

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

**Organisation:** North Sydney Council

**Name:** Mr Warwick Winn

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30 June 2015

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

Dear Ms Foley

### **Inquiry into Local Government in NSW**

North Sydney Council is pleased to make this submission to the Inquiry into Local Government in NSW.

Council requests the Committee take the following into consideration when forming its conclusions and recommendations.

1. There is a clear intention from the NSW State Government to reduce the number of Councils in NSW, with those that do not willingly amalgamate, intended to be amalgamated by force.
2. That prior to any Council amalgamation, referenda should be undertaken within the proposed merger areas, with a majority yes vote being required by each area before any merger can proceed (the Committee should note the recent resolution passed at the ALGA Conference to the same effect)
3. The methodology that IPART will use to judge Councils is flawed, and the criteria are arbitrary and baseless (for example, the "scale and capacity" test based on the ILGRP's recommendation should be removed)
4. The Government has not produced a business case, nor provided any empirical evidence to support their amalgamation plans
5. There is a complete lack of nexus between Council size and the "Key Elements of Strategic Capacity"
6. Transition costs on an amalgamation will be significant
7. Disruption to Council operations, the community and the municipality at large on an amalgamation will be significant

These points are discussed further below.

#### **1. Forced Amalgamations are an Assault on Democracy**

Local Government is the third tier of government throughout Australia and the level of Government closest to the people, but in most states residents are not given an opportunity to voice their opinion in a democratic way as to how they are governed at a local level.

The issue of Council amalgamations is not new however the manner, rationale and implementation of such amalgamations across Australia has caused much angst and unrest in local communities. In addition, millions of ratepayer's dollars are wasted amalgamating and de-amalgamating Councils.

The NSW Government's Fit for the Future Program is essentially forced council amalgamations by stealth using arbitrary pass/fail performance criteria, and where community opposition to amalgamating means nothing. If a State Government, or indeed any other level of Government, was required to measure itself against benchmarks comparable to those that the NSW Government is requiring local councils to measure themselves against, then all would most likely fail.

Forcing Council's to amalgamate without community support and by mandating rather than consulting is poor policy, as is a decision process which fails the most basic democratic principle of allowing affected residents a vote on such an important issue.

When the community are consulted, they overwhelmingly indicate that they do not want forced Council amalgamations.

Local Government is the level of Government closest to the people, and provides essential services at a local level, and this should be recognised by ensuring that compulsory binding referenda are held across areas where a merger is proposed. Only in this way will local democracy be properly served, and preserved.

Forced amalgamations should never occur.

## **2 Methodology - Deadlines**

IPART released its final document "Methodology for Assessment of Council Fit for the Future Proposals" on Friday 5 June 2015. The deadline for submission of proposals is Tuesday 30 June 2015. With a public holiday on 8 June 2015, this provides 15 business days for Councils to finalise their proposals prior to lodgement on 30 June 2015.

It is unreasonable for a program which intends to shape the future of Councils for generations to come to be rushed in such a fashion, which does little to allow time for proper consultation with our community.

## **3 Methodology – Lack of Pro Amalgamation Business Case**

The Independent Local Government Review Panel recommended Council amalgamations in the complete absence of any evidence based business case. The State Government and IPART have perpetuated the disregard for due process and responsible governance by forcing Councils to justify their existence as viable, stand alone Councils against nothing but statements to amalgamate.

Rather than Councils are being required to defend their right to stand alone using arbitrary and subjective criteria, at the very least, the State Government should have provided their recommendation backed by a business case which argued the merits of amalgamating supported by empirical evidence.

Their evidence should have also considered an analysis of the risks and costs to communities and businesses as a result of the disruption which will occur on any amalgamation.

Council notes the City of Sydney's submission to IPART (Page 9) which says in part "*...an amalgamation risks continuity of City operations and damaged investor confidence. A decline in construction activity of 1% has a negative economic impact in excess of \$300 million*"

North Sydney Council's position is similar.

