

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

**Organisation:** Strathfield Council

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

---

6 July 2015

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

**Strathfield Council submission to the Inquiry into Local Government in New South Wales**

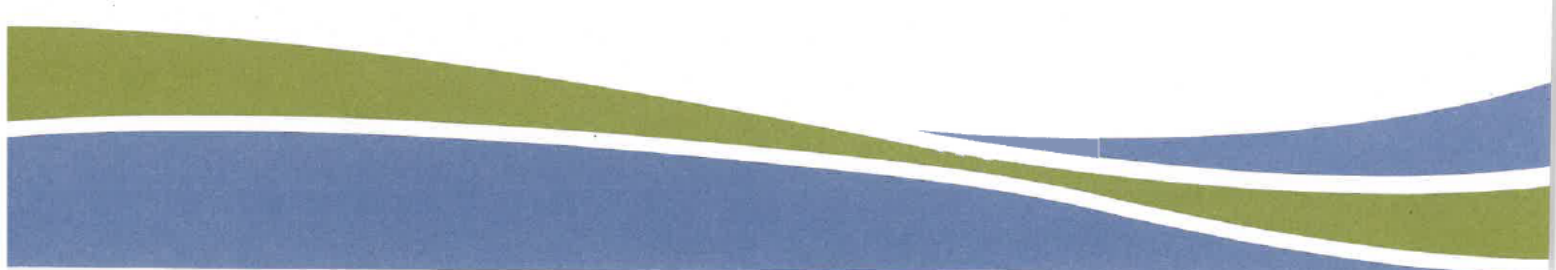
Strathfield Council thanks the Legislative Council for undertaking this Parliamentary Inquiry and welcomes the opportunity to lodge this submission.

Strathfield Council resolved on 18 June 2015 to make a submission to the Legislative Council's Inquiry into Local Government in New South Wales.

Also attached to this submission is Strathfield Council's Submission to the NSW Government Fit for the Future Program. This submission addresses the recommendation that Strathfield Council be merged with Ashfield, Burwood, Canada Bay, Leichhardt and Marrickville Councils to form an Inner West Council with a population of over 350,00 residents. This recommendation is not supported by either the Council or the Strathfield community.

Should the committee require additional information from Strathfield Council, please contact

DAVID BACKHOUSE  
GENERAL MANAGER



Strathfield Council raises the following concerns with the NSW Government's Fit for the Future reform program for committee consideration.

**(a) the New South Wales Government's 'Fit for the Future' reform agenda,**

The NSW Government commissioned a review of local government in 2012 with the establishment of the Independent Local Government Panel and Local Government Acts Taskforce.

Over the two years in which the panel was convened, the Government regularly reiterated its commitment to no forced amalgamations. The final panel report was issued in January 2013. The NSW Government released the Fit for the Future program in September 2014.

In metropolitan Sydney, the Panel made recommendations regarding boundaries. In the Inner West of Sydney, this involved mergers of six Council areas including Strathfield Council. The panel also recommended as an alternative to mergers, the establishment of Joint Organisations to deal with regional issues, advocacy and shared services and as a means of achieving sufficient scale and capacity.

The Fit for the Future program which constantly states that its recommendations are consistent with the Panel report does not allow metropolitan Councils to develop Joint Organisation (JO) as an alternative to mergers.

IPART, who are appointed as the 'expert panel' has not provided consistent advice on whether JOs would be considered in their assessment methodology for Fit For The Future. In advices given prior to the release of final methodology three weeks before the submission was due on 30 June 2015, they stated that they would consider JO's. In the final methodology assessment, JOs were discouraged:

*"The Government has stated that it will support councils to establish 15 JOs in regional NSW. ... OLG guidance also states that councils in Sydney have been given funding, support and incentives to merge, and that rather than forming new JO's, such councils can continue to collaborate through ROCS " (p. 32).*

Contrary therefore to IPART's advice during its community consultation period, it seems JOs for Sydney Metropolitan councils are not endorsed by IPART (or more likely by the NSW Government as IPART had stated in community briefings that JO's would be considered). Further, this above advice made it abundantly clear that the only outcome which satisfied the NSW Government were council mergers, even where it was demonstrated that individual Councils were sustainable, that the merger option has adverse outcomes or their communities didn't support the merger plans.

