies.

Following the receipt and consideration of the Crosby Textor and PWC research at its 21 August 2013 General Meeting, Council resolved that:

1. *The research undertaken for Council by Crosby Textor and PricewaterhouseCoopers be received and noted and briefings on the Crosby Textor research continue to be offered to the Independent Local Government Review Panel and the Minister for Local Government.*
2. *Due to public interest in this matter, copies of the PricewaterhouseCoopers and Crosby Textor quantitative research be made available with other relevant information on a “Local Government Reform” section of Council’s website.*
3. *Prior to formalising its position on local government reform, Council commission an independent, high level strategic and financial assessment of potential options for structural reform of local government in the northern Sydney area. Such assessment would be similar to assessments already undertaken by Randwick and Warringah Councils for the eastern suburbs and northern beaches areas respectively.*

In respect of point 1 of the resolution, Council offered both the ILGRP and the Minister for Local Government briefings on the Crosby Textor findings to assist them in their continuing deliberations on local government

reform. The ILGRP took the opportunity to be briefed on the Crosby Textor research and to then referred favourably to the research in its final report.

In line with point 2 of the resolution, copies of the PWC and Crosby Textor research were made available on Council's website.

In respect of point 3 of the resolution, KPMG was commissioned to undertake the high level strategic and financial assessment of options for structural reform. The scope of Council's engagement of KPMG was to:

- Develop up to seven local government reform options (including a base case) with reference to a predetermined set of local government reform principles.
- Conduct a financial strategic analysis of options, including:
  - detailed financial statement analysis of Hornsby Shire Council data
  - high level financial statement analysis of publicly available council data for neighbouring councils
  - financial modelling and sensitivity testing of options
  - internal stakeholder consultations and testing with up to three internal stakeholders at Hornsby Shire Council
  - analysis of broader supporting strategies and mechanisms, including service delivery pathways, asset utilisation and renewal, socio-economic and cultural considerations, and governance structures
  - multi-criteria analysis with up to five financial and non-financial criteria to determine the preferred option for Hornsby Shire Council
- Seek input to the analysis from neighbouring councils that may be impacted by local government reform options considered in KPMG's report.

Following its appointment, KPMG worked with Council to develop the following set of local government reform principles to be used in its analysis.

Reform Principles	Indicators	Key Considerations
<b>Local Government Capacity</b> - <i>the ability of local government to maintain or enhance service delivery</i>	Quality of service delivery Quality of planning and infrastructure delivery Capacity to attract specialist skills	With effective coordination and management, larger councils tend to have greater capacity than smaller councils to leverage financial and operational scale to: <ul style="list-style-type: none"> <li>• better manage planning and infrastructure delivery</li> <li>• concurrently maintain or improve the quality and efficiency of services to residents</li> </ul>
<b>Financial Sustainability</b> - <i>the ability of the council to sustainably fund adequate and effective services</i>	The capacity to secure economies of scale and scope Scope and scale of the resource base	Continued or improved financial sustainability is crucial in maintaining the capacity to deliver services, and it is often a key motivation of pursuing boundary reforms.  Ensuring that any boundary reforms increase the financial sustainability of council is vital, and this will be assessed through the financial statement analysis and cost benefit analysis.

<b>Local Representation</b> <i>- the ability of the local government authority to effectively represent ratepayers</i>	Quality of local representation  Communities of interest  Quality of stakeholder management	Boundary reform options should be evaluated with respect to their impact on the effectiveness of local representation.  The effectiveness of representation affects the quality of governance. Representation that is more reflective of the community is more likely to lead to outcomes aligned with the needs of the governed. Effective representation also helps manage the diverse (and sometimes competing) communities of interest that form a council locality.
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KPMG and Council also agreed that the following seven local government reform options were those to be investigated as part of this project:

Reform Options	Description
<b>Option 1</b> - Base Case	Option 1 is the base case – or “do nothing” option – in which the current structure of local government areas considered were assumed to remain constant.
<b>Amalgamation Options</b>	
<b>Option 2</b> - Hornsby and The Hills Councils	Option 2 is an amalgamation option that would involve combining Hornsby and The Hills Councils, with minor adjustments to each Council's southern boundaries.
<b>Option 3</b> - Hornsby and Ku-ring-gai Councils	Option 3 is an amalgamation option that would involve combining Hornsby and Ku-ring-gai Councils, with a minor adjustment to the southern boundary of Hornsby Council. The specification of Option 3 is consistent with the recommendation made in the ILGRP's Final Report.
<b>Option 4</b> - Hornsby, The Hills and Ku-ring-gai Councils	Option 4 is an amalgamation option that would involve combining Hornsby, The Hills and Ku-ring-gai Councils, with an adjustment to the southern boundary of Hornsby and The Hills Councils.
<b>Shared Services Options</b>	
<b>Option 5</b> - Shared Infrastructure and Recreation Division between Hornsby and The Hills Councils	Option 5 is a shared services model between Hornsby and The Hills Councils, where an Infrastructure and Recreation Division would be shared across the Councils.
<b>Option 6</b> - Shared Infrastructure and Recreation Division between Hornsby and Ku-ring-gai Councils	Option 6 is a shared services model between Hornsby and Ku-ring-gai Councils, where an Infrastructure and Recreation Division would be shared across the Councils.
<b>Option 7</b> - Shared Infrastructure and Recreation Division between Hornsby, The Hills and Ku-ring-gai Councils	Option 7 is a shared services model between Hornsby, The Hills and Ku-ring-gai Councils, where an Infrastructure and Recreation Division would be shared across the Councils.



