
**MM21/13 LOCAL GOVERNMENT REFORM - The Mayor,
Councillor Ivan Petch**

File Number: MYR/07/10/7 - BP13/1262

I have received the attached correspondence from Cllr Elaine Malicki, Mayor of Ku-ring-gai Council regarding local government reform and in particular, Ku-ring-gai Council's consideration of the Local Government Review Panel's discussion paper "Future Directions for NSW Local Government".

Ku-ring-gai Council has resolved:

- A. That Council not proceed with discussions on amalgamations as the disadvantages for Ku-ring-gai residents far outweigh any perceived advantages.
- B. That we encourage and participate with NSROC in investigating opportunities to increase the range of resource and services sharing.

It is suggested by Mayor Malicki that a meeting be arranged to discuss ways in which the NSROC Councils can increase their level of cooperation.

RECOMMENDATION:

That:

- (a) the information in the letter from Cllr Malicki be received and noted.
- (b) a meeting be arranged at the next NSROC meeting to allow all NSROC Mayors to discuss ways in which the level of cooperation between Councils can be increased.

ATTACHMENTS

- 1 Ku-ring-gai Council - decision re amalgamation

Report Prepared By:

**Councillor Ivan Petch
The Mayor**



Council, dated 27 August 2013, submitted on 27 August 2013.

ITEM 21 (continued)

ATTACHMENT 1

818 Pacific Highway, Gordon NSW 2072
Locked Bag 1056, Pymble NSW 2073
T 02 9424 0000 F 02 9424 0001
DX 8703 Gordon TTY 133 677
E kmc@kmc.nsw.gov.au
W www.kmc.nsw.gov.au
ABN 86 408 856 411



Contact: Mayor

Reference: S03288 /
19 August 2013

Cr Ivan Petch
Mayor
Ryde City Council
Cnr Blackland and Devlin Street
Ryde NSW 2112

Dear Mayor Petch

Local Government Reform

This is to inform you that at its meeting of 13 August, Ku-ring-gai Council resolved the following by a vote of 7-2:

- A. *That Council not proceed with discussions on amalgamation as the disadvantages for Ku-ring-gai residents far outweigh any perceived advantages.*
- B. *That we encourage and participate with NSROC in investigating opportunities to increase the range of resource and services sharing.*

Council has set a firm direction of pursuing the option of the resource and services sharing model. Given Council's resolution, I am happy to host or to participate in a meeting of NSROC Mayors to discuss ways in which we can increase our level of cooperation. Perhaps we can discuss this further at next week's NSROC meeting.

Kind regards



Cr Elaine Malicki
Mayor

Encl: Mayoral Minute MM2 – Amalgamation – 13 August 2013

Copy: Janine Ricketts, Acting Executive Director, NSROC

OFFICE OF THE MAYOR

Council Chambers

Telephone: 02 9424-0700 Fax: 02 9424-0202

ITEM 21 (continued)

ATTACHMENT 1

Ordinary Meeting of Council - 13 August 2013

MM.2 / 1

Item MM.2

S03288
12 August 2013

MAYORAL MINUTE

AMALGAMATION

On 25th June 2013 Councillors voted on responses to be sent to the Local Government Review Panel's discussion paper, "Future Directions for NSW Local Government".

One of the keystones to "Future Directions", and by far the most controversial, was structural reform, notably to promote a series of voluntary amalgamations between councils throughout the Sydney Metropolitan area. It was specifically suggested that Ku-ring-gai should consider merging with Hornsby Shire.

Council's submission, moved by Crs Anderson and Ossip and carried unanimously, contained many reasons for opposing amalgamation and supported the option of increased resource sharing across broad Local Government Regions. This is a model currently followed within NSROC, and increasing this co-operation for the benefit of our residents was a strong element of Council's submission.

The State Government maintains its position of no forced amalgamations. This was reinforced in a brief conversation I had with the Premier on ANZAC Day and by the Minister for Local Government at the NSROC annual conference on August 1, 2013.

Council needs to adopt a firm position on amalgamation and resource sharing to allow us to move forward in negotiating greater resource and service sharing with other members of our ROC.