Strathfield Council consulted with its community to include a Joint Organisation (JO) option for Sydney Metropolitan councils as an alternative approach to mergers, which was supported by over 80% of the local community. Yet, the shifting position of the NSW Government means that JO options is unlikely to be considered as part of Council's Improvement Plan for scale and capacity criteria. The lack of clarity made it difficult to

commence discussions with neighbouring councils to advance the JO proposal in greater depth.

At the time (before the March 2015 State election), the incentive for Councils being assessed as 'fit' for the future was access to incentives eg access to cheaper loans etc. Councils were not threatened with forced amalgamation action if assessment under the FFF program resulted in an 'unfit' rating. However, since the State election, assessments under Fit for the Future program are increasingly linked with threats of forced amalgamation, especially by the Minister for Local Government.

The Fit for the Future program criterion is not designed to give Councils or their community's genuine options regarding their futures. There are effectively only two criteria 'scale and capacity' which is size of population (as set out in the Panel recommendation for the region) and financial benchmarks, a limited range of financial indicators with a strict comply/non comply benchmark. There are no criterion which considers community views, communities of interest, democratic structures and councillor representation etc.

The financial benchmarks also hide the financial constraints imposed upon local government by state government eg rate pegging (imposed since 1970s), depreciation calculations which are not consistent with business or even state government practices, constant shifting of costs from State to Local, inability to recover costs due to State Government imposing statutory charges which force Council to subsidise the total cost of regulatory services etc.

The program requires that scale and capacity is met, before any other financial indicators are considered. Scale and capacity criteria (some very vague) but it is clearly implied that size of the council is the main component based on methodology such as 'consistent with Panel recommendations'. It is assumed in the Inner West, a council proposal should be consistent with Panel recommendations ie a council of 350,000 people.

None of the FFF criteria concern community ie those people that all tiers of Australian governments are supposed to serve. The narrow focus of the FFF program is on financial benchmarks which do not include efficiency costs but include debt service ratios that assume that no debt fails this benchmark. Councils without debt are not necessarily well or poorly managed. In Strathfield Council's case, borrowings are not projected because new development attracts s.94 development contributions and Council has a small and manageable asset backlog and renewals are sufficiently funded from operational expenditure.

It is a reasonable assumption that a significant change to the governance of the Strathfield community would be beneficial, however after significant analysis there are few benefits which would justify such an action being taken.

Council has assessed the financial impacts of the Inner West Council merger recommended by the Independent Local Government Review Panel and it is concluded that this merger would be detrimental for the residents and ratepayers of Strathfield Council for the following reasons:

- The proposed merged Inner West council would not be 'Fit for the Future'. Modelling by Morrison Low found that merger of Inner West Councils would fail 3 of the 7 financial and sustainability benchmarks required by the NSW Government in the benchmark period of 2019/20. Modelling revealed that this would not improve over the longer 10 year term. In contrast, Strathfield Council is projected to satisfy all benchmarks by 2019/20.
- According to financial modelling, the proposed merger would impose considerable costs on the ratepayer (in excess of \$70 million on top of a \$16.5 million government contribution - resulting in a likely residential rate increase) without a commensurate increase in service levels. In fact, it is expected that service levels will decline in any merged council because of the unsustainable financial position of the merged council.
- 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. This demonstrates that large councils are not necessarily more efficient. Strathfield Council runs a significantly smaller operation but its costs of service delivery are considerably lower than larger organisations. The benefits of a more cost effective operation are not considered in the Fit for the Future program.
- Based on population, Strathfield Council would be entitled to 1 councillor out of the 15 council positions and therefore, would exercise minimal influence in a larger council. This would irreversibly alter the governance of the Strathfield area and substantially change if not extinguish the voice of the Strathfield community in local government and as represented to the state and federal government. The reduction of councillor representation would dramatically increase the number of residents per councillor from one councillor to 5,900 residents currently in Strathfield Council to one councillor per 23,000 residents in a merged council. This trend would continue to increase as the resident population increases over time, which is expected.
- The Strathfield community has been extensively consulted on the NSW Government's proposal and does not support the Inner West merger with over 80% of the community expressing their preference for a stand-alone position for Council.
- If Strathfield was merged into an Inner West Council, there is a perception by the local community in communications and engagement that there would be significant loss of identity. In an independent community survey, over 90% of the community stated that local identity was of importance to them, which was similar to results from other community engagements regarding values and sense of local community. Council amalgamation merger would involve a significant reduction in representation of the Strathfield area in a larger merged Council and make it much harder to effectively engage with councillors.
- Due to the higher land values in Strathfield, an Inner West Council merger would result in significantly increased rates in the former Strathfield Council area and a