KPMG completed its research and provided Council with its final report (together with a summary version of the report which may be useful for interested members of the public). The key findings of KPMG's research were that:

- Local governments in NSW perform crucial functions and are key platforms for local democracy and representation, however, their structure and functions have largely remained static despite structural changes in the economy.
- Financial sustainability is a key consideration for local government in NSW, with 46 percent of councils estimated to have a financial sustainability rating of “weak” or lower within three years.
- To support more sustainable local governments over the long term, there are a number of potential reform options, including – for example – amalgamations, boundary reform and shared services. The recent report by the ILGRP - Revitalising Local Government - provided a comprehensive analysis of these options in the NSW context.
- Although there are broader impacts associated with reform, a key consideration is the potential financial benefits. Evidence suggests that economies of scale can be achieved in Australia, as demonstrated by seven out of nine studies of domestic reform experience.
- Previous experience suggests that the quality of service delivery, financial sustainability and the effectiveness of local representation are consistently applied to develop and analyse the impacts of local government reform.
- The seven reform options were developed based on the common underlying principles of previous reform experience and consultations with Hornsby Council. Reform options included both amalgamations and shared services arrangements.
- **Option 1 – Base Case Scenario**
  - Under Option 1, where Hornsby, The Hills and Ku-ring-gai Councils remain as separate entities, it is estimated that:
    - Hornsby's net operating result before capital items would be \$23.0 million in 2017/18, and over the ten year period from 2013/14 to 2022/23 would show a cumulative net operating result before capital items of \$209.0 million.
    - The Hills' net operating result before capital items would be \$54.6 million in 2017/18, and over the ten year period from 2013/14 to 2022/23 would show a cumulative net operating result before capital items of \$500.7 million.
    - Ku-ring-gai's net operating result before capital items would be \$43.1 million in 2017/18, and over the ten year period from 2013/14 to 2022/23 would show a cumulative net operating result before capital items of \$349.7 million.
- **Options 2 and 5 - Amalgamation and Shared Services - Hornsby and The Hills**
  - An amalgamation of Hornsby and The Hills Councils – Option 2 - is estimated to achieve a net operating result of about \$26.9 million in 2017/18 (for the Hornsby Shire entity – refer Table 7.13 on page 59 of KPMG's report), representing about a 17 percent improvement to the current forecast net operating result in Option 1.
  - Under Option 2, the cumulative net operating result over the period 2013/14 to 2022/23 for the aggregate Hornsby/The Hills entity is estimated to be \$783.7 million (which is \$74.0 million – or 10 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	79.6	39.8	46.9	61.8	77.7	<b>305.9</b>	<b>709.8</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>The Hills</i>	63.5	26.3	34.9	42.1	54.6	221.4	500.7
<b>Option 2</b>	76.8	47.0	54.5	69.7	85.9	<b>333.8</b>	<b>783.7</b>
Saving	-2.8	7.2	7.5	7.8	8.2	<b>27.9</b>	<b>74.0</b>

Note: Cumulative results are not discounted.

- A shared services model between Hornsby and The Hills Councils (where they would share an Infrastructure and Recreation Division) – Option 5 - is estimated to achieve a net operating result of around \$24.0 million in 2017/18 (for the Hornsby Shire entity - refer Table 7.16 on page 62 of KPMG's report), representing about a 4 percent improvement to the current forecast net operating result in Option 1.
- Under Option 5, the cumulative net operating result over the period to 2013/14 to 2022/23 for the Hornsby/The Hills shared services entity is estimated to be \$725.1 million (which is \$15.3 million – or 2 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	79.6	39.8	46.9	61.8	77.7	<b>305.9</b>	<b>709.8</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>The Hills</i>	63.5	26.3	34.9	42.1	54.6	221.4	500.7
<b>Option 5</b>	77.6	41.5	48.7	63.6	79.5	<b>311.0</b>	<b>725.1</b>
Saving	-2.1	1.7	1.8	1.8	1.9	<b>5.1</b>	<b>15.3</b>

Note: Cumulative results are not discounted.