In opposing the amalgamation model for Ku-ring-gai, council should acknowledge a range of comparative indicators.

Current performance of Ku-ring-gai Council

"If it's not broke, why fix it?" – this Council is in an excellent financial and strategic position as shown by the following:-

- Demonstrated strategic capacity (Group 1 Council for Planning & Reporting framework)
- Significant financial improvements (from financial watch list in 2000 to "strong and neutral" in recent T - Corp ratings, ranking us among the top 16 councils). There were also strong results for an independent asset review.
- A demonstrated ability to deliver major projects: eg: new depot, West Pymble Pool, SES / RFS headquarters, NTRA, Gordon Library
- Demonstrated ability to increase financial commitment to asset refurbishment works

20130813 - OMC - MM - 2013/207861/SB/1

ITEM 21 (continued)

ATTACHMENT 1

Ordinary Meeting of Council - 13 August 2013

MM.2 / 2

Item MM.2

S03288
12 August 2013

- Benchmarking comparisons of this Council show we are above average, with positive organizational reviews from both the Division of Local Government and Morrison Low.

Morrison Low stated "Relative to the scale of other like Councils, Ku-ring-gai delivers its range of services at lower operating costs, with fewer employees and at lower employee costs than the average."

And as you can see from the Bluett Award nomination our achievements over the last year are impressive.

Financial Analysis

The independent review by Morrison Low indicated that Council would not be financially advantaged by a merger with Hornsby. The report states that there would be reduced financial sustainability indicators when assessed using TCorp financial sustainability indicators in an amalgamated Council.

The only ratio that theoretically may be improved is related to infrastructure backlog, however there are questions throughout Local Government over the methodology used to arrive at these numbers. For example Hornsby Council reports an infrastructure backlog as a proportion of total assets that is almost 10 times lower than the average for Northern Sydney Councils and the State as a whole. It seems likely there is an inconsistency in this data.

While there are questions about infrastructure backlog data, what we do know for a fact is that Hornsby Council has almost double the amount of infrastructure assets to maintain. Hornsby has infrastructure assets valued at \$745 million compared to \$410 million for Ku-ring-gai, yet only has a 40% greater population, creating a significantly increased potential liability for Ku-ring-gai residents. The likely impact on Ku-ring-gai is exacerbated by our higher land values.

Higher land values mean that Ku-ring-gai residents would pay higher rates in an amalgamated Council than they do now. Rates are based on land value and because the residential land values in Ku-ring-gai are on average 55% higher than in Hornsby, the rates paid by Ku-ring-gai ratepayers would increase in an amalgamation with Hornsby. At the same time, the rates paid by Hornsby ratepayers would go down.

Depending on the rates structure adopted, the average increase for Ku-ring-gai residential properties is likely to be between 5% and 17% - potentially \$217 per year extra for many Ku-ring-gai ratepayers. This is an average figure, higher value properties would increase much more.

Hornsby has incurred large operating deficits in previous years, contrasting starkly against Ku-ring-gai Council's operating surpluses which it invests in infrastructure. Currently Hornsby has not published an up to date long term financial plan, however their 2011 Long Term Financial Plan shows continuing operating deficits for the next 10 years. Ku-ring-gai residents would be subsidising this in an amalgamation with Hornsby.

Despite covering a far larger physical area and with a population density far less than Ku-ring-gai's, Hornsby is spending \$4.5 million on roads compared to our \$8.9 million.

20130813 - OMC - MM - 2013/207861/SB/2

ITEM 21 (continued)

ATTACHMENT 1

Ordinary Meeting of Council - 13 August 2013

MM.2 / 3

Item MM.2

**S03288
12 August 2013**

Hornsby is spending \$1.6 million on parks, playgrounds and ovals, compared to Ku-ring-gai's \$6.1 million total on parks and sports fields this financial year.

Hornsby invests much less in capital expenditure than Ku-ring-gai – their Capital Expenditure ratio is only 0.58 compared to 3.21 for Ku-ring-gai. This means that Hornsby is not spending enough on its assets to even cover the annual depreciation. The capital funding currently spent in Ku-ring-gai could be redistributed to Hornsby in an amalgamation.