reduction in the Ashfield, Burwood and Marrickville areas. Morrison Low's modelling projected a residential rate increase of 16% in the Strathfield area as a result of standardising Council rates. Similarly business rates are projected to significantly increase. The increase in rates would have no direct benefit to the Strathfield area as this would be an equalisation of rating systems between former council areas, resulting in increases in Strathfield but decreases in other areas. Effectively the ratepayers of Strathfield would subsidise other areas.

It would appear that the NSW Government agenda is not improvements to the local government sector but to create huge councils by voluntary or forced amalgamations. It is clear that almost no Sydney Council wants to amalgamate or that any of their communities support amalgamation or that any Sydney Metropolitan council is financially unsustainable. There is no empirical evidence put forward by either the Panel Reports or the NSW Government that amalgamations are cost effective.

In contrast, there is substantial evidence that amalgamations, particularly those which are forced, have minimal communities of interest or community support are expensive to implement and have little democratic legitimacy in the eyes of their communities and reduce trust and connections with democratic government and civic participation in NSW.

It is difficult to comprehend why 'local' governments of 500,000 people are even necessary or desirable, especially when there is a state government operating in NSW which has jurisdiction over state and regional planning, health, transport, education, policing and justice etc. Internationally, most countries in the OECD do not have large local governments and those that do, generally don't have secondary or the state tier of government such as the UK, so local government (noting that there are several models operating in countries such as UK) often provide services delivered by State Governments in Australia and NSW.

A Council of several hundreds and thousands of residents (as well as the businesses, schools and visitors who also are serviced and supported by Council), is no longer a 'local' council. The Panel proposed establishing local boards to enable community level governance because super councils of immense size and scale cannot deliver community engagement at a local level. So in effect to ensure that super councils have a semblance of what they lost from merging, they would need to establish democratically elected structures within the super council to do what smaller councils are currently doing.

**(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,**

Of the seven fit for the future ratios Depreciation has a significant impact on four these being:

- Operating Performance result
- Building and Infrastructure Renewals ratio
- Infrastructure Backlog ratio and
- Real operating expenditure per capita

There has been significant variation in defining the Infrastructure Backlog Ratio over the years. In 2007 the Fiscal Star report into "The Financial Sustainability of NSW Councils" determined that the backlog ratio was the "Spending necessary to bring buildings and infrastructure assets to a satisfactory condition as a % of the replacement value of those assets" The acceptable range for the backlog ratio was 0% - 5%.

The TCorp report into the "Financial Sustainability of the New South Wales Local Government Sector" of 2013 defined the backlog ratio as "This ratio shows what proportion the backlog is against total value of a Council's infrastructure" the benchmark in this report was determined to be 2%. In determining the backlog ratio TCorp determined value of infrastructure to be the carrying amount or Written Down Value rather than the Replacement Cost of assets.

Under the current Fit For the Future assessment the ratio has been changed to "Estimated cost to bring assets to satisfactory condition divided by Total (WDV) of infrastructure, buildings, other structures, depreciable land, and improvement assets. This is consistent with TCorp backlog assessment and the benchmark of 2%.

The full impact of these changes has been a reduction of the fiscal star benchmark from 5% to approximately 1%. This has posed a significant if not unnecessary burden on most councils.

Across NSW Local Government there are significant variations in how depreciation is calculated, although the same standards have been utilised. Depreciation is calculated in accordance with AASB 116 and 13, the Australian Accounting Standard for Property, Plant and Equipment.

However the impact of depreciation should not be overstated. A variation in depreciation of 5% - 10% can result in a \$500k variation in operating result and required renewals. This could be the difference between being Fit or Unfit for the Future.