• **Options 3 and 6 - Amalgamation and Shared Services - Hornsby and Ku-ring-gai**

- An amalgamation of Hornsby and Ku-ring-gai Councils – Option 3 - is estimated to achieve a net operating result of about \$26.2 million in 2017/18 (for the Hornsby Shire entity - refer Table 7.14 on page 60 of KPMG's report), representing about a 14 percent improvement to the current forecast net operating result in Option 1.
- Under Option 3, the cumulative net operating result over the period 2013/14 to 2022/23 for the aggregate Hornsby/Ku-ring-gai entity is estimated to be \$609.1 million (which is \$50.4 million – or 9 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	30.9	44.2	48.7	77.1	66.1	<b>267.1</b>	<b>558.7</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>Ku-ring-gai</i>	14.8	30.7	36.6	57.4	43.1	182.6	349.7
<b>Option 3</b>	27.3	49.3	54.0	82.6	71.9	<b>285.0</b>	<b>609.1</b>
Saving	-3.6	5.1	5.3	5.5	5.8	<b>18.0</b>	<b>50.4</b>

Note: Cumulative results are not discounted.

- A shared services model between Hornsby and Ku-ring-gai Councils (where they would share an Infrastructure and Recreation Division) – Option 6 - is estimated to achieve a net operating result of around \$23.9 million in 2017/18 (for the Hornsby Shire entity - refer Table 7.17 on page 63 of KPMG's report), representing about a 3 percent improvement to the current forecast net operating result in Option 1.
- Under Option 6, the cumulative net operating result over the period 2013/14 to 2022/23 for the Hornsby/Ku-ring-gai shared services entity is estimated to be \$569.2 million (which is \$10.5 million – or 2 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	30.9	44.2	48.7	77.1	66.1	<b>267.1</b>	<b>558.7</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>Ku-ring-gai</i>	14.8	30.7	36.6	57.4	43.1	182.6	349.7
<b>Option 6</b>	28.8	45.4	50.0	78.4	67.5	<b>270.0</b>	<b>569.2</b>
Saving	-2.2	1.2	1.3	1.3	1.3	<b>3.0</b>	<b>10.5</b>

Note: Cumulative results are not discounted.

- **Options 4 and 7 - Amalgamation and Shared Services – Hornsby, The Hills and Ku-ring-gai**
  - An amalgamation of Hornsby, The Hills and Ku-ring-gai Councils – Option 4 - is estimated to achieve a net operating result of about \$29.0 million in 2017/18 (for the Hornsby Shire entity - refer Table 7.15 on page 61 of KPMG's report), representing about a 26 percent improvement to the current forecast net operating result in Option 1.
  - Under Option 4, the cumulative net operating result over the period 2013/14 to 2022/23 for the aggregate Hornsby/The Hills/Ku-ring-gai entity is estimated to be \$1,222.6 million (which is \$163.1 million – or 15 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	94.4	70.5	83.6	119.2	120.8	<b>488.5</b>	<b>1,059.4</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>The Hills</i>	63.5	26.3	34.9	42.1	54.6	221.4	500.7
<i>Ku-ring-gai</i>	14.8	30.7	36.6	57.4	43.1	182.6	349.7
<b>Option 4</b>	94.3	85.9	99.6	135.8	138.2	<b>553.8</b>	<b>1,222.6</b>
Saving	-0.1	15.4	16.0	16.6	17.5	<b>65.3</b>	<b>163.1</b>

Note: Cumulative results are not discounted.

- A shared services model between Hornsby, The Hills and Ku-ring-gai Councils (where they would share an Infrastructure and Recreation Division) – Option 7 - is estimated to achieve a net operating result of around \$24.2 million in 2017/18 (for the Hornsby Shire entity - refer Table 7.18 on page 64 of KPMG's report), representing about a 5 percent improvement to the current forecast net operating result in Option 1.
- Under Option 7, the cumulative net operating result over the period 2013/14 to 2022/23 for the Hornsby/The Hills/Ku-ring-gai shared services entity is estimated to be \$1,086.6 million (which is 27.2 million – or 3 percent - greater than what the Councils are estimated to achieve as separate entities in the same period) – see Table below.

	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative 2013-14 to 2017-18	Cumulative 2013-14 to 2022-23
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Option 1 (base case)</b> <i>consisting of</i>	94.4	70.5	83.6	119.2	120.8	<b>488.5</b>	<b>1,059.4</b>
<i>Hornsby</i>	16.1	13.5	12.1	19.7	23.0	84.5	209.0
<i>The Hills</i>	63.5	26.3	34.9	42.1	54.6	221.4	500.7
<i>Ku-ring-gai</i>	14.8	30.7	36.6	57.4	43.1	182.6	349.7
Option 7	91.8	73.4	86.6	122.3	124.0	<b>498.0</b>	<b>1,086.6</b>
Saving	-2.6	2.9	3.0	3.1	3.2	<b>9.5</b>	<b>27.2</b>

Note: Cumulative results are not discounted.