From 2011 to date Council has processed over 2,000 development applications with an estimated final build cost of over \$2 billion. This level of development is at least expected to continue over the longer term assuming no loss of investor confidence.

#### **4 Methodology – Arbitrariness**

IPART intend to assess Council stand alone proposals based on arbitrary and subjective criteria. Councils who wish to argue a case to stand alone must mount *"a sound argument that demonstrates that the proposed approach is at least as good, or a better, option to achieve the scale and capacity related objectives for the region"*<sup>1</sup>

The terms "Good" or "better" are undefined. Council contends that if an analysis finds that the North Sydney community is likely to be worse off as a result of an amalgamation proposal that by definition, a stand alone proposal, must be *"at least as good, or better"* than the amalgamation proposal.

IPART are declaring that there is a clear nexus between the recommendations made by the Independent Local Government Review Panel (ILGRP), scale and capacity and satisfying the "key elements of Strategic Capacity"

The ILGRP's recommendation for North Sydney is an amalgamation with Mosman, Lane Cove, Hunters Hill, Willoughby and approximately 2/3rds of Ryde. This will provide for a Council with a population of approximately 301,000.

Using IPART's argument, if North Sydney merged with the other 5 Councils it would satisfy the scale and capacity criterion: *"We expect that proposals that are broadly consistent with the ILGRP's preferred options would satisfy this threshold criterion"*<sup>2</sup>

As a result the new Council would automatically satisfy the key elements of strategic capacity. However, if a Council wishes to stand alone, *"the onus is on Councils to submit how they meet these features"*<sup>3</sup> because, *"there are no standardised benchmarks available"*<sup>4</sup>, and as a result IPART will use their *"judgement in assessing strategic capacity based on the information we have available.."*<sup>5</sup>

Council has two issues with this approach, firstly using arbitrary and subjective judgements to assess a Council proposal is completely inequitable, and secondly, IPART'S logic is nonsense.

If the premise that North Sydney and its neighbours can only meet the scale and capacity criterion by amalgamating (ie, by increasing in size) in order to meet the key elements of strategic capacity is true, then a Council (especially in the Metropolitan basin) where no recommendation to amalgamate is provided can never achieve the key elements of strategic capacity.

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1 IPART – Methodology for Assessment of Council Fit for the Future Proposals, June 2015, Page 8

2 IPART – Methodology for Assessment of Council Fit for the Future Proposals, June 2015, Page 29

3 IPART – Methodology for Assessment of Council Fit for the Future Proposals, June 2015, Page 15

4 IPART – Methodology for Assessment of Council Fit for the Future Proposals, June 2015, Page 15

5 IPART – Methodology for Assessment of Council Fit for the Future Proposals, June 2015, Page 31

There is a clear implication that greater population provides “more”, that is; “*More robust revenue base and increased discretionary spending*”, (more) “*scope to undertake new functions and major projects*”<sup>6</sup>

It must follow then that those Councils in the Metropolitan area who have no ILGRP recommendation to amalgamate, including Camden, Hawkesbury, Wollondilly and Campbelltown must not possess the key elements of strategic capacity, and cannot be fit for the future.

However, the ILGRP’s recommendations are considered the starting point, and again using IPART’s logic, the ILGRP would not recommend an amalgamation if a Council already possessed the key elements of strategic capacity. It must follow then that Councils such as Camden, Hawkesbury, Wollondilly and Campbelltown must possess those elements, or else an amalgamation would have been recommended.

Hawkesbury, Wollondilly and Camden all have populations less than North Sydney. If they already possess the appropriate scale and capacity, it must be concluded that North Sydney also has appropriate scale and capacity.

This is clearly a circular argument which demonstrates how nonsensical IPART’s starting position is.

## **5 Community Views**

Council is concerned that the views of the Community will go unheard.