Whilst it is clear that the imperative is on Local Councils to predict depreciation accurately the rolling three year average for renewals does not clearly reflect the impact of a large and variable asset network. This ratio assumes that a three year average is indicative of how the network is deteriorating.

A better indicator is whether Councils are making long term provisions for infrastructure renewals. The renewals funding ratio is a forward looking indicator that indicates that a Council is making provision for the future funding of asset renewals over a ten year period.

Although good practice it is noted that as far as we are aware no other state government authority is required to fully fund depreciation. Further some Government Trading

Enterprises and Local Government Water authorities that have fees and charges approved by IPART, have their capital renewals plans determined on a depreciation rate determination by IPART not the authority. In some cases these entities could never achieve a 100% renewals ratio.

It is our view that there is an over dependence on infrastructure depreciation in the Fit For the Future Ratios. The variability and the difficulty in accurately determining the depreciation rate for non-saleable infrastructure assets may well lead to Councils being determined Unfit when in fact they have and can continue to provide long term sustainable services to its community.

**(d) the scale of local councils in New South Wales,**

The scale and size of local councils in NSW does vary, but even the so-called smaller councils in Sydney are large by OECD standard. Strathfield Council is often referred to as a small council yet is 40,000 in residential population in 2015. 29,000 people work in the Strathfield area and there are an estimated 10,000-15,000 student places in schools and universities in Strathfield. On a daily basis, this area services over 80,000 people and this does not include visitors to places such as shopping centres, Sydney Markets or Council's sportsgrounds or those using Strathfield's transport links eg city and country rail transport, freight train, intermodal terminals, motorways etc. By 2031, this Council area will grow to a population of at least 56,000 residents (current Local Environmental Plan growth targets) or up to 80,000 (with additional targets from Parramatta Road urban growth). Therefore, when determining scale of the council, limiting the definition to residents does not provide a full representation of the range of services and infrastructure that support the social, economic and environmental life of the local area.

It has been argued that the large scale mergers proposed by the NSW Government could lead to diseconomies of scale. Government economist and academic Professor Brian Dollery (quoted in Government News, October 2014) stated that mergers could also lead to diseconomies of scale, where councils got so large that new, supercharged CEOs need more directors, administrators and extra resources to support them and a more complex bureaucracy emerged.

Prof Dollery pointed to London and Los Angeles, which both have multiple councils and said that Australian council areas were already the fourth most populous of the 25 OECD countries.

"It's a pathetic claim that to be a global city Sydney has to become a mega council. It's just not true," he said.

"No attempt was made to determine whether there is a statistically significant association between larger population size and improved financial sustainability ratios, nor whether the proposed merged local authorities will be more financially viable."

"The empirical analysis reported indicates that the proposed amalgamations will not secure enhanced financial sustainability in Greater Sydney local government," the team concluded.

He said the NSW government was shying away from doing any deep research, or looking at the effects of past council mergers under Premier Bob Carr in 2004.

"They don't want to do these things because they know the answer might not be what they're looking for."

Local government was about delivering cost-effective and good quality services but also fulfilled another vital function.

"It articulates the needs and desires of local communities and when you merge that disappears straight away. You can't put a dollar amount on it but it doesn't make it any less real," Prof Dollery said.

"They ram amalgamation down the throats of local residents, the people get jacked up about it. Think of the millions wasted. I'm not against voluntary mergers by any means if councils want to merge and think it's in their interest then they probably know best."

But he said economies of scale could sometimes result from mergers.

"There are some scale of economies in local government service delivery but most of those economies have already been reaped in the Sydney area, for instance, water (when Sydney councils used to provide water for their communities)."

"While savings were unlikely to be made in labour intensive service provision, like garbage collection, they could be found in areas like IT".

"Three of four councils can share but you don't have to merge to do it. It's a very expensive sledgehammer to achieve a saving that could be, and very often has been, made by council collaboration, through Regional Organisations of Councils, for example."

**(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,**

IPART were appointed by the NSW Government as the expert advisory panel for the Fit for the Future; however their scope is so narrowly focused and timeframe so limited, that IPART's involvement is almost a 'tick and flick' exercise.