KPMG stated that implementing local government reform, whether through boundary reform or shared services, requires consideration of a variety of supporting factors in addition to the expected financial impacts. The supporting strategies and mechanisms include:

- Asset utilisation, renewal and financial sustainability, including:
  - valuation and stocktake of assets
  - maintenance of infrastructure
- Service delivery pathways to promote quality provision of council services, including consideration of:

- service levels between councils
- human resource management across councils
- corporate support functions
- Governance structures of new council entities, including consideration of how governance may impact the effectiveness of local representation
- Transition measures to underpin the implementation of reforms

KPMG went on to say that Council's preferred option for reform should be identified using multi-criteria analysis to recognise that broader supporting strategies need to be considered in conjunction with the projected financial impacts for different reform options. The framework for conducting a multi-criteria analysis should, therefore, consider a range of appropriate financial and non-financial criteria, for example:

- the expected financial impacts of options
- risks to financial sustainability over the longer term
- strategic risks
- risks to service quality and effectiveness
- risks to the effectiveness of local representation
- risk to effective implementation and management over time

KPMG provided a framework (see table below and Section 7.5 – pages 77-78 of KPMG's report) which Council could use to undertake the multi-criteria analysis.

<b>Financial Criteria</b>	
The net financial benefits of the options	Ranking of percentage point impacts relative to the base case net operating results.
Risks to financial sustainability over the medium to long term	Informed by the financial analysis and financial statement analysis of Hornsby Shire Council and neighbouring councils in the northern Sydney area.
<b>Non-Financial Criteria</b>	
Strategic Risks	Determined with respect to the analysis of supporting strategies and mechanisms and high level implementation considerations.
Risks to service quality and effectiveness over time	Determined with respect to the analysis of supporting strategies and mechanisms and high level implementation considerations.
Risks to quality and effectiveness of local representation	Determined with respect to the analysis of supporting strategies and mechanisms and high level implementation considerations.
Risks to effective implementation and management over time	Determined with respect to the analysis of supporting strategies and mechanisms and high level implementation considerations.

KPMG did, however, indicate that further consultation and analysis is required to determine:

- the scoring for each criteria, particularly non-financial
- appropriate weightings for each criterion, to be determined by stakeholders

KPMG noted that there are a number of precursors to the finalisation and implementation of a preferred option by Council. These include, for example:

- Continued engagement in the broader local government reform debate in NSW, particularly when the NSW Government formalises its position to the *Revitalising Local Government* report recently released by the ILGRP.
- Further, more detailed, due diligence of reform options, particularly from the perspective of other councils in the reform process.

The approach recommended by KPMG was for Council to actively engage all relevant councils and the NSW Government concurrently to undertake a more comprehensive evaluation of the costs and benefits of all options. The approach to developing the analysis in KPMG's report has the flexibility to be extended and refined over time should further, more detailed, data become available.

KPMG went on to say that following the completion of due diligence, stakeholder engagement and agreement of a preferred option, there should be detailed implementation planning to ensure successful delivery of reform over time. A structured and effectively communicated approach to implementation and management of the reform process is critical for its overall success, including the realisation of the potential benefits.

KPMG have provided a high level implementation plan for an amalgamation or shared services reform model (see Section 8 – pages 79-84 of KPMG's report), however, they noted that a more complete implementation plan would be required following the completion of all required due diligence that provides:

- greater detail that is targeted to the specific option being considered
- target completion dates for actions
- accountabilities for those actions in agreed timeframes

Following its consideration of KPMG's report at the 11 June 2014 General Meeting, Council resolved that:

1. *KPMG's "Analysis of local government reform options in the Northern Sydney area" report be made available on Council's website and a copy sent to the Minister for Local Government and The Hills and Ku-ring-gai Councils.*
2. *The NSW Government be encouraged to facilitate local government reform having regard to the research undertaken for Council by KPMG, PWC and Crosby Textor; and the recommendations made by the ILGRP and the LGAT.*
3. *The Hills and Ku-ring-gai Councils be requested to provide their comments on the reform options outlined by KPMG.*
4. *When the NSW Government releases its responses to the recommendations made by the ILGRP and the LGAT, a further report be prepared for Council's consideration incorporating any feedback received from The Hills and Ku-ring-gai Councils about the KPMG reports.*

Following the Meeting, KPMG's report was placed on Council's website under the Local Government Reform tab; the Mayor provided a copy of the report to the Minister for Local Government and encouraged the NSW Government to commence reform of the local government industry; and the General Manager provided a copy of the report to the General Managers of The Hills and Ku-ring-gai Councils asking those Councils to provide any comments they had on the reform options outlined in KPMG's report. The responses received are detailed in Deputy General Manager's Report No. CS13/15.

Copies of the PWC; Crosby Textor; and KPMG research reports are attached for the information of the Standing Committee.

To be Fit for the Future under the NSW Government's criteria, Council is firstly required to have Scale and Capacity broadly in line with the recommendations of the ILGRP. As the ILGRP recommendation was for Hornsby to merge with Ku-ring-gai, to meet the Government's requirements for Scale and Capacity, Council would need to have a population of about 280,000.

If Council was able to meet the Scale and Capacity benchmark on its own, it would also need to be able to demonstrate against the Government's criteria that it is sustainable, efficient and able to effectively manage infrastructure and deliver services for its community. Using the Self Assessment Tool provided by the OLG, staff calculated Council's scores against the Government's Fit for the Future criteria. The calculation was for 2013/14 specifically and for a three year average of the years 2011/12 to 2013/14. Council currently meets those criteria which are shown in **bold**.