North Sydney Council has strong community engagement processes and protocols, and has a very active, progressive and engaged precinct system. The North Sydney community has been polled 6 times since 1983 regarding various forms of amalgamations, and in every case significant majorities said “NO”:

<b>Year</b>	<b>Question</b>	<b>“No” Vote</b>
1983	Community poll asked whether North Sydney voters were in favour of the amalgamation of North Sydney with any council(s) to create a larger local government authority.	89.00%
1987	Community poll asked whether North Sydney voters were in favour of the whole or part of North Sydney being amalgamated with the City of Sydney.	93.00%
1999	Community poll asked whether North Sydney voters were in favour of amalgamating with any of the neighbouring councils: Lane Cove Mosman Willoughby City of Sydney	82.08% 63.55% 76.81% 88.23%
2004	Community poll asked whether North Sydney voters were in favour of amalgamating with any of the neighbouring councils: Lane Cove Mosman	73.40% 63.80%

	Willoughby City of Sydney	69.30% 78.40%
2014	Community poll asked whether North Sydney voters ere in favour of amalgamating with Mosman, Willoughby, Lane Cove, Hunters Hill and part of Ryde	71.40%
2015	Community poll asked whether North Sydney voters were in favour of amalgamating with Mosman, Willoughby, Lane Cove, Hunters Hill and part of Ryde	76.00%

The assessment methodology suggests that the final arbiter of whether a Council is Fit for the Future is IPART, and/or the State Government following an IPART recommendation.

Council believes this removes from the process those that are affected the most, ie, the Community, and that the methodology should be rectified to ensure the community is the final arbiter.

As outlined earlier North Sydney submits that if IPART and/or the State Government recommends a merger of two or more Councils, that prior to any merger occurring, that a binding poll be undertaken of enrolled voters within each affected area. The outcome of such poll must be a majority “yes” to a merger question.

## **5 City of Ryde**

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The ILGRP identified:

*“Local government boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; but instead should facilitate integrated planning, coordinated service delivery, and regional development”<sup>7</sup>*

And yet the Panel recommended that the City of Ryde be split with approximately 2/3rds amalgamating with North Sydney, Mosman, Lane Cove, Hunters Hill, Willoughby and the remainder amalgamating with Holroyd, Auburn and Parramatta.

Further to the reasons for not splitting a Council, is the more significant issue of basic logistics. For example, if the State Government forced the amalgamations as set out above and the new North Sydney et al Council boundary provided for the City of Ryde’s administration building to be within that boundary, then significant unnecessary issues emerge with transitioning staff, plant and equipment and buildings and property.

North Sydney submits that Councils should never be forcibly amalgamated, but in any case, they should never be broken apart through an amalgamation.

## **6 Financial Ratios**

Council further notes that local government means significantly more to the communities of NSW than financial ratios. Local government provides services which community's value, which communities use, and which communities need. It has evolved well beyond base level service providers of "roads, rates and rubbish", although these remain core functions. It provides some critical services and facilities which by their nature generate no income, like libraries, and open spaces, but which if removed, would leave communities the poorer for their loss.

Local government holds the fabric of communities together, providing community facilities, swimming pools and public events. It is an enabler for businesses and good development and a sense of place.

It provides consultative, open, local democracy for local residents. It allows residents to have a voice, to help shape their community and their future.

This is all seemingly forgotten with a focus rather on financial ratios.

Whilst North Sydney Council can satisfy the majority of the ratios, Council considers they are flawed in a number of ways.

Council notes the study "*Compulsion versus a Collaborative Regional Approach – an Empirical Analysis of Forced amalgamation versus a Regional and Shared Services Approach*", 10 May 2015, by Professor Brian Dollery, Michael Kortt and Joseph Drew.