IPART is responsible for assessing Special Rate Variations but the criteria for these is far more extensive than the Fit for the Future exercise. At least IPART considers social and community impacts when determining rate variations, unlike the 'Fit for the Future' program.

**(f) the appropriateness of the deadline for 'Fit for the Future' proposals,**

Council has serious concerns about the overall timing constraints imposed by the State Government and the changing assessment criteria. It is unfair to release final methodology only three weeks prior to the due date of the submissions, particularly given the seriousness of the issue and the need for Councils to consult extensively with their community. Furthermore, the inconsistency of advices from IPART to Sydney metropolitan areas on assessment of scale and capacity, population sizes and how and if Joint Organisations could meet 'scale and capacity' requirements made this process extremely difficult.

Council's Fit for the Future proposals involved significant work and resources and has considerable impact on the governance of our community. How IPART can comprehensively assess proposals from all NSW Councils by October 2015? This demonstrates that the only goal of this process is to hasten the amalgamation of Sydney's councils.

**(g) costs and benefits of amalgamations for local residents and businesses,**

The Independent Local Government Panel Report advanced its council consolidation program, particularly in metropolitan Sydney, on the argument that somehow councils with a larger population size would be more financially sustainable. However, the Panel offered no empirical evidence in support of this claim.

By contrast, in its Financial Sustainability of the New South Wales Local Government Sector, TCorp (2013) conducted a detailed analysis of the financial viability of NSW local authorities. However, TCorp made no recommendations on any of the proposed mergers nor did it comment on amalgamation as a means of improving the financial sustainability of local government. In Sydney Morning Herald (6/12/2014), Professor Graeme Samson, convenor of the Panel, said that "Sydney councils that reject a state government push for voluntary mergers would not be financially ruined and the fiscal argument has wrongly dominated public debate" and suggested that "the public has been misled over the financial benefits to Sydney councils that choose to amalgamate". He further stated that amalgamation was not the answer in every case and "any one of the metropolitan councils in Sydney can be financially sustainable within their current boundaries. No ifs, buts or maybes".

There is ample evidence the costs of amalgamation are substantial, however costs are not limited to financial and service costs (significant transitional costs, changes, disruptions or reductions in services) but the impact on individuals and communities reduction and access of representation, loss of community voice, increasing size and bureaucratisation of council administration, job losses etc. In many cases, cost benefits are rarely delivered.

Given the cost of amalgamations and evidence from previous amalgamation exercises of few cost benefits, funds would be better spent on reducing infrastructure backlogs, local services, new infrastructure or economic development activities that support creation of employment.

Mergers involve transitioning two or more councils into one. In the Inner West, the NSW Government has recommended merging of six councils including Strathfield. The scale of this merger is massive and involves merging six different council organisations into one

within a timeframe of less than a year in order to meet the Government timetable of a council election in September 2016. It is incomprehensible that a merger of this scale would be expected to occur in under 12 months which leaves no time for even a staged or planned approach to a highly complex and expensive reorganisation. To transition this merger, it would require development of a new governance and management structure, determination of building requirements including a council chamber, development and implementation of processes, policies, systems and branding, employment transition and salary system equalisation and redesign, change management, standardisation of policies, processes and procedures, development of new communications including branding, websites and social media, preparation of new plans under Integrated Planning and Reporting System (which have taken each council many years to develop underpinned by extensive community engagement), redundancies of senior staff and then appointment of senior staff in new executive and management positions, implementation of a single IT system across the new council, rationalisation of buildings and plant and so on. During the transition, there would be disruption to service provision, loss of key staff, organisational knowledge and skills.

A major cost of transition would be the integration of information technology systems. Local government IT systems are inherently complex due to the wide range of services and regulatory functions that are managed. Generally, there is little commonality between Council IT systems and even where councils have similar systems each is tailored to meet specialised business processes, meaning that there would be a major process to move to a common system.