Criteria	Benchmark	Council Score 2013/14	Council Score Avg 11/12-13/14
Scale and Capacity			
• Population	> 280,000	166,855	165,778
Financial Sustainability			
• <b>Operating Performance Ratio</b>	<b>&gt; or = to 0</b>	<b>0.052</b>	<b>0.013</b>
• <b>Own Source Revenue Ratio</b>	<b>&gt; 60%</b>	<b>83.7%</b>	<b>85.0%</b>
• Building and Infrastructure Asset Renewal Ratio	> 100%	78.9%	64.3%
Infrastructure and Services			
• <b>Infrastructure Backlog Ratio</b>	<b>&lt; 2%</b>	<b>0.52%</b>	<b>0.52%</b>
• Asset Maintenance Ratio	> 100%	79.1%	85.7%
• <b>Debt Service Ratio</b>	<b>&gt; 0% and &lt; 20%</b>	<b>4.21%</b>	<b>4.22%</b>
Efficiency			
• <b>Real Operating Expenditure per Capita over time</b>	<b>A reduction</b>	<b>\$630</b>	<b>\$640</b>

#### Discussions With and Positions of Adjoining Councils – Other than Ku-ring-gai

On 24 November 2014, the General Manager wrote to the General Managers of Ku-ring-gai, The Hills, Parramatta and Ryde Councils seeking advice about their Council's position in respect of participating in discussions to explore the possibility of merging with Hornsby Council to create a new entity which meets the scale and capacity requirements of the NSW Government's Fit for the Future announcements.

On the same date, the General Manager wrote to the Acting Chief Executive Officer of the OLG advising of the letters he had written to Ku-ring-gai, The Hills, Parramatta and Ryde Councils and putting the OLG on

notice that Hornsby may require support from the appointed Regional Relationship Manager to assist in accessing skilled facilitators and technical experts who will be able to assist any of Hornsby's discussions with its neighbouring councils.

The following is a synopsis of discussions or known current positions of our neighbouring councils - The Hills, Parramatta, Ryde and Gosford Councils:

#### The Hills Council

- Hornsby's Fit for the Future Steering Committee (FFTFSC) met with representatives of The Hills Council in late January 2015.
- It was noted that the ILGRP had recommended that The Hills had the scale and capacity to stand alone into the future.
- The Hills supports reform of the local government sector and more logical boundaries with its neighbours that will result in fewer councils throughout Sydney.
- The Hills advised that it has adopted a position that would see its existing boundaries expanded to incorporate parts of Hornsby, Parramatta and Hawkesbury local government areas. In respect of Hornsby, The Hills proposes that most of the rural areas and the suburbs of Cherrybrook, West Pennant Hills, Carlingford and Epping be incorporated into their local government area.
- Based on each Council's position, no follow up meetings have occurred with The Hills to date.

#### Parramatta Council

- Hornsby's FFTFSC met with representatives of Parramatta Council in early February 2015.
- It was noted that the ILGRP had recommended that the boundaries of Parramatta be expanded and that they were currently in discussions with The Hills, Auburn and Holroyd Councils in this regard.
- Although no follow up meetings have occurred with Parramatta, they have indicated an openness to further discussions about our joint boundary, particularly at Epping and Carlingford.
- It appears that Parramatta is favouring a possible Joint Organisation approach with their smaller neighbours.

#### Ryde Council

- Ryde considered Hornsby's and other northern Sydney councils' positions at its 17 February 2015 meeting and reaffirmed its rejection of the ILGRP's proposal to split Ryde partly between Parramatta, Holroyd and Auburn Councils and amalgamate the balance with Hunters Hill, Lane Cove, Mosman, North Sydney and Willoughby.
- Ryde believes it is Fit for the Future in its own right and will complete a Council Improvement Proposal and submit such to IPART for consideration.
- Ryde will investigate a modified Joint Organisation (regional body) proposal with other interested councils in northern Sydney i.e. Hunters Hill and Lane Cove.
- Ryde has endorsed a business case being undertaken for potential amalgamation with Hunters Hill, Lane Cove, Mosman, North Sydney and Willoughby.
- Ryde declined Hornsby's request to participate in discussions on merger opportunities.



### Gosford Council

- Some of the river communities on the Gosford side of Hornsby's Hawkesbury River boundary indicated a keenness for Council to explore a boundary adjustment which would see them become part of Hornsby.
- In 2009, the Local Government Boundaries Commission undertook a detailed examination of a very similar boundary proposal initiated by requests from local residents.
- The findings were that the proposal would not be in the public interest and the Commission recommended to the Minister of the day that the proposal not proceed. The Minister adopted the Commission's recommendations.
- Gosford's was contacted to see if it was interested in reopening the proposal.
- Advice was subsequently received that Gosford had no appetite to explore the issue as it was contrary to their Fit for the Future position and they did not see any utility in any further discussions with Hornsby.