The Hornsby Quarry is another significant area of concern. A report to Hornsby Council in June 2013 identified the cost to remediate the quarry at up to \$200 million. Ku-ring-gai residents would be taking on a share in this liability in an amalgamated Council.

General Impacts

Ku-ring-gai residents would have less representation than Hornsby residents, meaning that the voice of our residents would not have the same weight. The largest council is to consist of 15 elected representatives, meaning a split based on current population numbers would result in a maximum of 6 Councillors for Ku-ring-gai as opposed to 9 for Hornsby. With the potential for the removal of wards this could be reduced even further, meaning that there would be a dilution of democracy in Ku-ring-gai, with residents receiving far less representation and attention than they currently receive.

With minority representation on an amalgamated council, and a geographically far smaller area, one must also question what proportion of overall money would be voted to our area.

This would directly impact the control over service delivery to the Ku-ring-gai area including the possible loss of facilities for local residents over time as services are centralised. It could include a greater distance to travel to administrative offices, community facilities, town halls and central library that would be likely to be rationalised.

The differing approach to development could see planning controls for Ku-ring-gai area determined by a majority of Councillors from Hornsby area

Bigger does not mean better! A \$130 m budget is more than sufficient.

The jury is out on the financial savings of amalgamations, some impacts to consider:

- One off costs
- Cost increases
- Rate increases
- Job loss
- Productivity loss
- Socio-economic issues

In the short term costs of amalgamations are significant, coupled with losses in productivity in an uncertain environment.

ITEM 21 (continued)

ATTACHMENT 1

Ordinary Meeting of Council - 13 August 2013

MM.2 / 4

Item MM.2

**S03288
12 August 2013**

There is no empirical evidence that amalgamation has been successful in other states or overseas. Costs have trended upwards post amalgamations and there have been many requests to "de-amalgamate".

The Local Government Review Panel offered no empirical evaluation of the recommended mergers of Councils. TCorp, despite undertaking a review of the financial viability of all NSW councils, made no recommendations at all regarding council mergers or the financial advantages or disadvantages of same.

The reality is that previous amalgamations have not met expectations nor improved financial sustainability.

Analysis by Professor Dollery of proposed merger of Manly, Pittwater and Warringah Councils suggests that the net effect from an amalgamation would represent deterioration to the existing financial sustainability ratios. This excludes the impact of the significant upfront and ongoing costs typically experienced by amalgamating local governments.

The way forward

Clearly there are few if any benefits to Ku-ring-gai residents from an amalgamation.

Council is sustainable, but we are committed to continuous improvement. This improvement can be achieved through increases in strategic capacity. Already Council participates in the resource sharing arrangements with NSROC in the following areas:

1. Road making materials contracts
2. Stationery tenders
3. Waste and recycling disposal
4. Recycling co-ordination
5. Professional officer groups
6. Traffic and transport studies

This can be enhanced most effectively through further resource sharing and stronger alliances with neighbouring Councils. This is the future direction in which Local Government must head and it is the model preferred by the majority of councils in NSROC.

The recent NSROC conference explored many of the issues associated with resource sharing and regional alliances. NSROC has been successful in implementing shared internal audit services, and Randwick Council now offers payroll services for other Council and local businesses. These and many other opportunities will be explored in our region, including but not limited to the possibility of sharing training programmes, information technology, after hours services and call centres.

RECOMMENDATION:

- A. That Council not proceed with discussions on amalgamation as the disadvantages for Ku-ring-gai residents far outweigh any perceived advantages.
- B. That we encourage and participate with NSROC in investigating opportunities to increase the

20130813 - OMC - MM - 2013/207861/SB/4

ITEM 21 (continued)

ATTACHMENT 1

Ordinary Meeting of Council - 13 August 2013

MM.2 / 5

Item MM.2

S03288
12 August 2013

range of resource and services sharing.

Elaine Malicki
Mayor

Attachments:	A1	NSROC Conference Notes - 1 August 2013	2013/205158
	A2	Analysis information by B Dollery - NSROC Conference 01/08/2013 - amalgamations	2013/207873
	A3	Comparative Budget Items 2013/2014	2013/208740
	A4	Table Key Proposals and Options	2013/208741