According to the Sydney Morning Herald on March 25, 2015:

*Drastically reducing the number of NSW councils would carry an upfront cost of \$445 million, the NSW parliamentary budget office has estimated. However, the cost of cutting back the state's 152 councils to just 38 would be "significantly higher" if the mergers were forced, the briefing note said.*

*"It is assumed the council mergers would be voluntary, not forced, therefore any costs arising from legal challenges to or disputes about the merger have not been included," it said.*

*The costing, which was sought by Labor, assumes almost every merger put forward in 2013 by the Independent Local Government Review Panel was to go ahead instead of other options also detailed in the panel's report, like joint organisations. The proposal to merge Botany Bay, the City of Sydney, Waverley, Randwick and Woollahra carried the highest upfront cost, at \$37.6 million.*

*This figure was followed by \$31.5 million to merge the inner-west councils of Marrickville, Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield.*

*"IT and communications systems expenditure" was identified as the biggest cost, at 45 per cent, with employment transition costs put at about 20 per cent.*

Under the current Fit for the Future Reform package councils have been offered \$10 Million if they voluntarily merge. If this funding was to continue under forced amalgamations then the merged council would be faced with a huge deficit. The excessive costs would be borne by the ratepayer of any amalgamation without a commensurate increase in service levels. Independent research undertaken by industry experts Morrison Low found that the costs of amalgamation will be 5 to 6 times more than the NSW Government is offering and the shortfall is estimated at upwards of \$70 million/super council – these costs will have to be passed on to ratepayers in any merged council.

According to financial modelling on the Inner West merger proposal by industry experts Morrison & Low, it would take over 10 years to provide any financial benefit once staff redundancies are accounted for. However savings were dependent on future decisions of the merged council which cannot be guaranteed. There is considerable evidence to suggest that savings rarely eventuate and the costs of the merger are significantly underestimated and the real cost is borne by ratepayers with reduced services and increased rates.

Transitioning to a merged council would take many years and be very costly. Based on the Queensland amalgamation experience, it is expected that the costs would far exceed the funds being offered by the NSW Government. The merger would impose considerable costs on the ratepayer (in excess of \$70 million on top of a \$16.5 million government contribution - resulting in a likely residential rate increase) without a commensurate increase in service levels. In fact, it is expected that service levels will decline in any merged council because of the unsustainable financial position of the merged council.

A review of merger costs in Queensland by the Queensland Treasury Corporation in 2009 showed that the estimated costs ranged from \$2.3 million to \$21.5 million, with an average of \$8.1 million. These same Queensland Councils post-merger had an average population of only 69,000. A merger of the Inner West Council would result in a population of over 350,000 and it is expected that merger costs would therefore be much greater than the Queensland experience.

**(h) evidence of the impact of forced mergers on council rates drawing from the recent Queensland experience and other forced amalgamation episodes,**

In 2012, in response to continued community dissatisfaction, the Queensland Government invited former shires to put forward de-amalgamation applications that demonstrated financial viability, and support from the community.

The most common reasons stated in applications for de-amalgamation were that since the 2008 amalgamations:

- service levels to residents had declined whilst rates and other service costs had increased
- levels of local representation had decreased and the views of communities of interest were no longer being represented in decision-making
- local identity and distinct sense of local place had diminished
- communities continued to have a preference for a smaller separate council

- amalgamated communities were distinct with different aspirations and preferences for services
- a smaller local council would result in increased local economic growth and better outcomes for business and industry.

Four councils successfully made the case for de-amalgamation based on the loss of effective local representation, the loss of local identity, substantial increases in rates and service costs and a decline in services and or service levels.

The Sydney Morning Herald published an article on 8 June 2015 that three academics had looked into comparisons between metropolitan Sydney councils and Brisbane City Council and the Sydney councils outperformed Brisbane on 3 of the 4 selected measures and they concluded that *"council amalgamations have repeatedly failed to meet expectations"*.

The article is shown below in full:-

*An analysis by academics from three universities comparing the financial performance of Australia's biggest council, Brisbane, with comparable councils shows that "bigger" or "biggest" is not always best.*

*The authors question the claim that council mergers such as those proposed in the NSW government's Fit for the Future reforms lead to significant cost savings, lower residential rates and better service delivery without adversely affecting a community's local voice.*

*The analysis by Dr Elisabeth Sinnewe (Queensland University of Technology), Dr Michael Kortt (Southern Cross University) and Professor Brian Dollery (University of New England) was published in the peer-reviewed Australian Journal of Public Administration.*