### Discussions with Ku-ring-gai Council

- In November 2014, the General Manager wrote to Ku-ring-gai's General Manager seeking advice about Ku-ring-gai's position in respect of participating in discussions to explore the possibility of merging with Hornsby Council to create a new entity which meets the scale and capacity requirements of the NSW Government's Fit for the Future announcements.
- Also in November 2014, Ku-ring-gai resolved in part that *"...Council proactively begin discussions with surrounding Councils about Merger proposals, engaging facilitators and other consultants as necessary to enable a report to be brought back to Council in February 2015 with possible configuration options before proceeding to the next step in the Merger proposal process and preparing a detailed business case for consultation with the community...."*
- Following discussions between the General Managers, a joint approach was made by Hornsby and Ku-ring-gai to the OLG in January 2015 seeking the appointment and funding of an independent facilitator to assist merger discussions between the two Councils.
- In February 2015, the OLG advised that Morrison Low had been chosen to undertake the consultancy. Morrison Low subsequently advised that their Project Team would consist of Stephen Bunting as the facilitator and Tim McCarthy as the infrastructure expert. The Councils saw Morrison Low as a good choice for the consultancy as they had a good understanding of both Council's infrastructure (condition, infrastructure backlog, renewals and capital works program, maintenance expenditure and practices, etc). In this regard, Tim McCarthy had recently worked with both Councils in respect of infrastructure backlogs and consequently had an excellent understanding of their assets and issues.
- Mr Bunting met individually with Hornsby Councillors and senior staff (on 4 March 2015) and with Ku-ring-gai Councillors and staff (on 30 March 2015) to discuss benefits, opportunities and threats from a potential merger, as well as roadblocks, obstacles and key issues for the Council and its community
- In respect of the meeting with Hornsby, Mr Bunting advised that:
  - Hornsby have commissioned a number of "due diligence" reports on the options and implications of a merger for Council.

- There is positive support from the elected members for a merger with Ku-ring-gai as proposed by the ILGRP, or another local government area. Council is of the view that mergers lead to improved local government.
- The key issues that a merger proposal would need to address are:
  - the impact on rates
  - the representation model
  - the infrastructure gap
- The Council sees merit in moving to a business case in order to provide a better evidence base for later decision making.
- In respect of the meeting with Ku-ring-gai, Mr Bunting advised that:
  - Ku-ring-gai have conducted their own investigations into a merger and elected members and staff developed informed views on the costs and benefits of a merger.
  - While Ku-ring-gai is happy to discuss merger options they are unconvinced that a merger option is in the best interests of Ku-ring-gai residents.
  - The key issues for Ku-ring-gai that a merger proposal would need to address are:
    - the impact on rates
    - representation and ward structures
    - differences in services/service levels
    - legacy issues with the Hornsby Quarry
    - urban planning and development issues
- Mr Bunting then convened a joint workshop between Councillors and senior staff of the two Councils on 7 April 2015 to discuss the issues arising from the individual workshops, and in particular, similarities, issues, barriers and possible solutions. In order to generate agreement on moving to a merger business case, Mr Bunting sought a focused joint discussion on significant issues and how those issues may be resolved; and areas where the greatest commonality exists and those which also rate the highest.
- Mr Bunting's report on the joint workshop indicated that:
  - Both Councils had different views on their own ability to be Fit for the Future.
  - A number of potential benefits of a merger were identified, however, there were differing views about whether these benefits were only available through a merger or could also be achieved by the Councils as standalone organisations.
  - The key issues/barriers to a joint merger proposal were:
    - The impact and distribution when merging rates – inequities unlikely to be resolved in merger without Government intervention.
    - Representation and ward structure – difficult to resolve under current options.
    - Hornsby Quarry – issues quantified by Hornsby and Hornsby offered separate briefing to Ku-ring-gai Councillors.

- Ku-ring-gai advised they had developed a strategy to address their infrastructure backlog within two years.
  - Both Councils had different focuses for planning and development. These local priorities are likely to be able to be retained under a merger.
  - Unresolved concerns from Ku-ring-gai about control over future decision making regarding planning and development.
  - Differences in services/levels and community of interest can be addressed as part of merger investigation.
- At the conclusion of the joint workshop, both Councils agreed to discuss the matter at their respective Councils and resolve their positions about whether they should progress to the next step. That step would be the preparation of an independent merger business case to provide an evidence base for later decision making about whether or not the Councils should merge.
  - Hornsby indicated that it would be briefing all its Councillors about the proposed merger case in the third week of April and, depending on Ku-ring-gai's decision, would consider the matter formally at its 13 May 2015 General Meeting. Ku-ring-gai indicated that it would formally consider the matter at its Meeting on 28 April 2015.
  - At its 28 April Meeting, Ku-ring-gai considered a report (Item GB.3) which provided details about the matter and concluded that it was not in Ku-ring-gai's best interests to merge. The summary of their report stated that:

*A detailed assessment of a merger with Hornsby Shire Council has identified the following impacts:*  
*Representation:*