*"The OLG (2014b) 'efficiency' measure is contraindicated to the other ratios. In essence, in order to address Infrastructure Backlog, Asset Maintenance and Building and Infrastructure ratios, it is necessary to increase rates of expenditure. Yet in so doing, a council will record a reduction in the OLG preferred measure of efficiency. This obviously sets up an insolvable dilemma for municipal management. Moreover, the OLG (2014b) measure of efficiency fails to address service quality and service sufficiency. This is a significant problem given the potential for comparisons to be drawn between councils delivering vastly different levels of services. Furthermore, even within a given council, service quality is unlikely to remain static over a five year period thus making it very difficult to make reasonable comparisons of costs. With respect to service sufficiency, the measure of efficiency chosen sets up a perverse incentive to discontinue services. Taken in the extreme a council could – on this measure alone – demonstrate that it was Fit for the Future by producing no future services at all: a measure which would meet the OLG criterion but most certainly would not that of residents!" (Page 95)*

Council finds itself in a similar dilemma with the Real Operating Expenditure Ratio, which Council will not achieve because meeting this benchmark would require reductions in operating expenditure of \$32M over the 5 years from 2015/16 to 2019/20. Council is not prepared to reduce the service levels to the Community.

## **7 Focus on Residential Population**

IPART intends to assess submissions, especially those that relate to scale and capacity on the basis of residential population. In the case of Councils who have significant commercial and business centres, such as North Sydney, this approach ignores the true extent of the services provided by Council, which are far beyond delivering to a residential population alone.

The residential population of North Sydney is 71,025<sup>8</sup>. In addition to this, North Sydney manages a significant CBD which brings a daily influx of some 56,289<sup>9</sup> workers, and a significant education catchment, which brings a daily influx of some 16,500 primary, secondary and tertiary students<sup>10</sup>, all of whom have a right to council services.

North Sydney been identified as a strategic employment centre in the NSW Government's Metropolitan Strategy. The North Sydney CBD is part of Global Sydney and has the 6<sup>th</sup> largest office market in Australia. The presence of such significant commercial space brings its own additional service demands – bringing large numbers daily into the area to conduct business in all its forms.

Residential population alone is not an indication of the scale, capacity or levels of service North Sydney provides.

## **8 Lack of Nexus between Council Size and “Key Elements of Strategic Capacity”**

There is a lack of nexus between the matter of Council size and many of the “Key Elements of Strategic Capacity”

For example, “High quality political and managerial leadership”

There is no explanation as to how increasing a Council's size will lead to high quality political leadership. The political leadership of Councils is determined clearly by a democratic vote of constituents every 4 years. Council fails to understand any connection between the democratic process and Council size.

## **9 Transition Costs**

The State Government would provide \$10.5 million plus additional \$3 million for having a combined population of an additional 50,000 above 250,000 under the ILGRP proposal for North Sydney and its neighbours. The total expected government contribution is therefore \$13.5 million.

The issue of costs/outgoings however is a vexed one, as the ultimate estimate of the costs depends upon the assumptions made and the discount factor used. Inevitably the actual cost will depend upon the decisions made by the Councillors and management of an amalgamated Council.

What is clear is that a Government contribution will not come close to covering the costs involved in amalgamating 5 and 2/3 Councils.

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8 ABS publication 3218.0, Regional Population Growth Australia (Released 31 March 2015) provides a residential population of North Sydney of 71,025

9 Australian Bureau of Statistics, Census of Population and Housing 2011

10 *Educational Institutions in North Sydney, Study 2007*



Director, General Purpose Standing Committee No 6

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Council notes the report undertaken by Morrison Low on behalf of the Councils of Ryde, Lane Cove, Mosman and Hunters Hill which estimates Year 1 costs of \$61.751 million net of the \$13.5 million Government contribution, of which senior staff redundancy costs will constitute some \$5.8 million alone – or 43% of the government contribution.

Council would be pleased to provide further details of any matters raised within this submission by attending one of the scheduled Public Hearings.

Yours sincerely

Warwick Winn  
**GENERAL MANAGER**