*The study compared Brisbane to Sydney City Council, six south-east Queensland councils and the average of 10 metropolitan NSW councils using four key performance indicators: financial flexibility, liquidity, debt service capacity and asset management. It found that Brisbane was outperformed by the other councils in the first three indicators over the period from 2008 to 2011.*

*"Council amalgamations are always controversial and can bitterly split local communities," the authors said. "The empirical evidence suggests that council amalgamations have repeatedly failed to meet expectations.*

**(i) evidence of the impact of forced mergers on local infrastructure investment and maintenance,**

Forced mergers will have an impact on local infrastructure investment and maintenance. As stated previously, Strathfield Council is projected to have one councillor position out of a possible of fifteen councillors in a Inner West merger. Strathfield Council has a small asset backlog and majority of its assets are in good condition and have been well maintained. This is not the case with potential merger partners. In a merger, resources will be allocated

to areas of highest priority as determined by the Council, which are unlikely to be located in the Strathfield area as other areas have significantly higher infrastructure backlogs.

It is difficult to estimate a future scenario but it is known that the rates in the Strathfield area would significantly increase based on land values (over 16% increase of residential rates at time of merger and continue to increase in future years), merger partners have significant asset backlogs that would need to be addressed, the Strathfield area would have minimal councillor representation and some of Strathfield Council's facilities and assets could be closed or disposed of in a rationalisation exercise. It is likely under these conditions investment in infrastructure and maintenance could decline.

**(j) evidence of the impact of forced mergers on municipal employment, including aggregate redundancy costs,**

Forced Council mergers have a huge impact on local government employees. In most situations Council's the major employer in their region so any loss is directly felt across the community, particularly in regional areas.

The cost benefits of Council mergers assume significant job losses, especially at the management level. Although employees have some protections under the Local Government State Award regarding workplace change, employee costs significantly blow out due to the high number of redundancy payments that will be required to be made by any new entity. These costs will inevitably be in the vicinity of tens of millions of dollars across the industry which will clearly nullify any financial assistance that state government has promised. This in turn will result in further pressure being placed on the new entity to cut costs in other areas such as, maintenance, services and availability of facilities to the community.

The lack of job security generates high level of uncertainty. The uncertainty also leads to experienced staff leaving organisations. This inevitably leads to pressure being placed on those staff who remain. This results in a severe impact on Council services and standards, loss of corporate knowledge and directly affects employee performance. Job loss inevitably leads to unemployment and can lead to significant social issues.

When two or more organisations come together, culture clash is inevitable. Rarely do two organisations have the same culture. As these groups get to know each other there will inevitably be conflict and perceived or real losses on both sides. Employees may fear losing their jobs or losing opportunities that they formerly had. This fear can negatively impact productivity and the change casts waves of uncertainty amongst staff members once the forced merger decision has been made.

The benefits of amalgamation due to staff reductions is often overestimated. Based on examples from previous amalgamations, within a few years, the staff numbers of the Super Council will not only increase but levels of pay and management will also increase. Costs in the long term will continue to increase and any cost benefits from a very short-term reduction in so-called 'duplications' and staff cuts and asset sales, will not eventuate. In Queensland, it is was common that only 4 years after amalgamation that staff numbers had increased

from 10% to 17% and that service levels declined but rates and other service costs had increased.

**(k) the known and or likely costs and benefits of amalgamations for local communities**

It is a reasonable assumption that a significant change to the governance of the Strathfield community should provide clear benefits, however after significant analysis there are few benefits which would justify such an action being taken. In summary,