- *A merger is likely to result in 6 councillors elected from the former Ku-ring-gai area and 9 councillors from the former Hornsby Shire area.*
- *There would be an overall reduction in representation with the number of residents per councillor increasing from 11,903 currently for Ku-ring-gai to a minimum of 19,058 in the merged council.*

*Planning and Development:*

- *A merger may result in disproportionately increased development in the former Ku-ring-gai area, negatively impacting on the existing residential character, landscape and heritage values.*
- *Decisions about future development would be made by the merged council, with minority representation from councillors elected from the former Ku-ring-gai area.*
- *After a merger, there is a risk that s.94 developer contributions collected in the former Ku-ring-gai area may be spent in the former Hornsby Shire area.*

*Rates:*

- *Due to the higher land values in Ku-ring-gai, a merger would result in significantly increased rates in the former Ku-ring-gai area and a reduction in the former Hornsby Shire area.*
- *Hornsby Shire residents pay a greater percentage of property wealth in rates and therefore have less capacity to increase in the future if required. Any future additional rates income would be drawn disproportionately from the former Ku-ring-gai area due to higher land values.*

- *There would be greater volatility in rates (e.g. between different suburbs) in future years when land revaluations occur.*
- *Rural areas cover 60% of the rateable area of Hornsby Shire while only 1% of the total rates revenue is derived from farmland. Any cross subsidy of the rural areas would be shared with Ku-ring-gai ratepayers after a merger.*

*Hornsby Quarry:*

- *The latest scheme to remediate the Hornsby Quarry is to obtain fill from the NorthConnex project to part fill the Quarry (approximately one quarter) at an estimated cost of \$22 million of which Hornsby Council's share is \$7.33 million. In addition, there are estimated costs of \$15 to \$20 million for quarry stabilisation and landform, and \$10 million for recreational facilities. Hornsby Council have advised that all amounts are fully funded.*
- *As the estimated costs are at a concept level and detailed investigations have not yet commenced, there is uncertainty from Ku-ring-gai Council's perspective as to the reliability of these current estimates. The potential liability associated with the Hornsby Quarry is significant in the context of any proposal to merge.*

*Service Levels:*

- *Ku-ring-gai Council has higher revenue per capita than Hornsby Shire, with greater capacity to provide services. A merger would require the equalisation of services, resulting in either a reduction of services for the former Ku-ring-gai area or increased rates to raise the Hornsby Shire service levels.*
- *The rates would need to increase in the former Ku-ring-gai area by between 18% and 35% to raise the same revenue per capita across the whole of the merged council area as currently enjoyed by Ku-ring-gai.*

*Overall Financial Health:*

- *Hornsby Shire Council has lower working capital and reserves than Ku-ring-gai. Hornsby reports a lower infrastructure backlog than Ku-ring-gai, however its ongoing asset maintenance and renewal indicators are inferior.*
- *Hornsby Shire Council's overall financial position is weaker than that of Ku-ring-gai, a key consideration for a merger. T-Corp assessed Ku-ring-gai as being "Sound" with a "Neutral" outlook, while Hornsby was given the lower rating of "Moderate" with a "Neutral" outlook.*
- *Hornsby Shire does not need to merge with Ku-ring-gai to be Fit for the Future. It is a large council with an independent assessment from T-Corp as being Moderate. Hornsby Shire has advised that they are revising their Long Term Financial Plan to meet the Fit for the Future criteria.*

*Cost Savings and Efficiencies:*

- *A merged council would result in a larger bureaucracy and there are differing views about whether mergers lead to cost savings and greater efficiency. Academic studies indicate that predicted savings from mergers are optimistic and do not eventuate.*
- *Nine of the biggest Councils in NSW run large operating deficits. These councils have an average population of 207,000 and an average operating deficit of \$8.7 million. By contrast, both Ku-ring-gai Council and Hornsby Shire Council run healthy operating surpluses.*

*Communities of Interest and Community Facilities:*

- *Hornsby Shire has a larger population than Ku-ring-gai that is more widely dispersed over an area more than five times the size. The merged council would be some 65 km in distance from the north to the south. The provision of services and facilities would be challenging, with likely conflict about the allocation of resources, service levels and cross subsidisation between different areas. A merger of Ku-ring-gai with the much larger area of Hornsby Shire would diminish current communities of interest and societal connectedness.*

*Environmental Issues:*

- *Ku-ring-gai and Hornsby have similar bushland environments, although Hornsby control of a much greater area. There is a concern that a large increase in the amount of overall bushland area managed could see a reduction in the service level for bushland management currently experienced in Ku-ring-gai.*
- *Ku-ring-gai Council has a special rates levy for the Environment, the continuation of which after a merger would require the support of the newly elected council. If it was not continued there would be an impact on both the environment and the community engagement due to the programs and funding it provides.*

*Workforce and Transition Costs:*

- *Transitioning to a merged council would take many years and be very costly. Based on the Queensland experience, it is expected that the costs would far exceed the funds being offered by the state government.*
- *During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.*