- **Loss of representation:** In the case of a merger of the Inner West, it is likely that there would be only one councillor elected from the former Strathfield area, which would greatly reduce representation and minimise any influence in the new council from the Strathfield area. This would irreversibly alter the governance of the Strathfield area and substantially change if not extinguish the voice of the Strathfield community in local government and as represented to the state and federal government.
- **Reduction of access to Council.** Strathfield residents and ratepayers have a very high level of access to Council services and decision makers. The Council Chambers is located within reasonable distance of any property in the Strathfield Council area and operates a Customer Service Centre and call centre as well as centres in Council libraries and a 24/7 phone service. Councillors are available to the community through formal meetings and informal communications eg 'meet your councillor sessions', community forums, open council sessions at each council meeting etc. Strathfield Council has always maintained high levels of community access to the Council by the community. In a large merged council, representation will decline, the Council Chambers would be relocated, the level of customer service would change, the number of staff with intimate and detailed knowledge of the local area will also decline as the organisation would expand to cover much larger areas.
- **Loss of local identity.** If Strathfield was merged, there is a perception by the local community in communications and engagement that there would be significant loss of identity. In an independent community survey, over 90% of the community stated that local identity was of importance to them, which was similar to results from other community engagements regarding values and sense of local community. Council amalgamation merger would involve a significant reduction in representation of the Strathfield area in a larger merged Council and make it much harder to effectively engage with councillors.
- **Rates and charges would increase.** Due to the higher land values in Strathfield than neighbouring council areas, mergers would result in significantly increased rates in the Strathfield area. A residential rate increase of 16% was projected in regard an Inner West merger, but any forced merger is likely to result in a large rate increase. The increase in rates would have no direct benefit to the Strathfield area as this would be an equalisation of rating systems between former council areas, resulting in increases in Strathfield but decreases in other areas.

- Increased operational costs. Mergers are expensive and disruptive to services, communities and staff. The costs of mergers would be substantially more than any proposed NSW Government contribution and excesses would be directly funded by residents and ratepayers through rate increases or service declines.
- Strathfield Council runs a significantly smaller operation but its costs of service delivery are considerably lower than larger organisations. This advantage would be lost in a large council merger.
- The Strathfield community has been extensively consulted on the NSW Government's proposal and does not support the Inner West merger with over 80% of the community expressing their preference for a stand-alone position for Council.

However, the community's views on the future of Strathfield Council plays no apparent part in the FFF assessment process. Population numbers and certain 'financial' criteria seem to be the only determinants of Council's fitness for the future.

**(l) the role of co-operative models for local government including the 'Fit for the Futures' own Joint Organisations, Strategic Alliances, Regional Organisations of Councils, and other shared service models, such as the Common Service Model,**

As previously stated, Strathfield Council has consulted with its local community regarding the Joint Organisation model and is supportive of investigating options to strengthen and formalise alliances on issues of regional significance.

Like most councils, Strathfield has partnerships, strategic alliances across regions, catchments and with neighbouring councils in planning, service delivery, training, projects, regulatory activities etc.

It is certainly more effective and less disruptive to seek alliances and partnerships where common interests exist between councils (and/or state agencies or private organisations), than through mergers.

Council has considerable experience in managing and supporting strategic alliances, especially in regard environmental projects such as the Cooks River Alliance, which Council hosts. These alliances have delivered significant benefits to communities.

**(m) how forced amalgamation will affect the specific needs of regional and rural councils and communities, especially in terms of its impact on local economies,**

Not applicable to Strathfield Council.

**(n) protecting and delivering democratic structures for local government that ensure it remains close to the people it serves,**

The Panel proposed wholesale council mergers across the Sydney metropolitan region. However, the Panel recognised that the resultant larger populations of newly merged councils could render the current governance model ineffective and it argued that changes to existing governance arrangements must be made to retain the 'local' in NSW local government.

To mitigate the impact of forced mergers on local democracy, the Panel recommended the establishment of local boards to enable 'community-level governance'. For metropolitan NSW, the Panel proposed New Zealand-style local boards which would provide delegated service provision and/or political representation in large amalgamated metropolitan councils. The Panel held that these local boards would have from five to seven elected members and they would perform the functions delegated to them by their respective metropolitan local council. In particular, in large metropolitan councils local boards would provide local representation and limited local delegated service delivery at suburb or district level.

Therefore, in effect, to make unwieldy community unfriendly mega councils satisfy some basic democratic requirements of local government, it would need to establish democratically elected local boards to do effectively what smaller councils are currently doing.

**(o) the impact of the 'Fit for the Future' benchmarks and the subsequent IPART performance criteria on councils' current and future rate increases or levels, and**

To meet the Fit for the Future benchmarks, Council will be required to apply for a one-off Special Rate Variation of 7.5% mainly for asset renewals and maintenance. This will generate an increase in Council rates. This has been notified to residents and ratepayers as part of the Fit for the Future program.