*In conclusion, a merger with Hornsby Shire Council would be highly unfavourable for the residents and ratepayers of Ku-ring-gai.*

*Ku-ring-gai Council is already a large council that is a demonstrated industry leader, is in a sound financial position and can meet the Fit for the Future Benchmarks. Accordingly, it is recommended that Council prepare an Improvement Proposal to meet the requirements of Fit for the Future.*

- Following its consideration of the report, Ku-ring-gai resolved:

*THAT Council advise Hornsby Shire Council that a merger would be highly unfavourable for the residents and ratepayers of Ku-ring-gai and will not be further considered and that the Mayor write to Hornsby Shire Council thanking the Councillors and staff for their interest in pursuing a merger and explaining the reasons for Council's decision and that Council prepare an Improvement Proposal to meet the requirements of Fit for the Future.*

**Moving Forward**

As can be seen from the above, Hornsby Shire Council has been a willing participant in the local government reform exercise commenced by the State Government in 2011 and has been prepared to commission its own independent research during the intervening period to assist in its deliberations about reform. Following the release of the ILGRP's final report in 2013 and the State Government's response to that report in its FFTF announcements in 2014, Council has also proactively entered into discussions with its neighbouring councils about having an independent merger business case prepared which could be used to objectively consider amalgamation options and issues for Hornsby and those councils.

As no neighbouring council has indicated a willingness to even partner with Hornsby to have a merger business case prepared, Council had no choice, following its consideration of Deputy General Manager's Report No. CS13/15 at the 10 June 2015 General Meeting, but to complete a "Template 2 - Council Improvement Proposal" and submit the Proposal to IPART by 30 June 2015 for formal assessment. Although Hornsby understands that it will be found by IPART to be "not fit" under the scale and capacity requirements of FFTF (as it is not merging in line with the recommendations of the ILGRP), the Proposal shows that Council has been a role model through the reform process and is well placed in meeting all the financial sustainability, infrastructure and services and efficiency requirements of FFTF.

Apart from agreeing to submit the Template 2 Improvement Proposal to IPART, Council also unanimously supported a Councillor's motion to include as point 6 in its final resolution in respect of Deputy General Manager's Report No. CS13/15 that Council:

*Write to the Minister for Local Government and IPART requesting that if the State Government decides to pursue a merger option for Hornsby with Ku-ring-gai (or another council/s) because Hornsby has been deemed "not fit" for the future by IPART, that the Government take the opportunity to also consider the following changes to Hornsby's existing boundaries as part of the process:*

- a) *That part of the suburb of Carlingford, east of Marsden Road, currently with the Parramatta City Local Government Area (LGA), be transferred to the Hornsby Shire LGA*
- b) *That part of the suburb of Eastwood currently within the Parramatta City LGA be transferred to the Hornsby Shire LGA*
- c) *That part of the suburb of Epping currently within the Parramatta City LGA be transferred to the Hornsby Shire LGA*
- d) *That part of the suburb of Eastwood currently within the City of Ryde LGA be transferred to the Hornsby Shire LGA*
- e) *The suburb of Marsfield, currently within the City of Ryde LGA, be transferred to the Hornsby Shire LGA*
- f) *The suburb of Macquarie Park, currently within the City of Ryde LGA, be transferred to the Hornsby Shire LGA*

Council's rationale in accepting the inclusion of the above in its resolution was that it is clear from the volumes of reports, investigations and evidence into local government reform that there is a need to significantly reduce the number of councils in the metropolitan area. In respect of northern Sydney, it is proposed that the number of councils should be reduced from eleven to three - comprising an "Upper North Shore Council", a "Lower North Shore Council" and a "Northern Beaches Council".

By combining Hornsby with the existing Ku-ring-gai local government area and rationalising suburbs in the Parramatta and Ryde local government areas, an Upper North Shore Council would be well placed to deliver on the increased strategic capacity and improvements to services and infrastructure that the community in that combined area deserves. Such a proposal would also bring the whole of suburbs of Wahroonga, Epping, Eastwood, and the substantial part of the suburb of Carlingford, into a single local government area bringing substantial improvements in the delivery of services and infrastructure to those communities. It would also bring the business hub at Macquarie Park into the same local government area as the feeder suburbs to which it services and enhances the viability of a strong Upper North Shore Council.

If you have any questions or require further information, please do not hesitate to let me know.

Yours faithfully

Scott Phillips  
General Manager

Attachments:

- Deputy General Manager's Report No. CS13/15 – Local Government Reform – Fit for the Future (FFTF) – The Process Since 2011 and Council's Submission to IPART (67 pages)
- PWC Research – The Hills Shire Council and Hornsby Shire Council – Preliminary Analysis of a Hills/Hornsby Merger (67 pages)
- Crosby Textor Research – Spontaneous & Prompted Issue Agenda (47 pages)
- KPMG Research – Analysis of Local Government Reform Options in the Northern Sydney Area – Final Report (126 pages) and Summary Report (28 pages)

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